

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

Incorporated in the British Virgin Islands with limited liability

Stock Code: 2156

Listing by Introduction

Sole Sponsor



IMPORTANT

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

C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(incorporated in the British Virgin Islands with limited liability)

(Stock code: 2156)

LISTING BY WAY OF INTRODUCTION OF ALL THE ISSUED SHARES OF THE COMPANY ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor



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This listing document is published in connection with the Listing and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to our Group.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, shares or other securities of our Company, nor have any such shares or other securities been allotted or issued with a view to any of them being offered for sale to, or subscription by, the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

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Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into the United States, the PRC or any other jurisdiction where such release or distribution might be unlawful.

Your attention is drawn to the section headed "Risk Factors" in this listing document. Information regarding dealings and settlement of dealings in the Shares following completion of the Spin-off is set out in the section headed "CDI Distribution and the Spin-off" in this listing document.

EXPECTED TIMETABLE^(NOTE 1)

Last day of dealings in CDI Shares on a cum entitlement basis Thursday, 24 December 2020

First day of dealings in CDI Shares on an ex entitlement basis Monday, 28 December 2020

Latest time for lodging transfers of CDI Shares to qualify for
entitlement to the CDI Distribution 4:30 p.m. on
Tuesday, 29 December 2020

Record Date Tuesday, 29 December 2020

Share certificates for the Shares to be despatched on^(Note 2) Wednesday, 30 December 2020

Dealings in the Shares on the Stock Exchange expected to
commence at^(Note 2) 9:00 a.m. on
Thursday, 31 December 2020

Notes:

1. All dates and times refer to Hong Kong dates and times, unless otherwise stated. If there is any change in the expected timetable or if the Listing does not proceed, our Company will make an announcement as soon as practicable thereafter.
2. The Share certificates are expected to be despatched to the Qualifying CDI Shareholders by ordinary post at their own risk on Wednesday, 30 December 2020. If the CDI Distribution does not become unconditional, the Share certificates will not become valid and dealings in the Shares on the Stock Exchange will not commence on Thursday, 31 December 2020. Any persons who deal in the Shares prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

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IMPORTANT NOTICE

We have not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not contained in this listing document must not be relied on by you as having been authorised by us, CDI, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off.

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SUMMARY

This summary aims to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this listing document. You should read the whole listing document including the appendices hereto, which constitute an integral part of this listing document.

THE SPIN-OFF AND CDI DISTRIBUTION

We are a property management services provider deeply cultivating in the Fujian Province. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%^(Note). Before completion of the Spin-off, our Company was a subsidiary of Xiamen C&D and CDI. Xiamen C&D is a state-owned company under the supervision of Xiamen SASAC and its principal business is supply chain operation, real estate development, tourism & hotels, exhibitions, medical & health care, urban public services, investment etc.. CDI is principally engaged in the businesses of real estate development, real estate industry chain investment services and investment in emerging industries in the PRC. Immediately upon completion of the Spin-off, our Company will cease to be a subsidiary of CDI and will remain as an indirect subsidiary of Xiamen C&D. During the Track Record Period, revenue in the sum of RMB297.5 million, RMB348.1 million, RMB365.3 million and RMB177.7 million was generated from property projects developed by the Remaining Xiamen C&D Group, representing 66.5%, 57.2%, 45.6% and 39.3% of our total revenue, respectively. During the Track Record Period, revenue in the sum of RMB29.2 million, RMB86.3 million, RMB174.9 million and RMB125.9 million was generated from property projects developed by the Remaining CDI Group, representing 6.6%, 14.2%, 21.8% and 27.8% of our total revenue, respectively.

We have entered into certain agreements with our connected persons (being Xiamen C&D, C&D Real Estate and/or CDI), and the transactions contemplated thereunder are expected to continue and will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules upon Listing. On 23 December 2020, we entered into a business framework agreement with C&D Real Estate and CDI, pursuant to which our Group and our joint ventures agreed to provide certain services to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group (excluding our joint ventures). For each of the three years ending 31 December 2022, it is expected that the aggregate annual caps of the revenue receivable by us under the business framework agreement are RMB370.0 million, RMB440.0 million and RMB550.0 million, respectively. For details, please refer to the section headed "Continuing Connected Transactions" in this listing document.

Our Group's reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group is expected to continue going forward with reference to the abovementioned continuing connected transactions. Certain measures have been adopted by our Group to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group. We continue to enriching the external expansion channels for our property management services, with a focus on market bidding and establishing associates. During the Track Record Period, we have been taking various measures to diversify our community value-added and synergy services and expand our Independent Third Party clientele and we obtained new business opportunities with Independent Third Parties for our value-added services to non-property owners through new engagement with Independent Third Party property developers for our property management services. For details of relevant measures, please refer to the paragraph headed "Business — Our Customers" in this listing document. Based on such measures, together with (i) the number of contracted projects entered into with Independent Third Party property developers representing 51.0% of the total contracted projects of our Group as at 30 June 2020 and our Group's newly acquired contracted projects entered into with Independent Third Party property developers for the six months ended 30 June 2020 representing 37.9% of the total contracted projects acquired by our Group for the same period; and (ii) the increasing contribution to our Group's revenue derived from property projects developed by Independent Third Parties for each of property management services and value-added services to non-property owners during the Track Record Period (being 18.4%, 22.2%, 24.1% and 25.3%, respectively for property management services and 1.4%, 1.6%, 3.0% and 3.0%, respectively for value-added services to non-property owners for each of the three years ended 31 December 2019 and the six months ended 30 June 2020), our Directors consider that the measures are realistic and effective under the circumstances. Taking into account (i) our Directors' view and the basis above; and (ii) the discussions with our Company's management in relation to our Group's relevant measures and the results achieved by our Group during the Track Record Period as disclosed above, the Sole Sponsor concurs with our Directors' view that these measures are realistic and effective.

Note: The market shares of other four top five property management companies in the Fujian Province in terms of GFA under management in 2019 were over 7.0%, nearly 3.0%, nearly 3.0% and over 0.9%, respectively. For details, please refer to the paragraph headed "Industry Overview — Competition — Competitive landscape" in this listing document.

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On 23 December 2020, the CDI Board declared the CDI Distribution to the Qualifying CDI Shareholders. The CDI Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying CDI Shareholders of an aggregate of 1,176,711,106 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in CDI as at the Record Date. Pursuant to the CDI Distribution, the Qualifying CDI Shareholders will be entitled to one Share for every one CDI Share held as at the Record Date. The CDI Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If this condition is not satisfied, the CDI Distribution will not be made and the Spin-off will not take place. The Spin-off will be implemented by way of a distribution alone, which will not constitute a transaction of CDI under Chapter 14 of the Listing Rules and accordingly, CDI is not required to comply with the notification or shareholders' approval requirements under Chapter 14 of the Listing Rules.

OVERVIEW

We are a property management services provider deeply cultivating in the Fujian Province. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. According to China Index Academy, the GFA under management in the Fujian Province increased to 870 million sq.m. in 2019, representing 3.6% of the total GFA under management in the PRC. We are an important indirect subsidiary of Xiamen C&D, a large scale conglomerate being a Fortune Global 500 Company, which is owned and supervised by Xiamen SASAC in the PRC. Through upholding our service philosophy of "exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)" and our commitment to becoming "a first class urban service operator in the PRC (國內一流的城市空間運營服務商)" in delivering our services, we envisage to become an outstanding property management services provider in the PRC. We are headquartered in Xiamen, Fujian Province, the PRC. As at the Latest Practicable Date, we had 66 project companies (including subsidiaries, joint ventures and branch offices) across 12 province(s), municipality(ies) and autonomous region(s) in the PRC.

During the Track Record Period and up to the Latest Practicable Date, our three main business lines, namely, (i) property management services, (ii) community value-added and synergy services, and (iii) value-added services to non-property owners, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

The table below sets out the breakdown of our revenue by business lines for the year/period 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	%
	(Unaudited)									
Property management services	302,776	67.7	400,049	65.7	486,314	60.7	228,596	65.8	281,935	62.3
Community value-added and synergy services	52,215	11.7	56,614	9.3	80,221	10.0	30,154	8.7	42,403	9.4
Value-added services to non-property owners	92,060	20.6	151,955	25.0	234,795	29.3	88,487	25.5	127,827	28.3
Total	447,051	100.0	608,618	100.0	801,330	100.0	347,237	100.0	452,165	100.0

The table below sets out the breakdown of our gross profit and gross profit margin by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
	(Unaudited)									
Property management services	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5
Community value-added and synergy services	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3
Value-added services to non-property owners	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8
Total	116,996	26.2	140,891	23.1	183,397	22.9	84,086	24.2	109,758	24.3

SUMMARY

The table below sets out the breakdown of our revenue generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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>									
Revenue of property management services generated from:										
— The Remaining CDI Group	—	—	797	0.1	3,301	0.4	1,174	0.3	3,503	0.7
— The Remaining Xiamen C&D Group	51,461	11.5	50,638	8.3	47,472	5.9	21,237	6.1	17,985	4.0
— Independent Third Parties	251,315	56.2	348,614	57.3	435,541	54.4	206,185	59.4	260,447	57.6
Sub-total	302,776	67.7	400,049	65.7	486,314	60.7	228,596	65.8	281,935	62.3
Revenue of community value-added and synergy services generated from:										
— The Remaining CDI Group	431	0.1	1,765	0.3	1,196	0.1	442	0.1	1,162	0.3
— The Remaining Xiamen C&D Group	5,903	1.3	4,182	0.7	2,982	0.4	443	0.1	1,244	0.3
— Independent Third Parties	45,881	10.3	50,667	8.3	76,043	9.5	29,269	8.5	39,997	8.8
Sub-total	52,215	11.7	56,614	9.3	80,221	10.0	30,154	8.7	42,403	9.4
Revenue of value-added services to non-property owners generated from:										
— The Remaining CDI Group	26,109	5.9	70,975	11.7	124,919	15.6	47,911	13.8	90,099	19.9
— The Remaining Xiamen C&D Group	57,783	12.9	58,678	9.6	74,873	9.3	32,542	9.4	23,425	5.2
— Independent Third Parties	8,168	1.8	22,302	3.7	35,003	4.4	8,034	2.3	14,303	3.2
Sub-total	92,060	20.6	151,955	25.0	234,795	29.3	88,487	25.5	127,827	28.3
Total	447,051	100.0	608,618	100.0	801,330	100.0	347,237	100.0	452,165	100.0

The table below sets out the breakdown of our gross profit and gross profit margin generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
The Remaining CDI Group	3,391	12.8	11,052	15.0	15,946	12.3	7,591	15.3	15,280	16.1
The Remaining Xiamen C&D Group	20,580	17.9	21,487	18.9	21,896	17.5	9,938	18.3	8,675	20.3
Independent Third Parties	93,025	30.5	108,352	25.7	145,555	26.6	66,557	27.3	85,803	27.3
Total	116,996	26.2	140,891	23.1	183,397	22.9	84,086	24.2	109,758	24.3

The table below sets out our revenue derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
Revenue derived from property projects developed by:										
— The Remaining CDI Group ^(Note 1)	29,227	6.6	86,309	14.3	174,855	21.8	125,891	27.8		
— The Remaining Xiamen C&D Group ^(Note 2)	297,477	66.5	348,110	57.2	365,269	45.5	177,717	39.4		
— Independent Third Parties ^(Note 3)	120,347	26.9	174,199	28.5	261,206	32.7	148,557	32.8		
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0		

Notes:

1. Refer to properties developed by CDI, its subsidiaries (excluding our Group, our associates and joint ventures), associates and joint ventures of CDI.

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2. Refer to properties developed by Xiamen C&D and its subsidiaries and the associates and joint ventures of Xiamen C&D (excluding the Remaining CDI Group, our Group, our associates and joint ventures and the Lianfa Group).
3. Refer to properties solely developed by Independent Third Party property developers.

The table below sets out our gross profit and gross profit margin derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	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	%
The Remaining CDI Group	3,479	11.9	14,681	17.0	27,912	16.0	25,616	20.3
The Remaining Xiamen C&D Group	64,194	21.6	78,605	22.6	86,805	23.8	43,845	24.7
Independent Third Parties	49,323	41.0	47,605	27.3	68,680	26.3	40,297	27.1
Total	116,996	26.2	140,891	23.1	183,397	22.9	109,758	24.3

The table below sets out the breakdown of our revenue derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue of property management services derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	2,164	0.5	9,032	1.5	31,739	4.0	31,760	7.0
— The Remaining Xiamen C&D Group ^(Note 2)	218,208	48.8	255,643	42.0	261,563	32.6	135,236	30.0
— Independent Third Parties ^(Note 3)	82,404	18.4	135,374	22.2	193,012	24.1	114,939	25.3
Sub-total	302,776	67.7	400,049	65.7	486,314	60.7	281,935	62.3
Revenue of community value-added and synergy services derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	394	0.1	1,585	0.3	4,147	0.5	4,993	1.1
— The Remaining Xiamen C&D Group ^(Note 2)	20,032	4.5	25,925	4.3	31,647	3.9	17,304	3.8
— Independent Third Parties ^(Note 3)	31,789	7.1	29,104	4.7	44,427	5.6	20,106	4.5
Sub-total	52,215	11.7	56,614	9.3	80,221	10.0	42,403	9.4
Revenue of value-added services to non-property owners derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	26,669	6.0	75,692	12.5	138,969	17.3	89,138	19.7
— The Remaining Xiamen C&D Group ^(Note 2)	59,237	13.2	66,542	10.9	72,059	9.0	25,177	5.6
— Independent Third Parties ^(Note 3)	6,154	1.4	9,721	1.6	23,767	3.0	13,512	3.0
Sub-total	92,060	20.6	151,955	25.0	234,795	29.3	127,827	28.3
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0

Notes:

1. Refer to properties developed by CDI, its subsidiaries (excluding our Group, our associates and joint ventures), associates and joint ventures of CDI.
2. Refer to properties developed by Xiamen C&D and its subsidiaries and the associates and joint ventures of Xiamen C&D (excluding the Remaining CDI Group, our Group, our associates and joint ventures and the Lianfa Group).
3. Refer to properties solely developed by Independent Third Party property developers.

Property management services

We provide a range of property management services to property owners and residents of our managed properties, as well as property developers, including, among other things, greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance

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services for public facilities, etc., with a focus on residential properties. Our property management portfolio also covers non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals, schools and parks, etc.. We charge property management fees for property management services primarily on a lump sum basis, with a comparatively lesser amount of total revenue charged on a commission basis. We have a large property management portfolio covering more than 24 cities across 10 province(s), municipality(ies) and autonomous region(s) in the PRC, with a total contracted GFA reaching 39.6 million sq.m. as at 30 June 2020. We managed 203 projects in the PRC and provided property management services to 137,000 property units with an aggregate GFA under management of 21.7 million sq.m. as at 30 June 2020.

The table below sets out the breakdown of our revenue of property management services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
(Unaudited)										
Revenue of property management services generated from:										
— The Remaining CDI Group	—	—	797	0.2	3,301	0.7	1,174	0.5	3,503	1.2
— The Remaining Xiamen C&D Group	51,461	17.0	50,638	12.7	47,472	9.8	21,237	9.3	17,985	6.4
— Independent Third Parties	251,315	83.0	348,614	87.1	435,541	89.5	206,185	90.2	260,447	92.4
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

The table below sets out the gross profit and gross profit margin of our property management services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
(Unaudited)										
The Remaining CDI Group	—	—	230	28.9	967	29.3	344	29.3	1,262	36.0
The Remaining Xiamen C&D Group	10,906	21.2	10,700	21.1	11,276	23.8	5,044	23.8	4,739	26.3
Independent Third Parties	67,352	26.8	79,934	22.9	107,053	24.6	50,879	24.7	63,063	24.2
Total	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5

The gross profit margin of our property management services decreased from 25.8% for the year ended 31 December 2017 to 22.7% for the year ended 31 December 2018, primarily due to the increase of our managed properties developed by Independent Third Parties, which were generally existing or dated properties charged at a relatively lower property management fee, and certain of our newly managed properties for the year ended 31 December 2018, including hospital, required extra initial staff costs. The gross profit margin of our property management services increased from 22.7% for the year ended 31 December 2018 to 24.5% for the year ended 31 December 2019, mainly attributable to the increase of property management services projects with high gross profit margin. The gross profit margin of our property management services remained stable for the six months ended 30 June 2019 and 2020, amounting to 24.6% and 24.5%, respectively. For details, please refer to the paragraph headed “Financial Information — Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income — Gross profit and gross profit margin — Gross profit and gross profit margin from property management services” in this listing document.

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The table below sets out our overall Average Monthly Property Management Fee of the properties under our management by developer type for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	RMB per sq.m.	RMB per sq.m.	RMB per sq.m.	RMB per sq.m.
Average Monthly Property Management Fee:				
— The Remaining CDI Group	2.59	2.42	2.39	2.58
— The Remaining Xiamen C&D Group	2.97	2.98	2.95	2.90
— Independent Third Parties	2.21	2.42	2.51	2.48
Overall Average Monthly Property Management Fee	2.70	2.71	2.71	2.69

During the Track Record Period, our Average Monthly Property Management Fees charged for properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group were generally higher than those developed by Independent Third Party property developers mainly because (i) the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group were mainly new properties and located in the tier-one cities and tier-two cities of the PRC and we usually charged a higher property management fee for these customers; and (ii) the properties developed by Independent Third Party property developers were generally existing or dated properties and often included public and government facilities (mainly including parks and schools) and we usually charged a lower property management fee for these projects. For details, please refer to the paragraph headed “Business — Property Management Services — Property management fees — Pricing” in this listing document.

The table below sets out the breakdown of the revenue from our property management services by type of property for the year/period 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	%
							(Unaudited)			
Residential properties	229,170	75.7	289,356	72.3	348,203	71.6	165,214	72.3	209,044	74.1
Non-residential properties	73,606	24.3	110,693	27.7	138,111	28.4	63,382	27.7	72,891	25.9
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

The table below sets out our (i) contracted GFA; (ii) GFA under management; (iii) undelivered GFA; (iv) average GFA under management per project; and (v) number of property management projects for GFA under management as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Residential properties				
Contracted GFA ^(Note 1) ('000 sq.m.)	16,179	23,731	31,511	36,300
GFA under management ('000 sq.m.)	11,981	14,218	17,927	18,824
Undelivered GFA ^(Note 2) ('000 sq.m.)	4,198	9,513	13,584	17,476
Average GFA under management per project ('000 sq.m.)	144	145	145	144
Number of property management projects for GFA under management	83	98	124	131

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	As at 31 December			As at 30 June
	2017	2018	2019	2020
Non-residential properties				
Contracted GFA ^(Note 1) ('000 sq.m.)	4,153	4,666	3,176	3,290
GFA under management ('000 sq.m.)	3,824	4,542	2,745 ^(Note 3)	2,827
Undelivered GFA ^(Note 2) ('000 sq.m.)	329	124	431	463
Average GFA under management per project ('000 sq.m.)	153	134	39	39
Number of property management projects for GFA under management	25	34	71	72
Total				
Contracted GFA ^(Note 1) ('000 sq.m.)	20,332	28,397	34,687	39,590
GFA under management ('000 sq.m.)	15,805	18,760	20,672	21,651
Undelivered GFA ^(Note 2) ('000 sq.m.)	4,527	9,637	14,015	17,939
Average GFA under management per project ('000 sq.m.)	146	142	106	107
Number of property management projects for GFA under management	108	132	195	203

Notes:

1. Contracted GFA refers to the total GFA managed and the total GFA to be managed by our Group under signed property management services contracts.
2. Calculated as the difference between contracted GFA and GFA under management as at the dates indicated.
3. The decrease in the GFA under our management of non-residential properties for the year ended 31 December 2019 was mainly due to the expiration of the property management services contracts under which our Group had provided services to certain parks located in Xiamen with an aggregate GFA under management of approximately 2.4 million sq.m..

The table below sets out the breakdown of the GFA of the properties under our management developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		2020	
	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%
The Remaining CDI Group	234	1.5	1,077	5.7	2,403	11.6	1,810	10.1	2,876	13.3
The Remaining Xiamen C&D Group	10,394	65.7	10,462	55.8	8,837	42.8	8,290	46.3	9,169	42.4
Independent Third Parties	5,177	32.8	7,221	38.5	9,432	45.6	7,807	43.6	9,606 ^(Note)	44.3
Total	15,805	100.0	18,760	100.0	20,672	100.0	17,907	100.0	21,651	100.0

Note: It included the Yibai Centre operated by our Group.

The table below sets out the breakdown of the number of projects under our management developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		2020	
		%		%		%		%		%
The Remaining CDI Group	2	1.9	8	6.0	17	8.7	10	7.2	20	9.8
The Remaining Xiamen C&D Group	63	58.3	64	48.5	69	35.4	65	46.4	69	34.0
Independent Third Parties	43	39.8	60	45.5	109	55.9	65	46.4	114 ^(Note)	56.2
Total	108	100.0	132	100.0	195	100.0	140	100.0	203	100.0

Note: It included the Yibai Centre operated by our Group.

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The table below sets out the breakdown of the revenue from our property management services by revenue model for the year/period 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 (Unaudited)	%	RMB'000	%
Lump sum basis	274,025	90.5	367,719	91.9	456,286	93.8	214,070	93.6	266,530	94.5
Commission basis	28,751	9.5	32,330	8.1	30,028	6.2	14,526	6.4	15,405	5.5
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

For our property management services, we adopt two revenue models under which we charge property management fees on a lump sum basis or commission basis. On the lump sum basis, we generally charge a pre-determined property management fee per sq.m. of GFA under management on a monthly basis, which represents “all-inclusive” fees for all of the property management services provided by us with respect to the managed property. On the other hand, on the commission basis, we recognise as revenue a pre-determined property management commission fee generally representing a fixed percentage of the property management fees payable by property owners and residents and property developers, or expenses incurred in connection with providing such services. During the Track Record Period, we derived revenue from a limited number of property management services contracts on a commission basis. During the Track Record Period and as at the Latest Practicable Date, substantially all of our property management fees were charged on the lump sum basis with the remainder charged on the commission basis. The determination of the use of the lump sum basis or commission basis is based on our business model of different business types and arm’s length negotiation with our customers.

The table below sets out the breakdown of our revenue from our property management services by geographic region for the year/period 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 (Unaudited)	%	RMB'000	%
Haixi	172,358	57.0	226,017	56.4	287,989	59.2	136,953	59.9	165,195	58.6
South-eastern China	48,006	15.8	66,057	16.6	75,898	15.6	32,876	14.4	44,155	15.7
Eastern China	36,737	12.1	49,161	12.3	56,449	11.6	27,278	12.0	37,824	13.4
Central China	45,675	15.1	58,814	14.7	65,978	13.6	31,489	13.7	34,761	12.3
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

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

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		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
Haixi	10,097	71	12,406	88	12,259	137	10,534	94	12,477	144
South-eastern China	2,853	16	2,992	19	4,280	27	3,706	21	4,389	27
Eastern China	840	10	1,216	12	1,942	16	1,669	13	2,375	18
Central China	2,015	11	2,146	13	2,191	15	1,998	12	2,410	14
Total	15,805	108	18,760	132	20,672	195	17,907	140	21,651	203

During the Track Record Period, we provided property management services to the Remaining Xiamen C&D Group, the Remaining CDI Group and Independent Third Party property developers. During the Track Record Period, our tender success rates with respect to properties developed by the Remaining CDI Group were 100%, 100%, 100% and 100%, respectively; our tender success rates with respect to properties developed by the Remaining Xiamen C&D Group were 100%, 100%, N/A and 100%, respectively; and our tender success rates with respect to properties developed by Independent Third Party property developers were 31.3%, 50.0%, 63.6% and 55.0%, respectively. Our Directors believe that our Group was able to maintain a tender success rate of 100% for properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group during the Track Record Period,

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mainly due to (i) our Group's ability to understand and satisfy the business needs of the Remaining Xiamen C&D Group and the Remaining CDI Group; and (ii) the satisfactory services provided by us in relation to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. Due to the expansion of our business scale, we progressively increased our participation in tender bids for property management projects initiated by Independent Third Party property developers. The increase of our tender success rate from 2017 to 2019 was mainly because we participated in more tender and bidding processes in an effort to obtain more engagements for the management of properties developed by Independent Third Party property developers. For details, please refer to the paragraph headed "Business — Property Management Services — Growth of our property management services portfolio" in this listing document.

The table below sets out the expiration schedule of our property management services contracts of residential communities and non-residential properties which were effective as at 30 June 2020:

	<u>Contracted GFA</u>		<u>Number of contracts</u>	
	<u>'000 sq.m.</u>	<u>%</u>		<u>%</u>
Property management services contracts where no fixed term is stated and will be effective until the formation of the property owners' association ^(Note 1)	8,697	22.0	54	18.5
Property management services contracts where the original fixed term has expired, and the services contracts contain provisions that automatically extend the term of services contracts until the formation of the property owners' association ^(Note 2)	1,348	3.4	6	2.1
Property management services contracts with fixed term expiring in				
Year ending 31 December 2020	3,224	8.1	30	10.3
Year ending 31 December 2021	6,397	16.2	48	16.4
Year ending 31 December 2022	8,668	21.9	89	30.5
Year ending 31 December 2023	4,248	10.7	29	9.9
Beyond 31 December 2023	7,008	17.7	36	12.3
Sub-total	29,545	74.6	232	79.4
Total	39,590	100.0	292	100.0

Notes:

- Property management services contracts without fixed term mainly refer to the preliminary property management services contracts entered into with property developers. Such contracts do not have fixed term and may be terminated upon the establishment of property owners' associations and new property management services contracts being entered into and becoming effective.
- Generally, for our property management services contracts with a fixed term, the term of these services contracts will automatically be extended until the formation of the property owners' association. We continued to provide services under these property management services contracts despite of their expired contract term as at 30 June 2020. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened to renew our property management services contracts or to select a replacement property management services provider. As advised by our PRC Legal Advisers, we are entitled to receive the property management fees for the continued services we provide for such property management services contracts beyond contract expiration. We have successfully renewed 100.0%, 100.0%, 100.0% and N/A of the property management services contracts, in which the relevant property owners' associations were newly formed during the relevant year and, as a result, such contracts were subject to renewal during the Track Record Period. The number of renewed property management services contracts was two, two, two and nil, respectively, during the Track Record Period. According to our past renewed property management services contracts, if the property management services contracts are renewed with the newly formed property owners' associations, the level of fees charged would not be lower than the original fee level and the scope of services would not be substantially changed.

Community value-added and synergy services

We mainly provide a wide array of community value-added and synergy services, either by ourselves or third-party sub-contractors or service companies, which mainly include: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances

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installation, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of the Yibai Centre; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application “Huishenghuo* (慧生活)”.

The table below sets out the breakdown of our revenue of community value-added and synergy services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
	(Unaudited)									
Revenue of community value-added and synergy services generated from:										
— The Remaining CDI Group	431	0.8	1,765	3.1	1,196	1.5	442	1.4	1,162	2.7
— The Remaining Xiamen C&D Group	5,903	11.3	4,182	7.4	2,982	3.7	443	1.5	1,244	2.9
— Independent Third Parties	45,881	87.9	50,667	89.5	76,043	94.8	29,269	97.1	39,997	94.4
Total	52,215	100.0	56,614	100.0	80,221	100.0	30,154	100.0	42,403	100.0

The table below sets out the gross profit and gross profit margin of our community value-added and synergy services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
	(Unaudited)									
The Remaining CDI Group	199	46.2	424	24.0 ^(Note)	402	33.6	100	22.6	448	38.6
The Remaining Xiamen C&D Group	2,906	49.2	1,838	44.0	1,431	48.0	156	35.2	509	40.9
Independent Third Parties	24,516	53.4	25,344	50.0	33,991	44.7	14,625	50.0	20,777	51.9
Total	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3

Note: Given the base of the revenue derived from the community value-added and synergy services was relatively small, the gross profit was relatively sensitive to the fluctuation of the cost, and thus the fluctuation was relatively large.

Value-added services to non-property owners

We mainly provide (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

The table below sets out the breakdown of our revenue of value-added services to non-property owners generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
	(Unaudited)									
Revenue of value-added services to non-property owners generated from:										
— The Remaining CDI Group	26,109	28.4	70,975	46.7	124,919	53.2	47,911	54.1	90,099	70.5
— The Remaining Xiamen C&D Group	57,783	62.7	58,678	38.6	74,873	31.9	32,542	36.8	23,425	18.3
— Independent Third Parties	8,168	8.9	22,302	14.7	35,003	14.9	8,034	9.1	14,303	11.2
Total	92,060	100.0	151,955	100.0	234,795	100.0	88,487	100.0	127,827	100.0

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The table below sets out the gross profit and gross profit margin of our value-added services to non-property owners generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
	(Unaudited)									
The Remaining CDI Group	3,192	12.2	10,398	14.7	14,577	11.7	7,147	14.9	13,570	15.1
The Remaining Xiamen C&D Group	6,768	11.7	8,949	15.3	9,189	12.3	4,738	14.6	3,427	14.6
Independent Third Parties	1,157	14.2	3,074	13.8	4,511	12.9	1,053	13.1	1,963	13.7
Total	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8

COMPETITIVE STRENGTHS

Our Directors believe that we have the following major strengths to compete in the property management industry in the PRC: (i) well established property management services provider with state-owned background in the PRC with strong brand recognition and a large property management portfolio; (ii) strong leverage on the large project portfolio and landbank of C&D Real Estate and CDI as well as diversified types of properties managed by Xiamen C&D leading to highly visible and sustainable growth opportunities; (iii) deeply cultivated in the Fujian Province with a focus on the core cities of the Yangtze River Delta and gradually expanding across the country; (iv) an industry player in the management of service quality with consistent high-level service standards; (v) wide sources of revenue generated from our diversified property management portfolio and service offerings; (vi) focus on service specialisation, procedure standardisation and operation automation with our smart property management systems; and (vii) experienced and professional management team supported by an effective human resources system. For details, please refer to the paragraph headed “Business — Competitive Strengths” in this listing document.

BUSINESS STRATEGIES

To create long-term shareholder value, our principal business strategies are to: (i) further expand the scale of our property management services business through multiple channels; (ii) continue to deliver a diverse range of high-quality and in-depth value-added services; (iii) further enhance our standard and automated operations with upgraded information technology and smart management to maximise cost efficiency and enhance service standard; and (iv) continue to improve our human resources training and incentive system to support the sustainable growth of our business. For details, please refer to the paragraph headed “Business — Business Strategies” in this listing document.

OUR CUSTOMERS

During the Track Record Period, we had a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management services and community value-added and synergy services; and (ii) property developers for our property management services and value-added services to non-property owners. During the Track Record Period, our single largest customer was Xiamen C&D and its associates and we provided property management services, community value-added and synergy services and value-added services to non-property owners to Xiamen C&D and its associates. During the Track Record Period, the revenue from our single largest customer amounted to RMB141.7 million, RMB187.0 million, RMB254.7 million and RMB137.4 million, respectively, representing 31.7%, 30.7%, 31.8% and 30.4% of our total revenue, respectively. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the revenue from our five largest customers amounted to RMB160.4 million, RMB211.1 million, RMB290.6 million and RMB154.5 million, respectively, representing 35.9%, 34.7%, 36.3% and 34.2% of our total revenue, respectively. Save for Xiamen C&D and its associates, all of our five largest customers were Independent Third Parties during the Track Record Period and up to the Latest Practicable Date. For details, please refer to the paragraph headed “Business — Our Customers” in this listing document.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included sub-contractors providing security services, cleaning, pest control, greening and maintaining services. During the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers were Independent Third Parties, and

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most of our five largest suppliers were sub-contractors of our property management services. During the Track Record Period, purchases from our single largest supplier, which provided cleaning services to the properties we managed, amounted to RMB8.9 million, RMB11.1 million, RMB14.6 million and RMB9.3 million, respectively, representing 8.6%, 7.3%, 6.8% and 8.0% of our total cost of sales (excluding staff costs), respectively. During the Track Record Period, purchases from our five largest suppliers amounted to an aggregate of RMB22.0 million, RMB28.0 million, RMB32.6 million and RMB22.4 million, respectively, representing 21.2%, 18.5%, 15.2% and 19.4% of our total cost of sales (excluding staff costs), respectively. For details, please refer to the paragraph headed “Business — Our Suppliers” in this listing document.

COMPETITION

The property management industry in the PRC is fragmented and competitive with 130,000 property management companies operating in the industry in 2019, according to China Index Academy. As a reputable player with a large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC. Our value-added services compete against other property management companies as well as the relevant industry participants providing similar services. We are a property management services provider deeply cultivating in the Fujian Province. Our Company’s market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. We were ranked the 36th by China Index Academy in 2019 among the Top 100 Property Management Companies in the PRC in terms of overall strength. Since 2017, we have been ranked by China Index Academy within the top 50 among the Top 100 Property Management Companies in the PRC in terms of overall strength. For details, please refer to the paragraph headed “Business — Competition” in this listing document.

OUR RELIANCE ON THE REMAINING XIAMEN C&D GROUP AND THE REMAINING CDI GROUP

During the Track Record Period, a majority of our revenue was derived from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. However, the revenue generated from the Remaining Xiamen C&D Group and the Remaining CDI Group exhibited a general decreasing trend during the Track Record Period. Certain measures have been adopted by our Group to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group. We continue to enriching the external expansion channels for our property management services, with a focus on market bidding and establishing associates. During the Track Record Period, we have been taking various measures to diversify our community value-added and synergy services and expand our Independent Third Party clientele and we obtained new business opportunities with Independent Third Parties for our value-added services to non property owners through new engagement with Independent Third Party property developers for our property management services. For details of relevant measures, please refer to the paragraph headed “Business — Our Customers” in this listing document.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The tables below set out the summary of our consolidated financial information for the year/period indicated and should be read together with the consolidated financial information in the section headed “Accountant’s Report” in Appendix I to this listing document, including the accompanying notes, and the information set out in the section headed “Financial Information” in this listing document.

Summary of our consolidated statements of profit or loss and other comprehensive income

The table below sets out our selected consolidated statements of profit or loss and other comprehensive income for the year/period 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 (Unaudited)	RMB'000
Revenue	447,051	608,618	801,330	347,237	452,165
Gross profit	116,996	140,891	183,397	84,086	109,758
Profit before income tax	44,273	66,451	93,663	41,937	86,411
Profit for the year/period	32,459	48,483	68,285	30,232	61,471

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	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
				(Unaudited)	
Profit attributable to:					
— Equity holders of the Company	30,750	47,835	68,181	30,233	61,011
— Non-controlling interests	1,709	648	104	(1)	460
	<u>32,459</u>	<u>48,483</u>	<u>68,285</u>	<u>30,232</u>	<u>61,471</u>

During the Track Record Period, we recorded continuous increase in our revenue, which was mainly driven by the increase in the total GFA under our management and number of property management projects as a result of our business expansion. In addition, we recorded continuous increase in our gross profit during the Track Record Period, primarily due to our business expansion. For detailed discussion of our Group's financial performance during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income" in this listing document.

Summary of our consolidated statements of financial position

The table below sets out selected items of our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	39,052	46,897	70,352	98,513
Current assets	1,558,061	1,393,007	1,482,708	1,965,687
Current liabilities	315,816	353,627	466,667	793,564
Net current assets	1,242,245	1,039,380	1,016,041	1,172,123
Non-current liabilities	1,230,417	1,027,200	908,969	922,040
Net assets	<u>50,880</u>	<u>59,077</u>	<u>177,424</u>	<u>348,596</u>
Equity attributable to the equity holders of the Company	46,992	59,077	176,320	347,032
Non-controlling interests	3,888	—	1,104	1,564
Total equity	<u>50,880</u>	<u>59,077</u>	<u>177,424</u>	<u>348,596</u>

In December 2017, Yijiayuan issued the ABS with the principal amount of RMB1,250 million, bearing effective interest rate ranging from 5.93% to 6.64% per annum and being repayable in July 2026, which was backed by the account receivables for the balance payments of property management fees to be received by Yijiayuan. The rationale for the issuance of the ABS was to enlarge the financing channels and obtain low-cost funds for the Remaining CDI Group. Our Group has early redeemed the ABS fully on 27 November 2020, and incurred losses on early redemption of ABS of approximately RMB17 million, representing the difference between the carrying amount of the ABS and our repaid amount for the ABS as at the early redemption date, and such losses on early redemption will be recognised in profit or loss. Resulting from the issuance of ABS and the loans to Yi Yue, we incurred interest expense of RMB5.9 million, RMB63.7 million, RMB55.5 million and RMB27.6 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively, and recorded interest income of RMBNil, RMB62.7 million, RMB54.3 million and RMB29.0 million for the respective year/period. All of these interest expenses and interest income are non-recurring in nature and, as at the Latest Practicable Date, our Group did not have any intention to carry out similar financing arrangement going forward. For details, please see the paragraph headed "Risk Factors — Risks Relating to Our Business and Industry — The interest income related to the ABS during the Track Record Period was non-recurring in nature" in this listing document. As at the Latest Practicable Date, Yi Yue had repaid all loans to us and all the ABS and guarantees have been redeemed and released.

During the Track Record Period, we recorded significant amount of interest expenses and interest income in relation to the ABS and loans to Yi Yue. Our adjusted total equity as at 31 December 2017, 2018, 2019 and 30 June 2020 would have been RMB55.3 million, RMB64.3 million, RMB183.5 million and RMB353.6 million, respectively, our adjusted gearing ratios would have been 2,174.4%, 1,550.8%, 464.9% and N/A as at the respective dates, and our adjusted profit would have been RMB36.9 million, RMB49.3 million, RMB69.2 million and RMB60.4 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. For details, please refer to the paragraph headed "Financial Information — Non-HKFRS Measures" in this listing document.

SUMMARY

For detailed discussion of our Group's financial position during the Track Record Period, please refer to the paragraph headed "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position" in this listing document.

Summary of our consolidated statements of cash flows

The table below sets out our consolidated statement of cash flows for the year/period indicated:

	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
Net cash from operating activities	26,462	99,594	155,315	4,823	1,183
Net cash (used in)/from investing activities	(1,301,327)	213,757	51,357	91,275	1,105,173
Net cash from/(used in) financing activities	1,281,230	(309,326)	(181,921)	(92,358)	225,147
Net increase in cash and cash equivalents	6,365	4,025	24,751	3,740	1,331,503
Cash and cash equivalents at beginning of year/period	21,980	28,345	32,370	32,370	57,121
Cash and cash equivalents at end of year/period, represented by bank balances and cash	28,345	32,370	57,121	36,110	1,388,624

For detailed discussion of our Group's cash position during the Track Record Period, please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources" in this listing document.

NON-HKFRS MEASURES

The non-HKFRS measures used by us has been adjusted for interest income and interest expenses in relation to ABS, which may be considered as non-recurring in nature and neither considered by us as related to our ordinary course of business as a service provider nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating our adjusted profit, adjusted total equity and adjusted gearing ratios in order to provide potential investors with a complete and fair understanding of our adjusted operating results and financial performance, so that potential investors can assess our underlying adjusted performance undistorted by items unrelated to our ordinary course of business operations, especially in assessing and making period-to-period comparisons of our operating and financial performance.

During the Track Record Period, we recorded interest income on amounts due from related parties of RMB9.7 million, RMB75.8 million, RMB76.5 million and RMB43.4 million, respectively, of which (i) RMBNil, RMB62.7 million, RMB54.3 million and RMB29.0 million, respectively, was derived from the loans to Yi Yue in relation to ABS; and (ii) RMB9.7 million, RMB13.1 million, RMB22.2 million and RMB14.4 million, respectively, was derived from the loans to Yi Yue and other related parties by internal resources.

On 30 June 2020, we received loan repayment of RMB870.0 million from Yi Yue in relation to the ABS and interest income of RMB29.0 million derived from the loans to Yi Yue for the period from 1 January 2020 to 30 June 2020, representing the interest income derived for the entire period as indicated. Accordingly, there is no significant difference between "ABS related interest income" and "ABS related interest expenses" for the six months ended 30 June 2020 as disclosed below and in the paragraph headed "Financial Information — Non-HKFRS Measures" in this listing document. The Reporting Accountant confirmed that the ABS related interest income is recognised on a time-proportion basis using the effective interest method and the ABS related interest expenses of our Group are recognised in the period in which they are incurred.

The table below sets out the reconciliations of our adjusted profit for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	32,459	48,483	68,285	61,471
Adjusted for:				
ABS related interest income	—	(62,691)	(54,305)	(29,046)
ABS related interest expenses	5,906	63,738	55,504	27,593
Net income tax effect in relation to ABS related interest income and interest expenses	(1,477)	(262)	(300)	363
	4,429	785	899	(1,090)
Adjusted profit for the year/period	36,888	49,268	69,184	60,381

SUMMARY

The table below sets out the reconciliations of our adjusted total equity as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020 RMB'000
Total equity	50,880	59,077	177,424	348,596
Adjusted for:				
ABS related interest income during the year/period	—	(62,691)	(54,305)	(29,046)
ABS related interest expenses during the year/period	5,906	63,738	55,504	27,593
Net income tax effect in relation to ABS related interest income and interest expenses	(1,477)	(262)	(300)	363
Effect on opening adjustment in relation to ABS for the previous years	—	4,429	5,214	6,113
	<u>4,429</u>	<u>5,214</u>	<u>6,113</u>	<u>5,023</u>
Adjusted total equity	<u>55,309</u>	<u>64,291</u>	<u>183,537</u>	<u>353,619</u>

The table below sets out the reconciliations of our adjusted gearing ratio as at the dates indicated:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020 RMB'000
Receipts under securitisation arrangements	1,228,820	1,025,639	902,774	902,774
Add: lease liabilities	2,142	3,731	7,639	12,075
Less: cash and cash equivalents	<u>(28,345)</u>	<u>(32,370)</u>	<u>(57,121)</u>	<u>(1,388,624)</u>
Net debt	1,202,617	997,000	853,292	Net cash position
Gearing ratio ^(Note 1)	2,363.6%	1,687.6%	480.9%	Net cash position
Adjusted gearing ratio ^(Note 2)	2,174.4%	1,550.8%	464.9%	Net cash position

Notes:

- Gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by total equity as at the date indicated and multiplied by 100%.
- Adjusted gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by adjusted total equity as at the date indicated and multiplied by 100%.

Key Financial Ratios

The table below sets out our key financial ratios for the year/period or as at the dates indicated:

	As at/For the year ended 31 December			As at/For the six months ended 30 June
	2017	2018	2019	2020
Quick ratio	4.9	3.9	3.2	2.5
Current ratio	4.9	3.9	3.2	2.5
Net debt to equity ratio	Net cash position	Net cash position	Net cash position	Net cash position
Gross profit margin (%)	26.2	23.1	22.9	24.3
Net profit margin (%)	7.3	8.0	8.5	13.6
Return on equity (%)	55.7	88.2	57.7	23.4
Return on total assets (%)	3.5	3.2	4.6	3.4
Gearing ratio (%)	2,363.6	1,687.6	480.9	Net cash position

SUMMARY

The decrease in our quick and current ratios during the Track Record Period was mainly because of an increase in trade and other payables and contract liabilities. The increase of our return on equity from 55.7% for the year ended 31 December 2017 to 88.2% for the year ended 31 December 2018 was primarily due to an increase of profit for the year from RMB32.5 million for the year ended 31 December 2017 to RMB48.5 million for the year ended 31 December 2018 and the decrease in average total equity (being the arithmetic mean of the opening and closing balance of total equity for the respective year/period caused) by the net effect of the deemed contribution and deemed distribution arising from the Reorganisation. Our return on equity was decreased to 57.7% for the year ended 31 December 2019 which was primarily due to the fact that an increase in the average total equity was larger than the increase in profit for the year. The further decrease of our return on equity to 23.4% for the six months ended 30 June 2020 was primarily due to an increase in average total equity caused by the net effect of the deemed contribution and deemed distribution arising from the Reorganisation. Our return on total assets increased from 3.2% for the year ended 31 December 2018 to 4.6% for the year ended 31 December 2019 mainly because of the increase in our profit for the year while our total assets remained relatively stable. Our return on total assets decreased to 3.4% for the six months ended 30 June 2020 which was mainly attributable to the increase in our total assets for the six months ended 30 June 2020.

For the definitions and analysis of key financial ratios set out in the table above, please refer to the paragraph headed “Financial Information — Key Financial Ratios” in this listing document.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

CDI considers that the Spin-off is in the interests of CDI, our Company and their/our respective shareholders as a whole and the Spin-off will position each of the Remaining CDI Group and our Group better for growth in their respective businesses and deliver clear benefits to both by the reasons as described in the section headed “CDI Distribution and the Spin-off” in this listing document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the CDI Distribution, our Company will cease to be a subsidiary of CDI and Well Land will directly hold 757,054,106 Shares representing 64.34% of the issued Shares of our Company. Given that (i) Well Land is a wholly-owned subsidiary of Well Honour; (ii) Well Honour is a wholly-owned subsidiary of C&D Real Estate; (iii) C&D Real Estate is directly owned as to 54.65% by C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153), and 45.35% by Xiamen C&D; and (iv) Xiamen C&D is also interested in C&D Inc. as to 47.85%, immediately upon completion of the Spin-off, Xiamen C&D, C&D Inc., C&D Real Estate, Well Honour and Well Land will be a group of our Controlling Shareholders. We believe that we are capable of carrying on our businesses independently of our Controlling Shareholders and their close associates after the Listing due to our business and operational independence, financial independence and management independence. For further information concerning our Group's independence and the business delineation between our Controlling Shareholders and us, please refer to the section headed “Relationship with our Controlling Shareholders” in this listing document.

Lianfa Group is a subsidiary of Xiamen C&D. Lianfa Property, being a wholly-owned subsidiary of Lianfa Group, was principally engaged in property management business operation in the PRC. Lianfa Property mainly served as the property management company for the property development of Lianfa Group. As both our Group and Lianfa Group are principally engaged in property management business operation in the PRC, there may be potential competition between our Group and Lianfa Group. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Delineation of our Business from our Controlling Shareholders and their Respective Close Associates” in this listing document.

SUMMARY

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Spin-off on our consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 30 June 2020 as if the Listing had taken place on that date.

	Audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 2)</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on 1,176,711,106 Shares assumed to be in issue immediately prior to the Listing	<u>346,454</u>	<u>346,454</u>	<u>0.29</u>	<u>0.33</u>

Notes:

1. The audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2020 is extracted from the section headed "Accountant's Report" in Appendix I to the listing document, which is based on the audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2020 of RMB347,032,000 with an adjustment for the goodwill of RMB578,000 as at 30 June 2020.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 1,176,711,106 Shares assumed to be in issue immediately prior to the Listing, not taking into account any Shares which may be issued or repurchased by our Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares.
3. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.14. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group as at 30 June 2020 to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2020.
5. Subsequent to 30 June 2020, listing expenses totaling RMB28,491,000 is expected to be incurred by the completion of the Spin-off and the Listing, of which an estimated amount of RMB17,185,000 will be borne by CDI, and RMB11,306,000 will be charged to the consolidated statement of profit or loss and other comprehensive income of our Group for the year ending 31 December 2020. In addition, pursuant to the equity transfer agreement entered into with a related company of Shanghai Bairen Health Industry Co., Ltd. on 18 November 2020, our Group has conditionally agreed to transfer 20% equity interests of Xiamen Bairui at a cash consideration of RMB10,000,000 and the net assets value of Xiamen Bairui at the completion date was approximately RMB44,259,000. The disposal of 20% equity interests of Xiamen Bairui was completed in December 2020. Furthermore, in July 2020, October 2020 and November 2020, receipts under securitisation arrangements of RMB480.0 million, RMB390.0 million and RMB50.0 million were early redeemed by our Group respectively and it is estimated that a loss on early redemption of approximately RMB17.0 million would be recognised (the "Transactions").

The Transactions have not been included in the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2020. Had the Transactions been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be approximately RMB0.27 (equivalent to HK\$0.31).

DIVIDEND POLICY AND DISTRIBUTABLE RESERVE

In July 2017, a final dividend of RMB3,500,000 was proposed, approved and paid by our subsidiary, Huijia, to its then shareholders. In January 2020, dividends of RMB1,020,000 and RMB465,000 were proposed, approved and paid by our subsidiaries, Chengdu Yijiayuan and Changsha Yisheng respectively, to their then shareholder, Xiamen Pinchuan. Save for the above, we did not declare any dividend to our Shareholders during the Track Record Period and no dividend had been proposed or declared by our Group after the Track Record Period and up to the Latest Practicable Date. Our Company currently does not have any predetermined dividend payout ratio. The declaration,

SUMMARY

payment and amount of dividends will be subject to our Directors' discretion. The amount of our dividends, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. Dividends may be paid only out of our distributable reserve as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. As at the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders. Our Company did not have any share premium or retained earnings for such distribution as at the Latest Practicable Date.

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 Spin-off and the Listing. We believe that the followings are some of the major risks that we face: (i) we generate a portion of our revenue from the Remaining Xiamen C&D Group and the Remaining CDI Group in relation to our services provided to them; and (ii) a significant portion of our operations is concentrated in the Fujian Province, and our business, financial position and results of operations could be materially and adversely affected in the event of any development in government policies or business environment in this region.

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 listing document, including the risks and uncertainties as described in the section headed "Risk Factors" in this listing document.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we did not fully comply with certain applicable laws and regulations, including (i) failure to register for and/or make adequate contribution to the social insurance and housing provident fund to certain employees; and (ii) failure to file with the local housing authorities as required under the PRC laws and regulations for certain lease agreements entered into by us. For further details, please refer to the paragraphs headed "Business — Employees — Social insurance and housing provident fund contributions" and "Business — Properties" in this listing document.

LISTING EXPENSES

During the Track Record Period, we did not incur any listing expenses for the Listing. We expect to incur listing expenses of RMB28.5 million by the completion of the Spin-off and the Listing, of which an estimated amount of RMB17.2 million will be borne by CDI and RMB11.3 million will be borne by our Group. The listing expenses to be incurred are not related to any issue of new Shares of our Company as the Listing will be by way of introduction and the CDI Distribution and no funding will be obtained through the Listing, and therefore, such listing expenses of RMB11.3 million will not be capitalised and will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2020.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Development

The table below sets out the contract value and aggregate GFA of all new contracts awarded to our Group by developer type subsequent to the Track Record Period and up to the Latest Practicable Date:

	From 1 July 2020 to the Latest Practicable Date		
	Number of new contracts	Total contract values	Aggregated GFA
		RMB million	'000 sq.m.
New contracts obtained from:			
— The Remaining CDI Group	15	95.7	2,975
— The Remaining Xiamen C&D Group	N/A	N/A	N/A
— Independent Third Parties	18	49.3	2,537

SUMMARY

From 1 July 2020 to the Latest Practicable Date, we had 18 new contracts entered into with the Independent Third Parties, nine of which were obtained through successful bidding to provide property management services with respect to residential properties developed by Independent Third Party property developers with an aggregate expected contracted GFA of 1,674,000 sq.m. and nine of which were obtained through negotiation with Independent Third Parties to provide property management services with respect to residential properties developed by Independent Third Party property developers with an aggregate expected contracted GFA of 864,000 sq.m.. From 1 July 2020 to the Latest Practicable Date, we had 15 new contracts entered into with the Remaining CDI Group, 12 of which were obtained through successful bidding to provide property management services with respect to residential properties developed by the Remaining CDI Group with an aggregate expected contracted GFA of 2,431,000 sq.m. and three of which were obtained through negotiation with the Remaining CDI Group to provide property management services with respect to residential properties developed by the Remaining CDI Group with an aggregate contracted GFA of 544,000 sq.m..

The Impact of COVID-19 on Our Business

On 30 January 2020, the outbreak of COVID-19 was declared by WHO as a Public Health Emergencies of International Concern. In March 2020, WHO declared COVID-19 outbreak a pandemic. The COVID-19 outbreak has only a short-term impact on China's macroeconomy conditions, the property development and property management industry.

As at the Latest Practicable Date, we had a total of 35 employees located in the Hubei Province. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, we generated revenue of RMBNil, RMBNil, RMB6.4 million and RMB3.0 million, respectively, from our operations in the Hubei Province, representing N/A, N/A, 0.8% and 0.7% of our total revenue, respectively.

Our Directors confirm that (i) our operations in the Hubei Province did not constitute a significant portion of our overall business in terms of revenue contribution during the Track Record Period; (ii) we did not experience any labour shortage caused by the COVID-19; (iii) we expect we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this listing document; (iv) our property management services and community value-added and synergy services had not been terminated nor suspended and our results of operations for value-added services to non-property owners had not been materially and adversely affected; (v) even though our annual collection rate of property management fees for the six months ended 30 June 2020 was 63.5%, since our annual collection rate of property management fees for the six months ended 30 June 2020 (63.5%) was even higher than the rate for the six months ended 30 June 2019 (59.7%) and well above the expected annual collection rate of property management fees as at 30 June 2020 of 50% (i.e. the percentage of the expected annual property management fees for the year ending 31 December 2020 ought to be collected as at 30 June 2020), and the current collection rate for the six months ended 30 June 2020 (which was calculated by (a) the property management fees collected as at 30 June 2020 divided by (b) the property management fees receivable as at 30 June 2020) was 82.2%, which well exceeded that for the six months ended 30 June 2019 of 78.9%, we do not expect to experience any material difficulty in collecting property management fees; and (vi) the impact on the PRC's economy and real estate market has gradually recovered since April 2020. As such, we do not expect the outbreak of COVID-19, including its impact on the overall economy of the PRC, would have any material adverse impact on our business operation and results of operations for the year ending 31 December 2020.

In the very unlikely event that we are forced to suspend our business operations due to the COVID-19 pandemic, we estimate that based on our financing resources (including cash and cash equivalents) as at 30 June 2020 and the following key assumptions, our Group will remain financially viable for approximately 18 months from July 2020. Key assumptions for the above estimate include: (i) we cease all operations from July 2020 onward, which assumes that from this month onward, we will not earn or incur (a) any revenue in relation to property management services, community value-added services and synergy services and value-added services to non-property owners and (b) any expenses in relation to marketing activities; (ii) our payables as at 30 June 2020 will continue to be settled based on historical settlement patterns; (iii) our trade receivables as at 30 June 2020 will continue to be settled based on historical settlement patterns; (iv) all outstanding balance of amount due from/(to) related parties will be settled based on historical settlement patterns and upon the Listing; (v) receipts under securitisation arrangements as at 30 June 2020 will be settled; (vi) no external financing will be provided; and (vii) future cash outflow only takes into consideration the necessary spendings in salaries payments for all of our employees and administrative activities including, among other things, lease payments, based on the average monthly amount spent in the six months ended 30 June 2020.

SUMMARY

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

For details, please refer to the paragraphs headed “Business — The Impact of COVID-19 on Our Business”, “Risk Factors — Risks Relating to our Business and Industry — We face certain risks associated with the outbreak of COVID-19” and “Financial Information — Recent Development and Material Adverse Change — COVID-19 pandemic” in this listing document.

Our Financial Position Subsequent to the Track Record Period

Based on our unaudited management accounts, both of our revenue and gross profit margin for the five months ended 30 November 2020 increased as compared to the five months ended 30 November 2019. Our revenue for the five months ended 30 November 2020 increased by 39.8% to RMB428.3 million from RMB306.4 million for the five months ended 30 November 2019, which was primarily attributable to the increase of our GFA under management. As at 30 November 2020, our GFA under management amounted to 23.5 million sq.m. in relation to 210 property management projects, in comparison to our GFA under management of 19.9 million sq.m. in relation to 185 property management projects as at 30 November 2019. Our gross profit margin for the five months ended 30 November 2020 increased by 0.1% to 20.1% from 20.0% for the five months ended 30 November 2019. It is expected that our Group will incur the listing expenses for the year ending 31 December 2020, the amount of which will be significant as compared to that for the year ended 31 December 2019. We expect that the listing-related expenses as disclosed in the paragraph headed “Financial Information — Listing Expenses” in this listing document would affect our financial results for the year ending 31 December 2020.

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

DEFINITIONS

In this listing document, unless the context otherwise requires, the following terms shall have the meanings set out below. This section also contains explanations of certain terms used in this listing document in connection with our Group and our businesses. The terms and their meanings may not correspond to standard industry meanings or usage of those terms.

“ABS”	the asset-backed securities issued by Yijiayuan in December 2017 with the principal amount of RMB1,250,000,000
“Articles of Association”	the amended and restated articles of association of our Company conditionally adopted by a resolution of our sole Shareholder on 23 December 2020 and effective from the Listing Date, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and BVI Business Companies Act” in Appendix III to this listing document
“Beneficial CDI Shareholder(s)”	beneficial owner(s) of CDI Shares whose CDI Shares are registered in the name of the Registered CDI Shareholder(s)
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“BVI Business Companies Act”	the BVI Business Companies Act, 2004, as amended, supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate
“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

DEFINITIONS

“CDI”	C&D International Investment Group Limited (建發國際投資集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 18 February 2011, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1908), was indirectly owned by C&D Real Estate through Well Honour and Well Land as to 64.34% as at the Latest Practicable Date, and will become an associate of our Company immediately upon completion of the CDI Distribution
“CDI Board”	the board of directors of CDI
“CDI Distribution”	the conditional special dividend declared by the CDI Board on 23 December 2020 to be satisfied by way of a distribution in specie of an aggregate of 1,176,711,106 Shares to the Qualifying CDI Shareholders on the Record Date, subject to the satisfaction of the conditions as described in the section headed “CDI Distribution and the Spin-off” in this listing document
“CDI Group”	CDI and its subsidiaries
“CDI Overseas Shareholder(s)”	CDI Shareholder(s) whose address(es), as shown on the register of members of CDI as at the Record Date, is/are in any jurisdiction other than Hong Kong
“CDI PRC Stock Connect Investor(s)”	the PRC southbound trading investor(s) through Shenzhen-Hong Kong Stock Connect who hold CDI Shares through China Clear as nominee
“CDI Share(s)”	ordinary share(s) in the issued share capital of CDI
“CDI Shareholder(s)”	holder(s) of CDI Shares
“C&D Inc.”	Xiamen C&D Inc. (廈門建發股份有限公司), a joint stock company established in the PRC with limited liability on 10 June 1998, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153), was owned by Xiamen C&D as to 47.85% as at the Latest Practicable Date, and was and will be a Controlling Shareholder of our Company as at the Latest Practicable Date and immediately upon completion of the CDI Distribution, respectively
“C&D Property”	C&D Property Service Group Limited* (建發物業服務集團有限公司), a company established in the PRC with limited liability on 1 March 2018 and our wholly-owned subsidiary

DEFINITIONS

“C&D Real Estate”	C&D Real Estate Corporation Limited* (建發房地產集團有限公司), a company established in the PRC with limited liability on 28 July 1998, which was owned by C&D Inc. and Xiamen C&D as to 54.65% and 45.35%, respectively as at the Latest Practicable Date, and was and will be a Controlling Shareholder of our Company as at the Latest Practicable Date and immediately upon completion of the CDI Distribution, respectively
“Changsha Yisheng”	Changsha Yisheng Property Management Company Limited* (長沙怡盛物業管理有限公司), a company established in the PRC with limited liability on 20 July 2006 and our wholly-owned subsidiary
“Chengdu Yijiayuan”	Chengdu Yijiayuan Property Management Company Limited* (成都怡家園物業管理有限公司), a company established in the PRC with limited liability on 5 March 2010 and our wholly-owned subsidiary
“China”, “mainland China”, or “PRC”	the People’s Republic of China, but for the purpose of this listing document and for geographical reference only, references to “China”, “mainland China” and the “PRC” in this listing document do not apply to Hong Kong, Macau and Taiwan, except where the context requires
“China Clear”	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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	C&D Property Management Group Co., Ltd 建發物業管理集團有限公司 (formerly known as Li Chi International Limited 利馳國際有限公司 and C&D Property Development Group Co., Ltd 建發物業發展集團有限公司), a BVI business company since its incorporation in the BVI with limited liability on 4 May 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholders of our Company as at the Latest Practicable Date, being CDI, Well Land, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D; and/or the controlling shareholders of our Company immediately upon completion of the CDI Distribution, being Well Land, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 23 December 2020 executed by C&D Real Estate in favour of our Company (for ourselves and as trustee for the benefit of our PRC subsidiaries from time to time), particulars of which are set out in the paragraph headed “E. Other Information — 2. Tax and Other Indemnity” in Appendix IV to this listing document
“Director(s)”	director(s) of our Company
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which came into effect on 1 January 2008
“Excluded Company(ies)”	each of the 11 companies which has not engaged in the principal businesses of our Group and does not form part of our Group as at the Latest Practicable Date, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this listing document
“Excluded Jurisdiction(s)”	the jurisdiction(s) outside Hong Kong in respect of which the CDI Board and our Board have determined after making relevant enquires and based on legal advice received that it is necessary or expedient not to distribute Shares to the CDI Shareholders or the Beneficial CDI Shareholders located or residing in those jurisdictions pursuant to the CDI Distribution, on account of either the legal restrictions under the applicable laws of such jurisdictions and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
“Group”, “we”, “our” or “us”	our Company and all of its subsidiaries or, where the context refers to any time prior to our Company becoming the holding company of its subsidiaries, such subsidiaries or their businesses operated by their predecessors, as if they were our subsidiaries at the relevant time
“HK\$” and “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“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

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Huijia”	Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) (formerly known as Xiamen C&D Property Management Company Limited* (廈門建發物業管理有限公司)), a company established in the PRC with limited liability on 2 June 1995 and our wholly-owned subsidiary
“Independent Third Party(ies)”	a person(s) who, as far as our Directors are aware of, after having made all reasonable enquiries, is/are not a connected person(s) of our Company within the meaning of the Listing Rules
“Latest Practicable Date”	19 December 2020, being the latest practicable date for ascertaining certain information in this listing document before its publication
“Li Chi (HK)”	Li Chi (Hong Kong) Limited (利馳(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 June 2016 and our wholly-owned subsidiary
“Lianfa Group”	Lianfa Group Company Limited* (聯發集團有限公司), a subsidiary of C&D Inc.
“Lianfa Property”	Lianfa (Group) Property Services Company Limited* (廈門聯發(集團)物業服務有限公司), a wholly-owned subsidiary of Lianfa Group
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which our Shares are first listed and from which dealings in our Shares first commence on the Main Board of the Stock Exchange, expected to be on or around Thursday, 31 December 2020
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macao Special Administrative Region of the PRC

DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum of Association”	the amended and restated memorandum of association of our Company adopted by a resolution of the sole Shareholder on 23 December 2020 and effective from the date of such resolution, as amended from time to time, a summary of which is set out in the section headed “Summary of the Constitution of the Company and BVI Business Companies Act” in Appendix III to this listing document
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or, as the context may require, its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-Qualifying CDI Shareholders”	those CDI Overseas Shareholders with registered addresses in Excluded Jurisdiction, and CDI Shareholders who are otherwise known by CDI to be residents of, or located in jurisdictions outside Hong Kong on the Record Date who will not receive Shares pursuant to the CDI Distribution where the CDI Board and our Board after making relevant enquiries and based on legal advice provided by their legal advisers consider it necessary or expedient to exclude them from receiving Shares on account either of the legal restrictions under the laws of the relevant jurisdictions where they are located or resident and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisers”	Tenet & Partners, the legal advisers to us as to the laws of the PRC

DEFINITIONS

“Qualifying CDI Shareholder(s)”	CDI Shareholder(s) whose name(s) appeared on the register of members of CDI as at the Record Date and not being Non-Qualifying CDI Shareholders
“Record Date”	Tuesday, 29 December 2020, being the record date for determining the entitlement of the CDI Shareholders to the CDI Distribution
“Registered CDI Shareholder(s)”	in respect of Beneficial CDI Shareholder(s), any nominee(s), trustee(s), depositary(ies) or any other authorised custodian(s) or third-party(ies) whose name(s) is/are entered in the register of members of CDI as the holder(s) of the CDI Shares in which the Beneficial CDI Shareholder(s) is/are beneficially interested
“Remaining CDI Group”	CDI and its subsidiaries (excluding our Group) and, where the context so requires, includes its associates and joint ventures
“Remaining Xiamen C&D Group”	Xiamen C&D and its subsidiaries, (excluding the Remaining CDI Group and our Group) and, where the context so requires includes their joint ventures and associates
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in this listing document
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by our sole Shareholder, further information of which is set out in the paragraph headed “General information — A. Further Information about our Company — 6. Securities repurchase mandate” in Appendix IV to this listing document
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)

DEFINITIONS

“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each of our Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen-Hong Kong Stock Connect”	the securities trading and clearing links programme developed by the Stock Exchange, the Shenzhen Stock Exchange, HKSCC and China Clear for the establishment of mutual market access between Hong Kong and Shenzhen
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“Spin-off”	the proposed spin-off of our Company by way of distribution and the separate listing of our Shares on the Main Board of the Stock Exchange by way of introduction
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020
“United States” or “U.S.”	the United States of America, its territories and possessions, and any State of the United States
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Well Honour”	Well Honour International Limited (益鴻國際有限公司), a company incorporated in Hong Kong with limited liability on 7 June 2007, which was directly wholly-owned by C&D Real Estate as at the Latest Practicable Date, and was and will be a Controlling Shareholder of our Company as at the Latest Practicable Date and immediately upon completion of the CDI Distribution, respectively

DEFINITIONS

“Well Land”	Well Land International Limited (益能國際有限公司), a BVI business company incorporated in the BVI with limited liability on 27 May 2014, which was indirectly wholly-owned by C&D Real Estate through Well Honour as at the Latest Practicable Date, and was and will be a Controlling Shareholder of our Company as at the Latest Practicable Date and immediately upon completion of the CDI Distribution, respectively
“Xiamen Bairui”	Xiamen Bairui Health Industry Company Limited* (廈門市佰睿健康產業有限公司), a company established in the PRC with limited liability on 20 July 2018 and our indirect non-wholly owned subsidiary, in which Xiamen Yirui held 85% equity interest as at the Latest Practicable Date
“Xiamen C&D”	Xiamen C&D Corporation Limited* (廈門建發集團有限公司), a company established in the PRC with limited liability on 6 December 2000 which is under the supervision of Xiamen SASAC, and was and will be a Controlling Shareholder of our Company as at the Latest Practicable Date and immediately upon completion of the CDI Distribution, respectively
“Xiamen Gongjian”	Xiamen C&D Gongjian Property Management Company Limited* (廈門建發公建物業管理有限公司), a company established in the PRC with limited liability on 29 June 2018 and our wholly-owned subsidiary
“Xiamen Lirong”	Xiamen Lirong Investment Management Limited* (廈門利融投資管理有限公司), a company established in the PRC with limited liability on 4 July 2016 and our wholly-owned subsidiary
“Xiamen Pinchuan”	Xiamen Pinchuan Real Estate Consulting Co., Ltd.* (廈門品傳置業顧問有限公司), a company established in the PRC with limited liability on 18 December 2003 and a subsidiary of C&D Real Estate
“Xiamen SASAC”	State-owned Assets Supervision and Administration Commission of Xiamen Municipal People’s Government (廈門市人民政府國有資產監督管理委員會)
“Xiamen Yirui”	Xiamen Yirui Investment Management Limited* (廈門益睿投資管理有限公司), a company established in the PRC with limited liability on 19 July 2016 and our wholly-owned subsidiary
“Xiamen Yiyuexin”	Xiamen Yiyuexin Management Consultancy Company Limited* (廈門怡悅新管理諮詢有限公司), a company established in the PRC with limited liability on 1 February 2018 and our wholly-owned subsidiary

DEFINITIONS

“Xiamen Zaijiayiju”	Xiamen Zaijiayiju Information Technology Company Limited* (廈門在家怡居信息科技有限公司), a company established in the PRC with limited liability on 28 April 2015 and our wholly-owned subsidiary
“Xiamen Zhaohui”	Xiamen Zhaohui Internet Technology Company Limited* (廈門兆慧網絡科技有限公司), a company established in the PRC with limited liability on 7 September 2015 and our wholly-owned subsidiary
“Yi Yue”	Xiamen Yi Yue Property Company Limited* (廈門益悅置業有限公司), a company established in the PRC with limited liability on 18 May 2015 and an indirect wholly-owned subsidiary of CDI
“Yibai Centre”	C&D Yibai Elderly Care Centre* (建發溢佰養老中心), an elderly care centre operated by our Group and located within the Haotou Community* (濠頭社區) adjacent to Dongdu Road East* (東渡路東), Huli District* (湖里區), Xiamen, the PRC
“Yijiayuan”	Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司), a company established in the PRC with limited liability on 17 February 2005 and our wholly-owned subsidiary
“Zhangzhou Yijiayuan Yuegang”	Zhangzhou Yijiayuan Yuegang Property Service Company Limited* (漳州怡家園月港物業服務有限公司), a company established in the PRC with limited liability on 30 April 2019 and our indirect non-wholly owned subsidiary, in which Yijiayuan and Longhai Chengtou Group Company Limited* (龍海城投集團有限公司), an Independent Third Party, held 50% and 50% equity interest respectively as at the Latest Practicable Date

In this listing document, unless the context otherwise requires:

- (a) the terms “**applicable percentage ratio**”, “**associate**”, “**close associate**”, “**connected person**”, “**core connected person**”, “**connected subsidiary**”, “**connected transaction**”, “**continuing connected transaction**”, “**controlling shareholder**”, “**subsidiary**” and “**substantial shareholder**” have the meanings given to such terms in the Listing Rules; and
- (b) references to “**2017**”, “**2018**” and “**2019**” refer to the financial year ended 31 December of such year.

The English names of Chinese entities marked with “*” are translations of their Chinese names and are included in this listing document for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.

DEFINITIONS

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

There may be differences between certain data in this listing document and publicly available information which may be attributable to different methods of calculation, presentation or otherwise.

Unless otherwise specified, certain amounts denominated in HK\$ and US\$ have been translated into RMB at the following exchange rates:

HK\$1.00 = RMB0.84363 (being the prevailing exchange rate on 19 December 2020 as quoted by the PBOC)

US\$1.00 = RMB6.5400 (being the prevailing exchange rate on 19 December 2020 as quoted by the PBOC)

The above exchange rates are for illustrative purposes only and such conversions shall not be construed as representations that amounts in HK\$ and US\$ were or could have been or could be converted into RMB at such rates or any other exchange rates.

Unless otherwise specified, all references to any shareholdings in our Company refer to such shareholdings immediately following completion of the Spin-off.

GLOSSARY OF TECHNICAL TERMS

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

“Average Monthly Property Management Fee(s)”	average property management fee(s) charged per sq.m. per month calculated by using the revenue from management of relevant properties excluding package price projects (tax inclusive) for the last month in the relevant year/period (i.e. December 2017, 2018 and 2019 and June 2020) divided by the total revenue-bearing GFA of such properties for the corresponding month
“Central China”	as at the Latest Practicable Date, included Chengdu, Changsha and Wuhan
“cloud computing”	an Internet computing method that can provide shared computer processing resources and data on demand to computers and other devices
“commission basis”	a revenue generating model for our property management services whereby we recognise as revenue a pre-determined property management commission fee generally representing a fixed percentage of the property management fees payable by property owners and residents and property developers, or expenses incurred in connection with providing such services
“common area”	common areas in residential properties jointly-owned by the property owners, mainly including parking lots, swimming pools, advertisement bulletin boards, and club houses
“contracted GFA”	GFA managed or to be managed by us under operating property management services contracts, including both delivered and undelivered GFA
“Eastern China”	as at the Latest Practicable Date, included Suzhou, Shanghai, Huzhou, Wuxi, Ningbo, Hefei, Nanjing and Hangzhou
“EBA”	electronic building automation
“ERP”	enterprise resource planning
“GFA”	gross floor area
“GFA under management”	contracted GFA of properties that have been delivered, or are ready to be delivered, for which we have started to provide property management services and are entitled to collect the relevant property management fees as at the relevant date

GLOSSARY OF TECHNICAL TERMS

“Haixi”	as at the Latest Practicable Date, included Xiamen, Zhangzhou, Quanzhou, Longyan and Putian
“Internet of Things”	a network of physical objects or items embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data
“IT”	information technology
“lump sum basis”	a revenue generating model for our property management services whereby we charge a pre-determined property management fee per sq.m. of GFA under management which represents “all-inclusive” fees for all of the property management services provided by our teams and our sub-contractors with respect to the managed properties and we bear the costs and expenses in managing the relevant properties
“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, total contracted 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, total contracted GFA under management growth, reserved GFA for management 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
“package price projects”	property management projects for which we charge a package price on a project-by-project basis without reference to any GFA under management

GLOSSARY OF TECHNICAL TERMS

“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
“Southern China”	as at the Latest Practicable Date, included Guangzhou, Zhuhai, Shenzhen, Nanning and Guiyang
“South-eastern China”	as at the Latest Practicable Date, included Fuzhou, Nanping, Sanming and Ningde
“sq.m.”	square metre(s)
“tier-one city(ies)”	according to National Bureau of Statistics of the PRC, as at the Latest Practicable Date, included Beijing, Guangzhou, Shanghai and Shenzhen
“tier-three city(ies) and below”	for the purpose of this listing document, all the cities and regions of the PRC excluding tier-one cities and tier-two cities
“tier-two city(ies)”	according to National Bureau of Statistics of the PRC, as at the Latest Practicable Date, included Changchun, Changsha, Chengdu, Chongqing, Dalian, Fuzhou, Haikou, Hangzhou, Harbin, Hefei, Hohhot, Guiyang, Jinan, Kunming, Lanzhou, Nanchang, Nanjing, Nanning, Ningbo, Qingdao, Shenyang, Shijiazhuang, Taiyuan, Tianjin, Urumqi, Wuhan, Xiamen, Xi’an, Xining, Yinchuan and Zhengzhou
“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 of such companies in the preceding year, which comprised 100, 100, 210, 200, 200, 220 and 244 such companies, respectively, for 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 the same or very close scores were assigned the same ranking
“WeChat Mini Programme”	a light feature within the WeChat interface which connects service providers and WeChat users

CDI DISTRIBUTION AND THE SPIN-OFF

CDI DISTRIBUTION

Information on the CDI Distribution

On 23 December 2020, the CDI Board declared the CDI Distribution to the Qualifying CDI Shareholders. The CDI Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying CDI Shareholders of an aggregate of 1,176,711,106 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in CDI as at the Record Date. Pursuant to the CDI Distribution, the Qualifying CDI Shareholders will be entitled to one Share for every one CDI Share held as at the Record Date.

The Spin-off will be implemented by way of a distribution alone, which will not constitute a transaction of CDI under Chapter 14 of the Listing Rules and accordingly, CDI is not required to comply with the notification or shareholders' approval requirements under Chapter 14 of the Listing Rules.

Condition to the CDI Distribution

The CDI Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If this condition is not satisfied, the CDI Distribution will not be made and the Spin-off will not take place.

Non-Qualifying CDI Shareholders

The distribution of our Shares under the CDI Distribution to certain CDI Shareholders may be subject to laws of jurisdictions outside Hong Kong. The CDI Shareholders and the Beneficial CDI Shareholders whose addresses registered in the register of members of CDI are in/or who are located or residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the CDI Shareholders and the Beneficial CDI Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with CDI Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

The CDI Overseas Shareholders and the Beneficial CDI Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to our Shares. It is emphasised that none of CDI, our Company, the Sole Sponsor, any of their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off accepts any responsibility in relation to the above.

The Non-Qualifying CDI Shareholders refer to the CDI Shareholders with registered addresses in, or the CDI Shareholders or the Beneficial CDI Shareholders who are otherwise known by CDI to be residents of or located in, jurisdictions outside Hong Kong as at the Record Date and whom the CDI Board and the Board, based on enquiries made on their behalf and the legal advice provided by their

CDI DISTRIBUTION AND THE SPIN-OFF

legal advisers, consider it necessary or expedient to exclude them from receiving the Shares pursuant to the CDI Distribution on account of the legal restrictions under the applicable laws of the relevant jurisdictions where the CDI Shareholders or the Beneficial CDI Shareholders are residents or located in and/or the requirements of the relevant regulatory bodies or stock exchanges in those jurisdictions. The relevant Non-Qualifying CDI Shareholders will not receive any Shares.

Our Shares which the Non-Qualifying CDI Shareholders would otherwise receive pursuant to the CDI Distribution will be sold by CDI on their behalf on the market as soon as reasonably practicable following the commencement of dealings in our Shares on the Main Board of the Stock Exchange. The aggregate proceeds of such sale (net of expenses and taxes) will be paid to the relevant Non-Qualifying CDI Shareholders (in proportion to their respective shareholdings in CDI as at the Record Date) in Hong Kong dollars in full satisfaction of the relevant Shares which they would otherwise receive pursuant to the CDI Distribution, provided that if the amount that a Non-Qualifying CDI Shareholder would be entitled to receive is less than HK\$100, such sum will be retained for the benefit of CDI. Such payment of net proceeds to the Non-Qualifying CDI Shareholders is expected to be made on or around 29 January 2021.

As at the Latest Practicable Date, based on the information provided by CDI, there was one CDI Overseas Shareholder whose address registered in the register of members of CDI was located in jurisdictions other than Hong Kong, namely in the BVI.

If there is any other jurisdiction outside Hong Kong in which the address of any CDI Shareholder as shown in the register of members of CDI as at the Record Date is located or any CDI Shareholder or Beneficial CDI Shareholder as at the Record Date is otherwise known by CDI to be located or resident, and such CDI Shareholders should, in the view of the CDI Board and our Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving our Shares pursuant to the CDI Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, our Company will make an announcement.

With respect to any Excluded Jurisdiction, CDI will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that, in light of applicable laws and regulations of the Excluded Jurisdictions to the extent they hold any CDI Shares on behalf of any Beneficial CDI Shareholder with an address located in any of the Excluded Jurisdictions they should sell our Shares which they receive pursuant to the CDI Distribution on behalf of such Beneficial CDI Shareholder(s) and pay the net proceeds of such sale to such Beneficial CDI Shareholder(s).

None of CDI, our Company or the Sole Sponsor take any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial CDI Shareholders.

CDI and our Company reserve the rights, in its and our absolute discretion, to allow the participation of any CDI Shareholder or Beneficial CDI Shareholder in the CDI Distribution.

CDI DISTRIBUTION AND THE SPIN-OFF

INFORMATION FOR THE CDI OVERSEAS SHAREHOLDERS

CDI PRC Stock Connect Investors

According to the “Stock Connect Shareholding Search” available on the Stock Exchange’s website (www.hkexnews.hk), as at the Latest Practicable Date, China Clear held 63,676,000 CDI Shares, representing 5.4% of the total issued CDI Shares. China Clear is a CCASS Participant with HKSCC Nominees.

The CDI Board and our Board have made the relevant enquiries and have been advised by our PRC Legal Advisers that the CDI PRC Stock Connect Investors may receive our Shares pursuant to the CDI Distribution through China Clear. In addition, according to our PRC Legal Advisers, 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, the CDI PRC Stock Connect Investors (or the relevant China Clear participants, as the case may be) whose stock accounts in China Clear are credited with our Shares may only sell them on the Stock Exchange under the Shenzhen-Hong Kong Stock Connect.

CDI PRC Stock Connect Investors should seek advice from their intermediaries (including brokers, custodians, nominees or China Clear participants) and/or other professional advisers for details of the logistical arrangements as required by China Clear.

BVI CDI Overseas Shareholders

No Shares in our Company may be offered to any person in the BVI for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the BVI and with the laws of the BVI. Accordingly, the CDI Distribution does not constitute and shall not be construed as an offer to the public in the BVI to purchase or subscribe for shares in our Company. The Shares shall not be received for the account or benefit of any person who is a resident of, or who is domiciled in, the BVI, other than a BVI Business Company (as defined under the BVI Business Companies Act) incorporated in the BVI that is not resident in the BVI, nor to a custodian, nominee or trustee of any such person.

All CDI Overseas Shareholders

This listing document is for the exclusive use by CDI Shareholders solely for the purpose of assessing the CDI Distribution and should not be used other than in connection with such purpose. This listing document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Shares or to take up any entitlements to the Shares or any solicitation or act in furtherance to a trade in any jurisdiction in which such an offer or solicitation or act is unlawful.

Neither the Shares nor this listing document has been or will be registered under the securities laws of any jurisdiction. Accordingly, unless otherwise disclosed above, the Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any such jurisdictions, absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

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It is the responsibility of any person (including but not limited to any agent, custodian, nominee or trustee) outside Hong Kong wishing to receive or purchase, hold or dispose of, or deal in, the Shares or exercise any rights attaching to the Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

CDI Shareholders should note that they will not be required to pay or provide any consideration to CDI or us for any Shares received pursuant to the CDI Distribution. Receipt of our Shares by any person pursuant to the CDI Distribution will be deemed to constitute a representation and warranty from such person to our Company that these local laws and requirements have been fully complied with. For the avoidance of doubt neither HKSCC or HKSCC Nominees Limited will give, or be subject to, any of the representation and warranty. Such persons should consult their professional advisers if in doubt.

THE SPIN-OFF AND LISTING BY INTRODUCTION

If the Spin-off proceeds, it will be implemented in compliance with the Listing Rules. The Spin-off will be effected through a listing of our Shares by way of introduction and the CDI Distribution whereby the Qualifying CDI Shareholders will receive the relevant Shares. The Spin-off does not involve an offering of our Shares or any other securities of our Company for purchase or subscription and no money will be raised in conjunction with the Spin-off.

Reasons for and Benefits of the Spin-off

CDI considers that the Spin-off is in the interests of CDI, our Company and their/our respective shareholders as a whole and the Spin-off will position each of the Remaining CDI Group and our Group better for growth in their respective businesses and deliver clear benefits to both by the followings:

- (i) the Remaining CDI Group and our Group, operating in different business segments, are believed to have different growth paths and different business strategies. By delineating clearly between the business conducted by the Remaining CDI Group and the business conducted by our Group, the Spin-off allows our Group to have a more defined business focus and efficient resource allocation. The Spin-off will also allow separate fund-raising platforms for the businesses of the two groups to fund the growth and expansion of the Remaining CDI Group and our Group;
- (ii) the Spin-off will potentially provide greater debt capacity due to greater clarity for credit profiling of the Remaining CDI Group and our Group respectively by financial institutions that wish to extend credit or financing to the Remaining CDI Group and our Group;
- (iii) the Spin-off will enable the management of the Remaining CDI Group and our Group to dedicate their time on building the core businesses of the Remaining CDI Group and our Group, respectively, to adopt different business strategies in order to better suit its respective businesses, thereby simplifying the decision-making process and increasing their responsiveness to market changes and opportunities specific to the business of the relevant group;

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- (iv) the Spin-off will increase the operational and financial transparency and improve the corporate governance of our Group and provide investors, financial institutions and rating agencies with greater clarity on the businesses and financial status of our Group and of the Remaining CDI Group, on a stand-alone basis, and such improvement will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both our Group and the Remaining CDI Group;
- (v) the Spin-off will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors, who can produce synergies for our Group, for investment in and forming strategic partnerships directly with our Group;
- (vi) the stock performance of our Company can serve as a separate benchmark for the evaluation of the performance of our Group which could in turn serve as an incentive for the management of our Group to seek improvement and raise management and operation efficiency of our Group on an ongoing basis; and
- (vii) by way of distribution in specie, existing shareholders of CDI will continue to enjoy the benefits from the future development and growth of our Group.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares. No part of the share or loan of our Company is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing of, or permission to deal in, the share or loan of our Company on any other stock exchange.

NO CHANGE IN BUSINESS

No change in the business of our Company immediately following the Spin-off is contemplated.

HONG KONG BRANCH REGISTER AND STAMP DUTY

Our Company's Hong Kong branch register of members is maintained by the Hong Kong Branch Share Registrar in Hong Kong. Dealings in our Shares on the Stock Exchange will be registered on our Company's Hong Kong branch register of members maintained in Hong Kong. Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's register of members, by way of cheque sent by ordinary post, at our Shareholders' risk, to their registered addresses.

Dealings in our Shares registered on our Company's Hong Kong branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

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SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's 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 date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of receiving, purchasing, holding, disposing of and dealing in our Shares. We emphasise that none of us, CDI, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off accepts responsibility for any tax effects or liabilities resulting from the receipt of, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence on Thursday, 31 December 2020. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of our Shares is 2156.

The Share certificates are expected to be despatched to the Qualifying CDI Shareholders by ordinary post at their own risk on Wednesday, 30 December 2020 and will only become valid if the CDI Distribution becomes unconditional. If CDI Distribution does not become unconditional, dealings in our Shares on the Stock Exchange will not commence on Thursday, 31 December 2020.

In respect of our Shares which the Qualifying CDI Shareholders are entitled to receive, each Qualifying CDI Shareholder will be sent one Share certificate for all Shares and will be despatched by ordinary post at their own risk, except for HKSCC Nominees Limited which may request for Share certificates to be issued in such denominations as it may specify.

RESPONSIBILITY STATEMENT

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 to the public with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this listing document 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 listing document misleading.

RESTRICTIONS ON THE USE OF THIS LISTING DOCUMENT

This listing document is published solely in connection with the Spin-off. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this listing document or any part thereof in connection with any offering of the Shares or other securities of our Company. Accordingly, this listing document does not constitute an offer or invitation in any jurisdiction to acquire, subscribe for or purchase any of the Shares or other securities of our Company nor is it calculated to invite any offer or invitation for any of the Shares or other securities of our Company.

We have not authorised anyone to provide any information that is different from what is contained in this listing document or to make any representation not contained in this listing document. Any information or representation not contained in this listing document must not be relied on by you as having been authorised by us, CDI, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off.

Neither the delivery of this listing document nor the distribution of Shares pursuant to the CDI Distribution should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this listing document or imply that the information contained in this listing document is correct as at any date subsequent to the date of this listing document.

FORWARD-LOOKING STATEMENTS

This listing document contains forward-looking statements. All statements other than statements of historical fact contained in this listing document, including but not limited to:

- (a) the discussions of our business strategies, objectives and expectations regarding our future operations, sales, margins, profitability, liquidity and capital resources;
- (b) the future development of, and trends and conditions in, the property management industry and the general economy of the countries in which we operate or plan to operate;
- (c) our ability to control costs;
- (d) the nature of, and potential for, the future development of our business; and
- (e) any statements preceded by, followed by or that include words and expressions such as “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “project”, “seek”, “should”, “will” or “would” or similar words or statements, as they relate to our Group or our management, are intended to identify forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors as described in the section headed “Risk Factors” in this listing document, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

In this listing document, statements of or references to our intentions or those of any of our Directors are made as at the date of this listing document. Any of these intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this listing document including the risks and uncertainties as 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 generate a portion of our revenue from the Remaining Xiamen C&D Group and the Remaining CDI Group in relation to our services provided to them

During the Track Record Period, the revenue contribution from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group accounted for 73.1%, 71.5%, 67.3% and 67.2% of our revenue, respectively. During the Track Record Period, we derived a portion of our revenue generated from the Remaining Xiamen C&D Group, which amounted to RMB115.2 million, RMB113.5 million, RMB125.3 million and RMB42.6 million, respectively, representing 25.8%, 18.6%, 15.6% and 9.4% of our total revenue, respectively. Furthermore, during the Track Record Period, the revenue generated from the Remaining CDI Group amounted to RMB26.5 million, RMB73.5 million, RMB129.4 million and RMB94.8 million, respectively, representing 5.9%, 12.1%, 16.1% and 21.0% of our total revenue, respectively.

We do not have control over the growth and development strategy of the Remaining Xiamen C&D Group and the Remaining CDI Group. Any adverse development in the operations of the Remaining Xiamen C&D Group and the Remaining CDI Group or their inability to complete their property development projects may affect our ability to secure new property management engagements from them. We have entered into a business framework agreement with C&D Real Estate and CDI, pursuant to which our Group and our joint ventures agreed to provide certain services to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group (excluding our joint ventures), with details set out in the section headed “Continuing Connected Transactions” in this listing document. We cannot assure you that they will continue to engage us for our property management services, community value-added and synergy services and/or value-added services to non-property owners. If any of these events occurs or we are unable to expand our engagements from Independent Third Party property developers, we may experience a material adverse effect on our business, financial position and results of operations.

A significant portion of our operations is concentrated in the Fujian Province, and our business, financial position and results of operations could be materially and adversely affected in the event of any development in government policies or business environment in this region

A significant portion of our operations is concentrated in the Fujian Province. During the Track Record Period, 72.8%, 73.0%, 74.8% and 74.3%, respectively, of our revenue from property management services was generated in the Fujian Province (i.e. Haixi and South-eastern China), and, as at 31 December 2017, 2018, 2019 and 30 June 2020, 81.9%, 82.1%, 80.0% and 77.9%, respectively, of GFA under management was located in the Fujian Province (i.e. Haixi and South-eastern China). Due to such concentration, any development or changes in government policies or business environment in this region will materially affect our business, financial position and results of operations.

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

On 30 January 2020, the outbreak of COVID-19 was declared by WHO as a Public Health Emergencies of International Concern. In March 2020, WHO declared COVID-19 outbreak a pandemic. Please refer to the paragraph headed “Business — The Impact of COVID-19 on Our Business” in this listing document for details. Therefore, we are subject to certain risks, which include among other things:

- we may not be able to collect property management fees from property developers, property owners and residents in cities subject to lockdown due to COVID-19 as scheduled on time in the near future;
- we may not be able to provide on-site services in the near future and our reception, order maintenance and cleaning services at the pre-sales centres in provinces which are subject to material impact of COVID-19 may be affected;
- we may not be able to further expand in the provinces and cities subject to lockdown due to COVID-19 in the near future as planned and our tender and bidding process may be postponed which may adversely affect our business expansion;
- any transmission within the community under our management may harm our reputation;
- we may incur extra costs in relation to our precautionary measures and disinfection works carried out by us which may result in losses under our lump sum charge;
- the delivery of properties for which we have been contracted to provide property management services may be delayed; and
- we may be required to quarantine some or all of our employees, or disinfect the community to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease.

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

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materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

Our historical results may not be indicative of our future prospects and results of operations and 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 have been expanding our business in recent years mainly through organic growth. As at 31 December 2017, 2018, 2019 and 30 June 2020, we were contracted to manage residential properties and non-residential properties with an aggregate contracted GFA of 20.3 million sq.m., 28.4 million sq.m., 34.7 million sq.m. and 39.6 million sq.m., respectively. We seek to expand continuously through increasing the total contracted GFA and the number of residential properties and non-residential properties that we manage in existing as well as new markets. When suitable opportunities arise, we may explore selective strategic investments in, alliances with or acquisitions of other property management companies in the PRC. For details, please refer to the paragraph headed “Business — Business Strategies — Further expand the scale of our property management services business through multiple channels” in this listing document. During the Track Record Period, we established joint ventures with Independent Third Parties to provide property management services. The establishment of joint ventures with Independent Third Parties may not be successful and it may have impact on our Groups’ project margin and revenue (average price) and the settlement period may be long. However, our expansion is based upon our forward-looking assessment of market prospect. 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 changes in the economic condition and the real estate market in the PRC, in particular, government regulations, changes in supply and demand for our services, as well as availability of suitable and proficient staff and sub-contractors for our expansion efforts. Future alliances with or acquisition of other property management companies may potentially drag down the profit margin of our Group.

We may have limited knowledge of the local property management services markets or have little or no prior business experience in the new markets that we will expand into. In addition, we may face difficulties in adapting to the administrative, regulatory and tax 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 local business practices or relationships with local merchants, sub-contractors, other suppliers and other business partners 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.

Furthermore, our future growth depends on our management’s ability to expand or improve our administrative, technical and operational infrastructure. Our ability to grow also depends on our ability to hire, retain, train, supervise and manage additional employees, replicate our business model, allocate our human resources and manage our relationships with a growing number of customers, suppliers and other business partners. There can be no assurance that our future growth will materialise as planned and that we will be able to manage our future growth effectively, and failure to do so may have a material adverse effect on our business, financial position and results of operations.

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Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, staff costs, and our profit margin and results of operations may be materially and adversely affected by the increase in staff costs or other operating costs

The property management industry is a labour-intensive industry. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, staff costs accounted for 68.7%, 67.7%, 65.3% and 66.1%, respectively, of our total cost of sales. To maintain and improve our profit margin, it is critical for us to control and reduce our staff costs, as well as other operating costs. We face upward pressures of increase in our staff costs from various aspects, including but not limited to:

- increase in minimum wages. Minimum wages across China are set at the regional or district level based largely on standards determined by relevant provincial, municipal and autonomous region governments. The minimum wages in the regions and districts in which we operate have increased substantially in recent years, directly impacting our staff costs; and
- increase in headcount. As we expand our operations, we expect our headcount to continue to increase. In addition to our staff costs, 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 experienced employees to meet our growing demands for talent, which will further increase our total headcount. The competition for recruiting experienced employees in the PRC property management industry is intense and could require us to pay higher wages in our recruitment and employee retention efforts, resulting in an increase in our staff costs accordingly.

Our ability to maintain and improve our current profitability level depends upon whether we can control and reduce our staff costs and other operating costs as our business expands and we replicate the same cost model across different properties under management. We may not be successful in reducing our reliance on manual labour through our smart property management systems. Before we successfully implement such strategies, our ability to mitigate the impact of staff costs increase is limited. There is no assurance that we will be able to control or reduce our operating costs, improve our cost efficiency or to successfully pass the cost impact to the property management fees charged by us so as to maintain our profitability. If we cannot achieve this, our business, financial position and results of operations may be materially and adversely affected.

In particular, our ability to control costs is crucial to maintain and improve our profitability of property management services for which we charge fees on a lump sum basis. During the Track Record Period, we generated revenue from property management services on a lump sum basis, which accounted for 90.5%, 91.9%, 93.8% and 94.5% of our revenue from property management services for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. On a lump sum basis, we generally charge a pre-determined property management fees per sq.m. of GFA under management on a monthly basis, which represents “all-inclusive” fees for all of the property management services provided by us with respect to the managed property. These management fees are fixed regardless of the actual amount of property management costs we incur. 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 services. If the amount of property management fees we collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us

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the shortfall. During the Track Record Period, we incurred losses with respect to a number of properties managed on a lump sum basis which accounted for less than 26.0% of our total number of properties under management as at the relevant year-end/period-end. For further details, please refer to the paragraph headed “Business — Property Management Services — Revenue model of property management services” in this listing document.

If we are unable to raise property management fee rates and there is a shortfall in working capital after deducting the property management costs, our profit margin would be adversely affected. In such events, we may seek different measures to cut costs with a view to reducing the shortfall. However, our mitigating measures through cost saving initiatives such as reducing staff costs 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 adversely affect our reputation, business, financial position and results of operations.

We generally procured new property management services contracts through a tender and bidding process and we may not be able to procure new contracts as planned and some of our property management services contracts may have been obtained without going through the required tender and bidding process

During the Track Record Period, we generally procured new property management services contracts through a tender and bidding process. The selection of a property management service provider depends on a number of factors, including but not limited to the quality of services provided, the level of pricing and the operating history of the property management service provider. There is no assurance that we will be able to procure new property management services contracts in the future. If we are not able to secure new property management services contracts through tender and bidding process, our results of operations and growth prospects may be materially and adversely affected.

Under the PRC laws and regulations, property developers are typically required to select property management service providers and enter into a preliminary property management services contract for residential properties through a tender and bidding process. In addition, a public tender process may also be required under the PRC laws and regulations for PRC government, public institutions and bodies with public fiscal funds to engage property management services providers for properties, such as government buildings and public facilities.

We had a portion of our preliminary property management services contracts as at 30 June 2020 from property developers which did not conduct the tender and bidding process under the PRC laws and regulations and the compulsory requirement of relevant local authorities (the “**Relevant Property Management Projects**”). The Relevant Property Management Projects accounted for 34.3% of our total contracted GFA as at 30 June 2020 and 15.3% of our total revenue for the six months ended 30 June 2020, respectively. For details, please refer to the paragraph headed “Business — Property Management Services — Growth of our property management services portfolio” in this listing document.

As confirmed by our Directors, the lack of the required tender and bidding process for the selection of property management services providers for the Relevant Property Management Projects was not caused by us but the relevant property developers. As advised by our PRC Legal Advisers, there are 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 services contracts through a tender and bidding process. As further advised by our PRC Legal Advisers, the lack of tender

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and bidding process for entering into the preliminary property management services contracts of the Relevant Property Management Projects shall not affect the validity of the services provided under these contracts under Article 52 of the PRC Contract Law, where circumstances that contracts shall be null and void are stipulated. However, judicial practice varies in the PRC and the abovementioned contracts executed without a tender and bidding process may be determined invalid by relevant local judicial authorities, and if this occurs, the relevant property developers may need to organise a tender and bidding process to select a property management services provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our financial position, business and results of operations may be negatively impacted.

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

During the Track Record Period, revenue generated from our property management services on a commission basis accounted for 9.5%, 8.1%, 6.2% and 5.5%, respectively, of our revenue from property management services. When we are contracted to manage the properties on a commission basis, we essentially act as an agent of the property owners and residents and property developers where the transactions related to these management offices of these properties are settled through our treasury function. As at the end of a 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 properties, the shortfall is recognised as receivables subject to impairment. Our management makes estimates on whether the management offices have the ability to settle the payments made on behalf of property owners and residents and property developers (as the case may be). For the balances that our management believes may not be recovered within a reasonable time, we write such balances off as an impairment of trade receivables. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the provision for expected credit losses allowance of trade receivables in relation to the property management services on commission basis was RMB0.1 million, RMB0.2 million, RMB0.1 million and RMB0.2 million, respectively. For details, please refer to the paragraph headed “Financial Information — Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income — Net provision for ECL allowance on trade and other receivables” in this listing document.

Although our management’s estimates were made in accordance with currently available information, such estimates may not be accurate. Further, there is no assurance that all amounts due to our Group will be settled on time. Accordingly, our Group faces credit risk in collecting the trade receivables due from the property owners and residents and property developers. In the event that the actual recoverability is lower than expected, or that our past allowance on bad debt becomes insufficient in light of new information, we may need to make more allowance on bad debt, which in turn may materially and adversely affect our business, financial position and results of operations.

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

We generate a substantial part of our revenue from property management services performed under our property management services contracts. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, revenue generated from our property management services

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accounted for 67.7%, 65.7%, 60.7% and 62.3% of our total revenue, respectively. Some of our preliminary property management services contracts do not have fixed term. Such contracts can be terminated when the property owners select another property management services provider through the property owners' general meeting and a replacement property management services contract entered into by the property owners' association takes effect. The property management services contracts we entered into with property owners' associations generally have fixed term which need to be renewed upon expiry. For details, please refer to the paragraph headed "Business — Property Management Services — Property management services contracts" in this listing document. 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 services contracts or the relevant subsequent property management services contracts can be renewed when their respective term expires. Termination or non-renewal of a significant number of property management services contracts could have a material adverse impact on our business, financial position and results of operations.

In addition, the performance and development of our community value-added and synergy services business, to a large extent, rely upon the number of properties we managed for our property management services business. Therefore, any failure to renew our property management services contracts or termination of such contracts could also adversely affect the performance of our other businesses.

We may not be able to fulfil our obligations in respect of the contract liabilities which may have impact on our cash and liquidity position

Our contract liabilities mainly arise from the advance payments made by customers while the underlying services are yet to be provided. For details, please refer to Note 4(a) of the section headed "Accountant's Report" in Appendix I to this listing document. We may fail to fulfil our obligations under our contracts with customers for various reasons within or beyond our control. For example, property owners may not be satisfied with our services during the contract period, and decide not to make the advance property management fee payments going forward. If so, the contracts may be terminated by our customers including the property developers or property owners' associations for quality or other reasons, where we may be required to refund the fees we have received upfront. As such, our Company may not be able to meet the obligations on contract liabilities and our cash and liquidity position may be materially and adversely affected.

We rely on sub-contractors to perform certain property management services and may be held responsible for their sub-standard services to our customers

We delegate certain services to sub-contractors, mainly including security services, cleaning, pest control, greening and maintaining services, and repair and maintenance services. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our sub-contracting costs accounted for 16.0%, 16.5%, 20.3% and 23.3% of our total cost of sales, respectively. We may not be able to monitor the services of our sub-contractors as directly and effectively as similar services provided by our own employees. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfil their obligations. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions, and potentially expose us to litigation and damage claims. We may be able to recover from the sub-contractor the amounts we are required to pay to customers due to the sub-contractor's failure to perform pursuant to the agreements that we enter into

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with the sub-contractor, but there is no guarantee that we will be able to do so. Upon the expiration of our agreements with our current sub-contractors, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to us, or at all. In addition, if our sub-contractors fail to maintain a stable team of qualified labour or have easy access to 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 contracts that we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

We are subject to the regulatory environment and measures affecting the property management industry in the PRC, including government guidance on property management fee levels

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. As advised by our PRC Legal Advisers, according to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) 《(物業服務定價成本監審辦法(試行))》 which was jointly promulgated by the NDRC and the MOHURD on 10 September 2007 and came into effect on 1 October 2007, the competent price administration department of people's government formulates or regulates property management charging standards, and the pricing cost of property management services should be the social average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organise the implementation of the property management pricing cost supervision and examination work. Property management services pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners. Although government imposed price controls on property management fees may continue to relax over time pursuant to the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services 《(國家發展和改革委員會關於放開部分服務價格意見的通知)》, which became effective on 17 December 2014, property management fees charged by us would continue to be subject to applicable price controls until local regulations implementing this circular are passed. For details, please refer to the paragraph headed "Regulatory Overview — Legal Supervision over Property Management Services — Fees charged by property management enterprises" in this listing document.

As at 30 June 2020, the number of our projects that were subject to government's guidance price was 31, contributing to the total revenue of RMB64.5 million for the six months ended 30 June 2020, representing 14.3% of our total revenue during the same period. Government-imposed limits on fees, coupled with rising labour and other operating costs, could have a negative impact on our profitability. For properties that are managed on a lump sum basis, we may experience a decrease in profit margin. For properties that are managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. In practice, however, it may still be impractical to collect the shortage from property owners due to stringent governmental regulations on property management fees and the lack of cooperation from property owners. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in

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relation to service provisions, or write off the uncollected payments. Such cost saving measures to mitigate impact of uncollected property management fees may also adversely affect our service quality and customer satisfaction. We cannot guarantee that the government regulations on 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.

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

Our business performance is primarily dependent on the total contracted GFA, and GFA under management and the number of properties we manage. As such, our business growth is, and will likely continue to be, affected by the PRC government regulations of our industries. For further information on laws and regulations that are applicable to our business, please refer to the paragraph headed “Regulatory Overview — Legal Supervision over Property Management Services” in this listing document. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we provide 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. 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 living in the properties we manage, resulting in lower demand for our services and lower revenue for us. As such, our business, financial position and results of operations could be materially and adversely affected.

Our community value-added and synergy services business may not grow as planned

We plan to grow our community value-added and synergy services by expanding our service offerings and customer base. For details of our community value-added and synergy services, please refer to the paragraph headed “Business — Community Value-added and Synergy Services” in this listing document. 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 experienced employees with relevant experience to grow our community value-added and synergy services business. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of experienced employees to support our growth plan. In addition, the development of community value-added and synergy services also relies on our ability to tap our existing customer base from our managed properties for community value-added and synergy services, as well as our ability to identify suitable products and services to be marketed and sold, in particular through collaboration with third-party merchants. However, our current planning may be changed or certain community value-added and synergy services that we plan to offer may not be realised due to changes in demand from customers and market trends. As a result, we must stay abreast of emerging life-style and consumer preferences and anticipate product and service trends that will appeal to existing and potential users. New products and services, or

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entrance into new markets, may require substantial time, resources and capital, and profitability targets may not be achieved. We cannot assure you that the residents will use the products and services we offer under the community value-added and synergy services. If our residents cannot access their desired products or services we offer under the community value-added and synergy services at attractive prices or at all, our residents may lose interest in our products or service offerings, if at all, which in turn may adversely affect our business, financial position and results of operations.

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 property management industry in the PRC is fragmented and competitive. Please refer to the paragraph headed “Industry Overview — Competition” in this listing document. Our major competitors include national and regional property management companies in the PRC. Competition may intensify as our competitors expand their service offerings or as new competitors enter into our existing or new markets. We believe that we compete with our competitors on a number of factors, including operation scale, pricing, reputation, branding, financial resources and service quality. Our competitors may have better track records, longer operating histories and greater financial, technical, sales, marketing and other resources, as well as greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter into 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, results of operations and prospects.

We believe our current success can be partially attributed to our standardisation, automation and smart management of operations in providing our property management services. We plan to continue to refine our service specialisation, procedure standardisation, and operation automation to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing staff cost. If we fail to continue to implement the above, our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. If we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected.

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

We accept payments using a variety of methods, including payments in cash, by credit card, debit card or third-party online payment platform. We may be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online 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.

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Failure to protect confidential information of our customers and our network 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

We collect, store and process personal and other sensitive data of our customers, such as addresses and phone numbers. Our security measures may be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Outside parties may also attempt to fraudulently induce employees to disclose sensitive information in order to gain access to our data or our customers' data. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorised access to our platforms could cause confidential customer information to be stolen 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.

Under the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (promulgated by the Standing Committee of the National People's Congress on 7 November 2016, came into effect on 1 June 2017) (the “**Cyber Security Law**”), network operators are generally obligated to protect their networks against disruption, damage or unauthorised access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, on 16 July 2013, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) promulgated the Regulations on the Protection of Personal Information of Users of Telecommunications and the Internet (《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 Internet information services. These laws and regulations are relatively new and evolving, 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.

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Interruptions to automatised and standardised operations, which rely on our smart property management systems, may materially and adversely affect our business, financial position and results of operations

Our operational efficiency primarily relies on the implementation of our smart property management systems, including smart building system, smart property system and smart community system. For details, please refer to the paragraph headed “Business — Service Specialisation, Procedure Standardisation and Operation Automation” in this listing document. Many factors, such as power outage and damage to our equipment may cause interruptions to our smart property management systems. If we experience any power outage, our computer system which is key to our smart property management systems may not function properly. Our equipment may also be subject to damages caused by unforeseeable events and unexpected natural disasters, such as earthquakes, fire or flood, or other similar events. If there is any interruption to our smart property management systems, our business, financial position and results of operations may be materially and adversely affected.

Damage to the common areas of the properties we manage as a result of any natural disasters, intended or unintended actions of property owners or residents or other events could adversely affect our business, financial position and results of operations

The common areas of the properties we manage may be damaged in a variety of ways that are out of our control, including but not limited to natural disasters, residents’ intended or unintended actions, and epidemics. For example, in the event of natural disasters, such as earthquake, typhoon or flood, the common areas may be materially damaged. Although the special fund for residence maintenance could cover all or part of the cost, there can be no assurance that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in a property unit or common area, the exterior of the building, corridors and stairways may be damaged, or if a person commits or is suspected of having committed criminal activities within the properties, we need to allocate additional resources to assist the police and other governmental authorities on their investigations. In the event of any damage that affects the common areas, our current residents may be affected and we may have to fix the damages with our own resources and then attempt to collect fees from the property developers or property owners to cover our expenses. However, we may face difficulties in collecting such fees from them. The additional costs we incur due to damage to the common areas may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to frequent typhoons. Although none of our assets, business, financial position and results of operations were materially affected during the Track Record Period and up to the Latest Practicable Date, we continue to be exposed to such risks that our managed properties may suffer damage due to reasons such as natural disasters, epidemics, and residents’ intended or unintended actions or any other events.

We are exposed to inherent risks of caretaking incidents and legal proceedings arising from our operation at the Yibai Centre

We provide community elderly-care services such as provision of meals, sanitation, assistance of daily living activities, health management, social and recreational activities for the elderly residents at the Yibai Centre. Any failure by us to handle the health management of the elderly residents or to prevent the elderly residents from any potential physical injuries may result in possible claims or

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proceedings. Further, we may not be adequately insured against losses and liabilities arising from such claims or proceedings. If any of these incidents occurs or we fail to mitigate any of the above risks, we may experience a material adverse effect on our business, financial position and results of operations.

Our future acquisitions or expansions may not be successful and we may face difficulties in integrating acquired operations with our existing business

In addition to our organic growth, when suitable opportunities arise, we may explore selective strategic investments in, alliances with or acquisitions of other property management companies in the PRC. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including but not limited to, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

Furthermore, we may face difficulties in integrating acquired operations with our existing business, particularly when integrating the existing workforce of regional property management with companies we may acquire. 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.

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

Work injuries and accidents may occur during the course of our business. We provide repair and maintenance services through our own employees and sub-contractors. Repair and maintenance services such as for elevators system and fire extinguishing and fire alarm systems are subject to risks of work injuries or accidents. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to the residents, property owners, our employees or sub-contractors, will not occur in the future. In such events, these occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability and we may be held liable for the losses. In addition, we are exposed to claims that may arise due to employees' or sub-contractors' negligence or recklessness when performing our services. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

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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 certain licences, permits, certificates and approvals for our business operations such as real estate brokerage institution filing certificate. We must meet various specific conditions in order for the government authorities to issue or renew any such certificates or permits. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans, and our business, financial position and results of operations may be adversely affected.

The preferential income tax treatment that we enjoy in the PRC may be altered or terminated

We cannot assure you that the PRC policies on preferential income tax treatment will not change or that any preferential income tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Certain subsidiaries of our Group which are qualified as small low-profit enterprises enjoyed a preferential income tax rate of 20% for the year ended 31 December 2019 and the six months ended 30 June 2020. In addition, in accordance with the Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》(財稅[2019]13號)) which was promulgated by the Ministry of Finance and the SAT on 17 January 2019, from 1 January 2019 to 31 December 2021, the small low-profit enterprises with annual taxable income of less than RMB1,000,000 were also entitled to a tax concession for 20% as its corporate income tax rate. For details, please refer to the paragraph headed “Financial Information — Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income — Income tax expense” and Note 9 of the section headed “Accountant’s Report” in Appendix I to this listing document.

We cannot assure you that our subsidiaries will continue to enjoy the aforementioned preferential income tax treatment. If we fail to renew any preferential income tax treatment qualification in time or at all, or if any change or termination of preferential income tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our financial condition and results of operations.

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

During the Track Record Period, we purchased the subordinated tranche securities. During the Track Record Period, our gain on changes in fair value of financial assets measured at FVTPL amounted to RMBNil, RMB2.2 million, RMB3.2 million and RMB14.7 million, respectively. We face exposure to fair value change for financial assets measured at FVTPL. 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 change for financial assets measured at FVTPL is subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases,

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assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the valuation of financial assets measured at FVTPL has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

The interest income related to the ABS during the Track Record Period was non-recurring in nature

In December 2017, Yijiayuan issued the ABS with the principal amount of RMB1,250 million which was backed by the account receivables for the balance payments of property management fees to be received by Yijiayuan. The rationale for the issuance of the ABS was to enlarge the financing channels and obtain low-cost funds for the Remaining CDI Group. Resulting from the issuance of ABS and the loans to Yi Yue, we incurred interest expense of RMB5.9 million, RMB63.7 million, RMB55.5 million and RMB27.6 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively, and recorded interest income of RMBNil, RMB62.7 million, RMB54.3 million and RMB29.0 million for the respective year/period. All of these interest expenses and interest income are non-recurring in nature. Assuming we have excluded the interest expenses and interest income in relation to the ABS and loans to Yi Yue, please refer to the paragraph headed “Financial Information — Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income — Profit for the year/period” in this listing document for details of its impact on our profit.

The guarantee from C&D Real Estate was released upon the redemption of the ABS on 27 November 2020 and all receipts under the ABS were repaid using our internal resources in full on 27 November 2020. As at the Latest Practicable Date, our Group did not have any intention to carry out similar financing arrangement going forward. However, we cannot predict or guarantee if we will provide another loan to any parties in the future. There is no assurance that we will continue to receive any interest income for future financial years and our financial position may be adversely affected accordingly.

We may be subject to penalties or adverse judicial rulings as a result of making advances to related companies during the Track Record Period

During the Track Record Period, we made certain interest-bearing loans to related parties, which may not be in compliance with the PRC laws and regulations. We recorded finance income from such loans in the amount of RMB9.7 million, RMB75.8 million, RMB76.5 million and RMB43.4 million for each of three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. As at the Latest Practicable Date, the interest-bearing loans have been repaid and we did not receive any notice of claim and were not subject to any investigation or penalty relating to such interest-bearing loans. According to the General Lending Provisions (《貸款通則》) promulgated by the PBOC, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. According to the General Lending Provisions (《貸款通則》), a company which is not a financial institution and offers loans may be imposed penalties in the amount equivalent to one to five times of the income generated (being interests charged) from the loan advancing activities. However, 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**”),

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which became effective on 1 September 2015 and was amended on 20 August 2020, distinguished private lending and loans offered by financial institutions. According to the Judicial Interpretations on Private Lending Cases, borrowing agreements between companies which are not financial institutions shall be classified as private lending and should be valid if such lending is for business operation purposes and does not fall into situations leading to invalidity of a contract under the Contract Law of PRC. PRC courts will support a company's claim for interest in respect of such lending as long as the annual interest rate does not exceed four times of the applicable one-year loan prime rate. Our PRC Legal Advisers are of the view that the possibility of us being penalised in respect of the abovementioned advances pursuant to the General Lending Provisions is low. For details, please refer to the paragraph headed "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Receipts under securitisation arrangements" in this listing document. However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of the abovementioned cash advances. Any of these penalties could have a material adverse effect on our business, financial position and results of operations.

We received unconditional government subsidy income and net finance income which were non-recurring in nature

During the Track Record Period, we received unconditional government subsidy income in the sum of RMB1.4 million, RMB1.8 million, RMB3.1 million and RMB2.4 million, respectively. We also received net finance income in the sum of RMB3.7 million, RMB12.0 million, RMB20.8 million and RMB15.7 million, respectively. Our net finance income mainly represented our interest income on bank deposit and amounts due from related parties, net of interest charge on receipts under securitisation arrangements and lease liabilities. Unconditional government subsidy income and net finance income are non-recurring nature. We cannot assure that we will continue to receive unconditional government subsidy income or the net finance income. If we are unable to receive the abovementioned income, we may experience a material adverse effect on our business, financial position and results of operations.

Our success depends upon the retention of our Directors and senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management would affect our operation

Our continued success is highly dependent upon the efforts of our Directors and senior management, namely Ms. Qiao Haixia and Mr. Huang Danghui, and other key employees. If either of them or any of our 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. For further information on our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this listing document.

In addition, the future growth of our business will depend in part on our ability to attract and retain experienced 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 experienced personnel, our growth may be limited and our business, financial position and results of operations could be materially and adversely affected.

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We may not be able to detect and prevent fraud or other misconduct committed by our employees or third-parties

We are exposed to fraud or other misconduct committed by our employees, sub-contractors, customers or other third-parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as serious harm to our reputation. For example, theft conducted by third-parties on the premises of our managed properties may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market. Our information management system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our reputation, business, financial position and results of operations.

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

We have registered and are in the process of registering a number of intellectual property rights in the PRC. 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 our brand, trade names, trademarks, patents, software copyright and other intellectual properties to increase brand recognition to further develop our brand and to facilitate our provision of services. The unauthorised reproduction of our trade names, trademarks or other intellectual properties could diminish the value of our brand and our market reputation and competitive advantages. For details, please refer to the paragraph headed “Business — Intellectual Property Rights” in this listing document. 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, financial position and results of operations. For details, please refer to the paragraph headed “General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this listing document.

During the Track Record Period, we had been licensed by Xiamen C&D to use its trademarks for our operation on a royalty-free basis. For details, please refer to the paragraph headed “Business — Intellectual Property Rights” in this listing document. If the relevant licensor ceases to license 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 licensed trademarks or if a third-party uses such trademarks without authorisation.

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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 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. We have been approached by certain software, server and operating system providers regarding our unauthorised use of their software, servers, operating systems and databases. For details, please refer to the paragraph headed “Business — Intellectual Property Rights” in this listing document. Although we have not been subject to claims or lawsuits in respect of intellectual property rights infringement as at the Latest Practicable Date, we cannot assure you that we will not be subject to any infringement claims in the future. 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 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. Even if allegations or claims lack merit, we may have to incur considerable time and costs in dealing with any claim 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 China’s 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 licensing fees or be forced to develop alternatives of our own. As a result, our business, financial position 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 including property liability insurance and public liability insurance to cover liabilities for damages suffered by third-parties arising out of our business operations, medical insurance and injuring insurance. Please refer to the paragraph headed “Business — Insurance” in this listing document. 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, 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.

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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 services and other services. Disputes may also arise if they are dissatisfied with our services. In addition, 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 services contracts. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our employees, sub-contractors, other suppliers, other third-parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

The expansion of our business may expose us to increased risks of non-compliance with rules and regulations issued by different governments at provincial and local levels

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. In addition, because 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.

We may be exposed to liabilities from disputes involving products offered and advertised under our community value-added and synergy services

To facilitate the development of our community value-added and synergy services, we also collaborate with third-party merchants to provide community group-purchasing services to property owners and residents. We also collaborate with third-party merchants and make their products information available to property owners and residents. We may therefore be subject to product liability arising from reselling or advertising the products under the Laws on the Protection and Rights and Interests of Consumers of the PRC, the Tort Law of the PRC, the Advertising Law of the PRC and other relevant PRC laws and regulations. For instance, claims may be brought against us by purchasers, regulatory authorities or other third-parties alleging, among other things, that: (i) the quality of the products sold through us fails to conform to required product quality; (ii) advertisements made with respect to such products are false, deceptive, misleading, libellous, injurious to the public welfare or otherwise offensive; (iii) such products are defective or injurious and may be harmful to others; and (iv) such marketing, communications or advertisements infringe on the proprietary rights of other third-parties.

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We currently do not carry any product liability insurance coverage. Any product liability claim or governmental regulatory action could be costly and time-consuming. We could be required to pay substantial damages as a result of such claim or action. A material design, manufacturing or quality failure in the products offered or advertised, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. Furthermore, customers may not use the products in accordance with product usage instructions, possibly resulting in customer injury. All of these events could materially harm our brand and reputation and marketability of such products, divert our management's attention and have a material adverse effect on our business, financial position and results of operations.

We may be subject to fines 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 make full contributions to the social insurance and housing provident funds for certain employees as required by the PRC laws and regulations. As our Directors considered the total amount of under-contributions as at the Latest Practicable Date was immaterial, we did not make provision thereto during the Track Record Period and up to the Latest Practicable Date. 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 the courts in the PRC for compulsory enforcement. No objection or complaint had ever been raised by our employees with respect to the said arrangements as at the Latest Practicable Date. 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 the case we fail to pay the outstanding contributions, or to complete the housing fund registration in accordance with the 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, please refer to the paragraph headed "Business — Employees — Social insurance and housing provident fund contributions" in this listing document.

Some lessors may not have provided to us relevant ownership certificates with respect to some of our leased properties in the PRC and some of our lease agreements were not registered with the relevant government authorities

During the Track Record Period, some lessors failed to provide sufficient and valid ownership certificates or other ownership documents with respect to some of our leased properties in the PRC. For details, please refer to the paragraph headed "Business — Properties" in this listing document. If these lessors are not the owners or not authorised by the owners to lease the properties to us, we might need to seek alternative properties and incur additional costs relating to such relocation. Any dispute or claim in relation to the rights to use or lease of the properties occupied by us, including any litigation involved allegations of illegal or unauthorised use of these properties, may require us to relocate our business premises. If any of our leases were terminated as a result of any challenge by third-parties or any

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failures of these lessors to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, we may need to seek alternatives premises and incur additional costs for relocation.

During the Track Record Period, some of the lease agreements entered into by us were not filed with the relevant government authorities. For details, please refer to the paragraph headed “Business — Properties” in this listing document. We may be subject to fines for the failure to file the lease agreements, which could disrupt our 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. Given the nature of our operations, we believe that we are not subject to material environmental liability risk or compliance costs. However, there is a growing awareness of environmental issues, and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed in the future. If we are unable to comply with existing or future environmental laws and regulations or are unable to meet public expectations in relation to environmental matters, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions and our operations may be suspended, any of which may materially and adversely impact our business, financial position, results of operations and growth prospects.

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

Our customers may file complaints or claims against our Group regarding our services. Our customers are largely individual property owners and residents and our business is to provide property management and other services to them, which includes addressing the everyday needs of their homes and their families. These property owners and residents, even though living in the same property under our management, come from all walks of life and may have different 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.

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

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

Negative publicity, including adverse information on the Internet, about us, our Shareholders and affiliates, our brand, management 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, our brand, management and other aspects of our business operations may arise from time to time. They may appear 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, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments 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. Such occurrences 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 reputation that in turn reduce the trading price of our Shares and diminish our competitive position.

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

During the Track Record Period, our business operations were conducted in China and all our revenue was derived from the PRC market. As a result, we are susceptible to changes in the economic, political and social conditions in China. The economy of China differs from the economies of most developed countries in many respects, including the degree of government involvement, degree of development, growth rate, control of foreign exchange and import and allocation of resources. In the past, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform. However, the PRC government continues to play a significant role in regulating industrial development and the allocation, production, pricing and management of resources. We may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government. In addition, the implementation of the PRC laws and regulations involves a degree of uncertainty. We cannot predict the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws, and the effect it may have on us. Changes in the economic, political and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof) and fiscal or financial measures, could have an adverse effect on the overall economic growth of China, which could subsequently hinder our business, growth strategies, financial position and results of operations.

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Furthermore, there is no assurance that the substantial growth in the PRC economy in the previous decades will continue or continue at the same pace. For example, in May 2017, Moody's Investors Service ever downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth.

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

Moreover, the outbreak of COVID-19 may materially and adversely affect the global economy. Please see the paragraph headed “— Risks Relating to our Business and Industry — We face certain risks associated with the outbreak of COVID-19” in this section above. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, the overall PRC economy, which would in turn affect our business, financial position and results of operations.

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Please refer to the paragraph headed “Regulatory Overview — Regulations Relating to Foreign Exchange” in this listing document. 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.

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

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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

The income and expenses of our PRC subsidiaries have been and are expected to continue to be primarily denominated in Renminbi and it is exposed to the risks associated with the fluctuation in the currency exchange rate of Renminbi. 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. Under the current policy, the RMB is pegged against a basket of currencies, as determined by the PBOC, against which it can rise or fall within stipulated ranges each day. As a result of the historical 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 may need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

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

Interest rate increases by the PBOC or market disruptions 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 strategies.

We may be considered a “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 BVI. 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 “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》(國稅發[2009]82號) (“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 enterprise registered outside of China and controlled by PRC enterprises or PRC enterprises group is located within China.

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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 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, 1 October 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 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 Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**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 the Announcement of the State Administration of Taxation on the Determination of "Beneficial Owners" in the Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》)(國家稅務總局公告2018年第9號)) ("**Circular 9**") on 3 February 2018. It is unclear whether Circular 9 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary. It is possible, however, that under Circular 9, our Hong Kong subsidiary would not be considered as a "beneficial owner" that is generally engaged in substantial business activities and entitled to the Arrangement 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 Arrangement. In that case, our financial position and results of operations would be materially and adversely affected.

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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 recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, since the property management services industry is in its developmental stage in the PRC, the laws and regulations relating to this industry are unspecific and may be incomprehensive. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of the 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. 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 business, financial position and results of operations.

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

Some of our Directors and senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with BVI, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or even impossible.

Natural disasters, public health and public security hazards in the PRC may severely disrupt our business and operations

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, severe acute respiratory syndrome or COVID-19, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and the demand for our services. In addition, if employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our general suppliers and other service providers.

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Moreover, 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. Any future natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

RISKS RELATING TO THE SPIN-OFF AND THE LISTING

Our Shareholders' interests in our Company's Shares may be diluted in the future

In order to expand our business, we may consider offering and issuing Shares or equity-linked securities in the future, which may result in dilution in our net tangible asset value or earnings per Share. Subject to the Listing becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares, the details of which are set out in the paragraph headed "General Information — A. Further Information about our Company" in Appendix IV to this listing document. If we issue Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such Shares, our Shareholders may experience dilution in our net tangible asset value per Share of their investments.

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Listing, there was no public market for, and no established price for, our Shares. Our Company has made an application for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for our Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of our Shares will not fluctuate following completion of the Listing. If an active and liquid trading market does not develop, you may have difficulty in selling any of our Shares that you own and/or purchase. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may significantly affect the trading volume and the price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting us or our industry;

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- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of any lock-up or other transfer restrictions on the outstanding Shares or sales of perceived sales of additional Shares by our Company or other Shareholders.

You should note that the securities market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies listed on the Stock Exchange. Such wide market fluctuations may not be related or proportionate to the operating performance of particular companies and may adversely affect the market price of our Shares. As a result, investors of our Shares may experience volatility in the market price of the Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Future issues, offers or sales of our Shares may adversely affect the prevailing market price of our Shares

Future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may negatively impact the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. The Shares held by each of our Controlling Shareholders, namely Well Land, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D, are subject to certain lock-up undertakings. For details, please refer to the paragraph headed “General Information — D. Undertaking by our Controlling Shareholders to the Stock Exchange pursuant to the Listing Rules” in Appendix IV to this listing document. There is no assurance that any of our Shareholders will not dispose of any Shares they now own or may own in the future, following the Spin-off or the expiration of any relevant lock-up periods. Future issues of our Shares by our Company or the disposal of our Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of our Shares.

In addition, we may raise additional funds by issuing new equity securities in the future to finance expansion of the existing business or develop new businesses. If the new equity securities are not issued to the existing Shareholders on a pro-rata basis, the ownership percentages of the existing Shareholders may be reduced.

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

Following the Listing, our Controlling Shareholders will continue to have substantial control over our Company. Subject to the Articles of Association, the Memorandum of Association and the Listing Rules, our Controlling Shareholders, by virtue of their controlling beneficial ownership of the Shares, 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, including but not limited to mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors and other significant corporate actions, by voting at the general meeting of our Shareholders and at Board meetings. Our Controlling Shareholders’ interests may differ from the interests of other Shareholders, and our Controlling Shareholders are free to exercise vote according to their own interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if

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our Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders could be disadvantaged and harmed by the actions of our Controlling Shareholders.

You may face difficulties in protecting your interests because we were incorporated in the BVI, and the protection to minority Shareholders under the BVI law may be different from that under the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by, among other things, our Memorandum of Association and Articles of Association as well as the BVI Business Companies Act and the common law applicable in the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the BVI company law on protection of minority Shareholders is set out in the section headed “Summary of the Constitution of the Company and BVI Business Companies Act” in Appendix III to this listing document.

We may not declare dividends on our Shares in the future

During the Track Record Period, certain subsidiaries of our Group declared dividend to their respective shareholders. For details, please refer to the paragraph headed “Financial Information — Dividend Policy and Distributable Reserve” in this listing document. Save for the above, we did not declare any dividends to our Shareholders during the Track Record Period and no dividend has been proposed or declared by our Group after the Track Record Period and up to the Latest Practicable Date. Our Company currently does not have any predetermined dividend payout ratio. The amount of dividends distributed, if any, to our Shareholders will depend upon our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. There is no assurance that dividends of any amount will be declared or distributed in the future.

Facts and statistics in this listing document should not be unduly relied upon

Certain facts and other statistics in this listing document that do not relate directly to our operations, including those relating to the PRC, the PRC economy and the PRC property management industry have been derived from various official government publications, and data from China Index Academy and publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by our Company, the Sole Sponsor, or any of their respective directors, officers, affiliates, advisers or representatives, or any other parties involved in the Spin-off, and such information may not be consistent with other publicly available information.

Our Company, the Sole Sponsor, or any of their respective directors, officers, affiliates, advisers or representatives, or any other parties involved in the Spin-off 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

RISK FACTORS

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 listing document.

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

There may be certain coverage in the press and/or media regarding our Group, our business, our industry and the Spin-off. There had been, prior to the publication of this listing document, and there may be, subsequent to the date of this listing document but prior to the completion of the Spin-off, press and/or media coverage regarding our Group, our business, our industry and the Spin-off containing, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Spin-off. 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 Group.

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 listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, you should read the entire listing document carefully and should make investment decisions about us on the basis of the information contained in this listing document only and should not rely on any other information.

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

This listing document contains certain statements that are “forward-looking” and indicated by the use of forward-looking terms such as “aim”, “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “forecast”, “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 listing document 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.

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

DIRECTORS INVOLVED IN THE SPIN-OFF

The members of our Board are:

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Chairman and non-executive Director</i>		
Mr. Zhuang Yuekai (庄躍凱)	Room 271, No. 12 Ren'an Lane Siming District Xiamen Fujian Province, PRC	Chinese
<i>Executive Director and chief executive officer</i>		
Ms. Qiao Haixia (喬海俠)	Room 402, No. 651 Hexiang West Road Siming District Xiamen, Fujian Province, PRC	Chinese
<i>Executive Director</i>		
Mr. Huang Danghui (黃黨輝)	Room 206, No. 26 Wenxing East Second Lane Siming District Xiamen, Fujian Province, PRC	Chinese
<i>Non-executive Director</i>		
Mr. Lin Weiguo (林偉國)	No.16 Changzhi Road, Huli District Xiamen, Fujian Province, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Cheung Kwok Kwan, J.P. (張國鈞)	Flat 11E, Block 1, Island Place 51-61 Tanner Road, North Point Hong Kong	Chinese (Hong Kong)
Mr. Lee Cheuk Yin Dannis (李卓然)	Flat 8D, Block 1, Hillsborough Court 18 Old Peak Road, Hong Kong	Chinese (Hong Kong)
Mr. Li Kwok Tai James (李國泰)	22E Hove Court, Perth Garden 5-9 Perth Street, Ho Man Tin Kowloon, Hong Kong	Chinese (Hong Kong)
Mr. Wu Yat Wai (胡一威)	Flat 28G, the Manhattan 33 Tai Tam Road, Hong Kong	Chinese (Hong Kong)

For further details of each member of our Board, please refer to the section headed “Directors and Senior Management” in this listing document.

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

PARTIES INVOLVED IN THE SPIN-OFF

Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong

Legal Advisers to our Company	<i>As to Hong Kong laws:</i> King & Wood Mallesons 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

	<i>As to PRC laws:</i> Tenet & Partners 16th–18th Floor CCRE Building-A 666 Xiahe Road Xiamen, PRC

	<i>As to BVI laws:</i> Harney Westwood & Riegels 3501 The Center 99 Queen's Road Central Hong Kong

Legal Advisers to the Sole Sponsor	<i>As to Hong Kong laws:</i> Norton Rose Fulbright Hong Kong 38/F, Jardine House 1 Connaught Place Central, Hong Kong

	<i>As to PRC laws:</i> Fangda Partners 27/F, North Tower Beijing Kerry Centre 1 Guanghai Road Chaoyang District Beijing, PRC

DIRECTORS AND PARTIES INVOLVED IN THE SPIN-OFF

**Auditor and Reporting
Accountant**

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Industry Consultant

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

CORPORATE INFORMATION

Registered Office	2/F, Palm Grove House P.O. Box 3340 Road Town, Tortola BVI
Headquarters and Registered Office in the PRC	Unit 703, 7th Floor C&D International Building No.1699 Huandao East Road Xiamen, PRC
Principal Place of Business in Hong Kong	Room 3517, 35/F Wu Chung House 213 Queen's Road East Wan Chai Hong Kong
Company's Website	www.cndservice.com <i>(the contents of this website do not form part of this listing document)</i>
Compliance Adviser	China Industrial Securities International Capital Limited 7/F, Three Exchange Square 8 Connaught Place Central Hong Kong
Company Secretary	Ms. Leung Ching Ching (梁晶晶) (FCIS, FCS) Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Authorised Representatives	Ms. Qiao Haixia (喬海俠) Room 402, No.651 Hexiang West Road Siming District Xiamen, Fujian Province, PRC Ms. Leung Ching Ching (梁晶晶) (FCIS, FCS) Level 54 Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. Lee Cheuk Yin Dannis (李卓然) (*Chairman*)
Mr. Cheung Kwok Kwan, J.P. (張國鈞)
Mr. Li Kwok Tai James (李國泰)
Mr. Wu Yat Wat (胡一威)

Remuneration Committee

Mr. Wu Yat Wat (胡一威) (*Chairman*)
Mr. Zhuang Yuekai (庄躍凱)
Mr. Lee Cheuk Yin Dannis (李卓然)
Mr. Cheung Kwok Kwan, J.P. (張國鈞)
Mr. Li Kwok Tai James (李國泰)

Nomination Committee

Mr. Zhuang Yuekai (庄躍凱) (*Chairman*)
Mr. Lee Cheuk Yin Dannis (李卓然)
Mr. Cheung Kwok Kwan, J.P. (張國鈞)
Mr. Li Kwok Tai James (李國泰)
Mr. Wu Yat Wat (胡一威)

Principal Share Registrar and Transfer Office in the BVI

Tricor Services (BVI) Limited
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
BVI

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Banker

Bank of China
C&D International Tower Branch
1/F, No.1699 Huandao East Road
Siming District, Xiamen
Fujian Province, PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our History

Our history can be traced back to June 1995 when Huijia was found by Xiamen C&D and primarily undertook the internal residential property management business of C&D Real Estate in the PRC. In April 2018, C&D Property entered into equity transfer agreements with C&D Real Estate, pursuant to which Huijia and Yijiayuan were acquired by the CDI Group from C&D Real Estate. Upon completion of the above transactions, Huijia and Yijiayuan became part of the CDI Group. At the initial stage of our development, we mainly provided our services in the Fujian Province and in around 2007, our business expanded to other provinces in the PRC. We have since then grown our presence in other parts of China with our contracted GFA covering more than 24 cities across 10 province(s), municipality(ies) and autonomous region(s) in the PRC as at 30 June 2020.

To complement our property management services, we have also provided community value-added and synergy services to property owners and residents and value-added services to non-property owners since 2005 and 2008, respectively through Yijiayuan.

Business Development Milestones

The table below sets out various milestones in the history of our business development:

Year	Milestones
1995	● Xiamen C&D Property Management Limited* (廈門建發物業管理有限公司), now known as Huijia, was founded and primarily undertook the internal residential property management business of C&D Real Estate in the PRC
2005	● Xiamen C&D Property Management Limited changed its name to Huijia
	● Yijiayuan was founded and primarily engaged in offering quality property management services
	● Yijiayuan commenced to provide community value-added and synergy services to property owners and residents
2008	● Yijiayuan commenced to provide value-added services to non-property owners
2009	● Huijia obtained Level One Property Management Qualification* (物業管理一級資歷) granted by MOHURD
2010	● Yijiayuan obtained Level One Property Management Qualification* (物業管理一級資歷) granted by MOHURD
2011	● Yijiayuan obtained the Industry Outstanding Contributor Award* (行業突出貢獻獎) at the 30th Property Management Revolution and Development in the PRC

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestones
2014	Yijiayuan commenced intelligent and information development
2015	Yijiayuan obtained the 2015 Best 50 of Property Management Enterprises by Brand Value* (2015中國物業管理企業品牌價值50強) issued by the China Real Estate Association* (中國房地產協會), Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院) and China Real Estate Appraisal Centre* (中國房地產評測中心)
2016	Yijiayuan was recognised as Property Management Pioneering Enterprises* (中國物業管理先鋒企業) by China Property Management Magazine, the 26th of the 2016 Best 50 of Property Management Enterprises by Brand Value* (2016中國物業管理企業品牌價值50強第26位) by the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Centre and 2016 Best 50 of Property Management Enterprises by Overall Strength in the PRC* (2016中國物業管理企業綜合實力50強) by the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Centre
2017	- Yijiayuan comprehensively promoted the property information management platform - Yijiayuan was ranked the 37th of 2017 Best 50 of Property Management Enterprises Brand by Brand Value in the PRC* (中國物業管理企業品牌價值50強第37位) by the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Centre
2018	- We acquired Yijiayuan and Huijia - We were ranked the 44th by China Index Academy among 2018 Top 100 Property Management Companies in the PRC* (2018中國物業服務百強企業第44位) - C&D International Building and Jianfa Yangxi Project were recognised by China Index Academy as 2018 China Property Service Industry Demonstration Base* (2018中國物業服務行業示範基地)
2019	We were ranked the 41st by China Index Academy among 2019 Top 100 Property Management Companies in the PRC* (2019物業服務百強企業榜第41位), first in 2019 Leading Property Management Companies in terms of Market Status in Fujian* (“2019福建物業服務市場地位領先企業”排名第一) by China Index Academy, recognised as one of 2019 Top 50 Blue Chip Property Enterprises* (2019年藍籌物業企業50強) by “The Economic Observer* (經濟觀察報)” and as Haixi Brand Property Golden Butler* (海西品牌物業金管家) by Fujian Straits Herald
2020	We were ranked the 36th by China Index Academy among the Top 100 Property Management Companies in the PRC* (2020中國物業服務百強企業第36名)

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Corporate Development

As at the Latest Practicable Date, our Group comprised our Company and 36 subsidiaries. Our Company was incorporated in the BVI as a BVI business company with limited liability on 4 May 2016. As at the date of incorporation, our Company was authorised to issue a maximum of 50,000 ordinary shares with or without a par value. On 27 May 2016, 2,000 ordinary shares of a par value of US\$1.00 each were allotted, issued and credited as fully paid to CDI as the initial subscriber. As at the Latest Practicable Date, the number of total issued Shares of our Company was 1,176,711,106 Shares with a par value of HK\$0.01 each wholly-owned by CDI. For details of the change of the number of our issued Shares, please see the paragraph headed “— Reorganisation” in this section below.

Our Principal Subsidiaries

Our subsidiaries were incorporated or established in the PRC (including Hong Kong). Set out below is the information and corporate development history of our four principal subsidiaries during the Track Record Period:

Huijia

Huijia was established in the PRC on 2 June 1995 as a limited liability company. Huijia is principally engaged in the provision of property management services, community value-added and synergy services and value-added services to non-property owners in the PRC.

As at 1 January 2017, Huijia was held by C&D Real Estate, Mr. Zeng Jinguo* (曾進國), the then director and general manager of Huijia, Mr. Zhang Lei* (張雷), the then assistant general manager of Huijia, and Ms. Huang Lubo* (黃鷺波), the then vice general manager of Huijia, as to 80%, 10%, 5% and 5%, respectively. On 15 March 2018, to conduct internal restructuring, C&D Real Estate entered into an equity transfer agreement with each of Mr. Zeng Jinguo, Mr. Zhang Lei and Ms. Huang Lubo, respectively, pursuant to which each of Mr. Zeng Jinguo, Mr. Zhang Lei and Ms. Huang Lubo as the sellers transferred to C&D Real Estate as the buyer 10%, 5% and 5% equity interest in Huijia at the consideration of RMB3.8 million, RMB1.9 million and RMB1.9 million, respectively. The consideration was determined after arm's length negotiation and with reference to the net asset value of Huijia as at 31 October 2017 as assessed by a qualified PRC asset and real estate appraiser. Upon completion of the above transactions, Huijia was wholly-owned by C&D Real Estate. On 3 April 2018, to enhance the competitiveness of our Group's business, C&D Real Estate entered into an equity transfer agreement with C&D Property, pursuant to which C&D Real Estate as the seller transferred to C&D Property as the buyer the entire equity interest in Huijia at the consideration of RMB37.6 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Huijia as at 31 October 2017 as verified by the abovementioned qualified PRC asset and real estate appraiser. Upon the completion of the above transaction, Huijia was wholly-owned by C&D Property and became a wholly-owned subsidiary of our Group.

Yijiayuan

Yijiayuan was established in the PRC on 17 February 2005 as a limited liability company. Yijiayuan is principally engaged in the provision of property management services, community value-added and synergy services and value-added services to non-property owners in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at 1 January 2017, Yijiayuan was held by C&D Real Estate and Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) (“**Xiamen Liyuan**”), a subsidiary of C&D Real Estate, as to 95% and 5%, respectively. On 3 April 2018, to enhance the competitiveness of our Group’s business, C&D Real Estate and Xiamen Liyuan entered into an equity transfer agreement with C&D Property, pursuant to which C&D Real Estate and Xiamen Liyuan as the sellers transferred to C&D Property as the buyer their respective equity interest in Yijiayuan at the consideration of RMB72.1 million and RMB3.8 million, respectively. The consideration was determined after arm’s length negotiation and with reference to the net asset value of Yijiayuan as at 31 October 2017 as verified by a qualified PRC asset and real estate appraiser. Upon the completion of the above transaction, Yijiayuan was wholly-owned by C&D Property and became a wholly-owned subsidiary of our Group.

Xiamen Zhaohui

Xiamen Zhaohui was established in the PRC on 7 September 2015 as a limited liability company. Xiamen Zhaohui is principally engaged in the provision of community value-added and synergy services in the PRC. During the Track Record Period and up to the Latest Practicable Date, Xiamen Zhaohui was wholly-owned by Xiamen Yirui and remained as a wholly-owned subsidiary of our Group.

Xiamen Gongjian

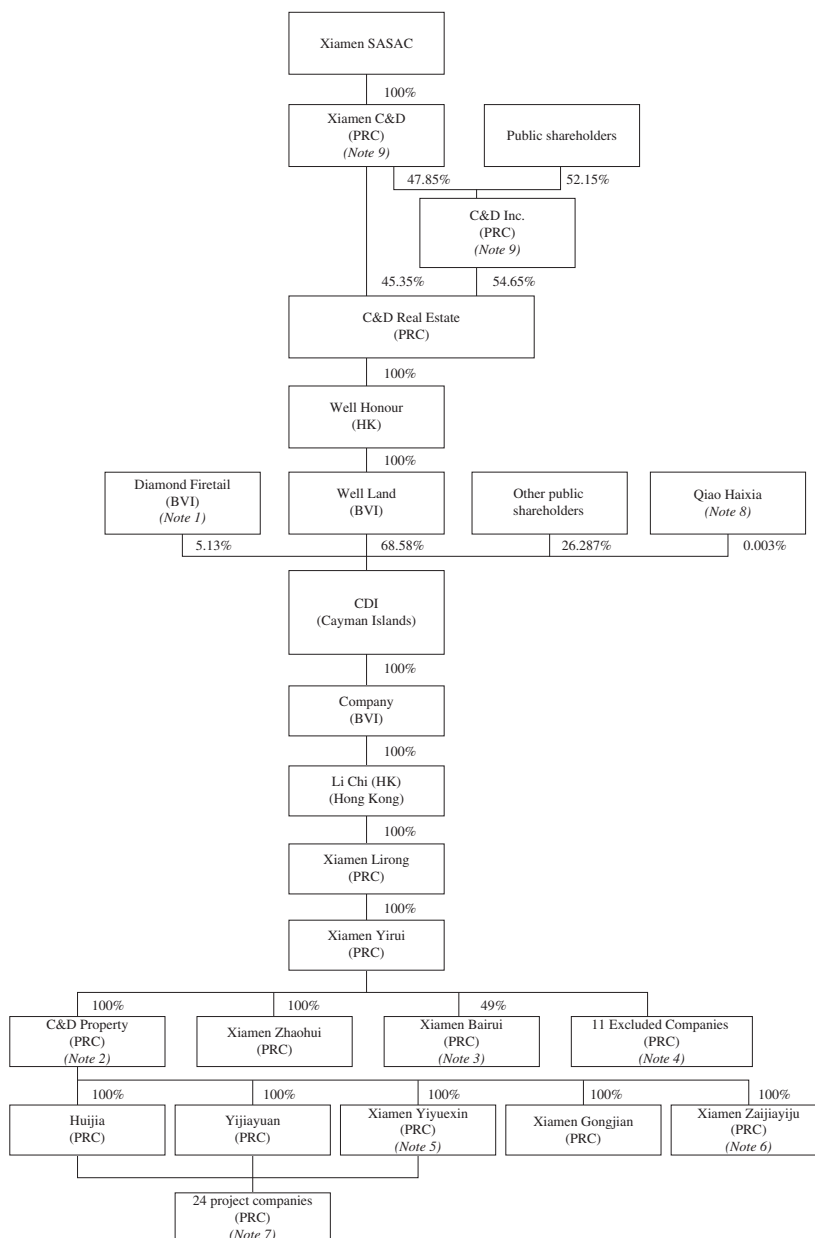
Xiamen Gongjian was established in the PRC on 29 June 2018 as a limited liability company. Xiamen Gongjian is principally engaged in the provision of property management services, community value-added and synergy services and value-added services to non-property owners in the PRC. Since the date of its establishment, the equity interest of Xiamen Gongjian was wholly-owned by C&D Property and has been a wholly-owned subsidiary of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

Immediately before the Reorganisation

The corporate chart below illustrates our simplified shareholding and corporate structure including our principal subsidiaries immediately before the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. Before the Reorganisation, Diamond Firetail Limited (“**Diamond Firetail**”) was a wholly-owned subsidiary of Equity Trustee Limited (“**Equity Trustee**”) who is a trustee of a discretionary trust which (i) each of Mr. Zhuang Yuekai and Ms. Zhao Chengmin, the director of CDI, Well Land, Well Honour and C&D Real Estate (both being our connected persons) is one of the founders; (ii) Ms. Cao Xinyu (an Independent Third Party), Ms. Liu Jing, a director of one of our subsidiaries in the last 12 months, and Mr. Lin Weiguo (both being our connected persons) are protectors; and (iii) Mr. Zhuang Yuekai, Ms. Zhao Chengmin, Mr. Lin Weiguo, Ms. Qiao Haixia, Mr. Huang Danghui and four other individual connected persons of our Company at subsidiary level and other various individual Independent Third Parties are beneficiaries. Therefore, Equity Trustee, Mr. Zhuang Yuekai, Ms. Zhao Chengmin, Ms. Cao Xinyu, Ms. Liu Jing, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the CDI Shares held by Diamond Firetail by virtue of the SFO. Mr. Zhuang Yuekai and Mr. Lin Weiguo are our non-executive Directors and Ms. Qiao Haixia and Mr. Huang Danghui are our executive Directors, and the respective interests of the above persons in our Company after the CDI Distribution are shown in the section headed “Substantial Shareholders” and the paragraph headed “General Information — C. Further Information about Directors and Shareholders — 1. Directors — (c) Interests of Directors in the shares, underlying shares or debentures of our Company and our associated corporations” in Appendix IV to this listing document.
2. C&D Property, a company established in the PRC with limited liability on 1 March 2018, was engaged in property management services and wholly-owned by Xiamen Yirui prior to and upon completion of the Reorganisation.
3. Xiamen Bairui, a company established in the PRC with limited liability on 20 July 2018, which was engaged in elderly-care & health value-added services, was our associate and owned as to 49% and 51% respectively by Xiamen Yirui and Shanghai Bairen Health Industry Co., Ltd.* (上海佰仁健康產業有限公司) (“**Shanghai Bairen**”), an Independent Third Party, prior to the Reorganisation.
4. Information of the 11 Excluded Companies are set out as below:
 - (i) Xiamen C&D Guangyue Business Management Limited* (廈門建發廣悅商業管理有限公司) (“**C&D Guangyue**”), a company established in the PRC with limited liability on 19 June 2019, was engaged in commercial asset management business and wholly-owned by Xiamen Yirui prior to the Reorganisation;
 - (ii) Xiamen C&D Zhaocheng Construction and Operation Management Co., Ltd.* (廈門建發兆誠建設運營管理有限公司) (“**C&D Zhaocheng**”), a company established in the PRC with limited liability on 11 November 2015, was engaged in entrusted construction business and wholly-owned by Xiamen Yirui prior to the Reorganisation;
 - (iii) Shanghai C&D Zhaoyu Asset Management Co., Ltd.* (上海建發兆昱資產管理有限公司) (“**C&D Zhaoyu**”), a company established in the PRC with limited liability on 17 December 2015, was engaged in commercial asset management business and, prior to the Reorganisation, owned by Xiamen Yirui and an Independent Third Party, as to 55% and 45% respectively;
 - (iv) Xiamen Wanxinlian Commercial Factoring Co., Ltd.* (廈門萬鑫聯商業保理有限公司) (“**Xiamen Wanxinlian**”), a company established in the PRC with limited liability on 6 August 2018, was engaged in commercial factoring business and wholly-owned by Xiamen Yirui prior to the Reorganisation;
 - (v) Xiamen Lihe Engineering Management Co., Ltd.* (廈門利和工程管理有限公司) (“**Xiamen Lihe**”), a company established in the PRC with limited liability on 19 September 2018, was engaged in engineer management service, real estate development and operation house construction etc. and wholly-owned by Xiamen Yirui prior to the Reorganisation;
 - (vi) Xiamen Liyue Enterprise Management Co., Ltd.* (廈門利悅企業管理有限公司) (“**Xiamen Liyue**”), a company established in the PRC with limited liability on 1 July 2019, was engaged in business management consultancy, investment consultancy etc. and, prior to the Reorganisation, owned by Xiamen Yirui and Xiamen Lihe as to 95% and 5% respectively;
 - (vii) Xiamen Zhaoyang Housing Expropriation Service Co., Ltd.* (廈門兆陽房屋征遷服務有限公司) (“**Xiamen Zhaoyang**”), a company established in the PRC with limited liability on 18 June 2019, was engaged in the housing expropriation business and, prior to the Reorganisation, owned by Xiamen Yirui and Xiamen Lihe as to 90% and 10% respectively;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (viii) Xiamen C&D Yipin Cultural Development Co., Ltd.* (廈門建發一品文化發展有限公司) (“**C&D Yipin**”), a company established in the PRC with limited liability on 6 February 2018, was engaged in planning of advertisements for property development projects and wholly-owned by Xiamen Yirui prior to the Reorganisation;
- (ix) Xiamen C&D Home Furnishing Co., Ltd.* (廈門建發家居有限公司) (“**C&D Home Furnishing**”), a company established in the PRC with limited liability on 22 March 2016, was engaged in customising and sales of high-end furniture business and, prior to the Reorganisation, owned by Xiamen Yirui, Xiamen C&D Hengyuan Cultural Development Co., Ltd.* (廈門建發恒遠文化發展有限公司), a subsidiary of C&D Inc., and an Independent Third Party, as to 30%, 40% and 30% respectively;
- (x) Xiamen Zhaoxu Construction Development Co., Ltd.* (廈門兆旭建設發展有限公司) (“**Zhaoxu Construction**”), a company established in the PRC with limited liability on 9 April 2020, was engaged in the housing expropriation business and, prior to the Reorganisation, owned as to 95% and 5% respectively by Xiamen Yirui and Xiamen Lihe; and
- (xi) Xiamen C&D Youkehui Network Technology Co., Ltd.* (廈門建發優客會網路科技有限公司) (“**C&D Youkehui**”), a company established in the PRC with limited liability on 10 June 2015, was originally engaged in the business of provision of the platform for sharing Xiamen C&D’s internal data and Internet services. Prior to the Reorganisation, C&D Youkehui was principally engaged in provision of paper sales in the PRC and owned as to 20%, 20%, 20%, 20% and 20% respectively by Xiamen Yirui, Xiamen C&D, C&D Inc., Xiamen C&D Tourism Group Co., Ltd.* (廈門建發旅遊集團股份有限公司), a subsidiary of Xiamen C&D and Lianfa Group, a subsidiary of C&D Inc..
- 5. Xiamen Yiyuexin, a company established in the PRC with limited liability on 1 February 2018, was engaged in property management consultancy services and wholly-owned by C&D Property prior to and upon completion of the Reorganisation.
- 6. Xiamen Zaijiayiju, a company established in the PRC with limited liability on 28 April 2015, was engaged in the provision of community value-added and synergy services and wholly-owned by C&D Property prior to and upon completion of the Reorganisation.
- 7. Among the 24 project companies, save that Nanping Huihe Property Management Company Limited* (南平市匯禾物業管理有限公司) (“**Nanping Huihe**”) is our associate, the other 23 project companies are our subsidiaries. The principal business of all the 24 project companies is property management. The information of the 24 project companies is set out as below:
 - (i) Shanghai Yixiang Property Management Company Limited* (上海怡祥物業管理有限公司) (“**Shanghai Yixiang**”), a company established in the PRC with limited liability on 11 May 2006, was owned as to 95% and 5% respectively by Yijiayuan and Zhaorui Investment Development Co., Ltd.* (上海兆瑞投資發展有限公司) (“**Shanghai Zhaorui**”), a wholly-owned subsidiary of C&D Real Estate. Upon completion of the equity transfer as described in the paragraph headed “— 1. Acquisition of all the minority equity interest in Chengdu Yijiayuan, Changsha Yisheng and Shanghai Yixiang” in this section below, Shanghai Yixiang was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin and became a wholly-owned subsidiary of our Group;
 - (ii) Chengdu Yijiayuan, a company established in the PRC with limited liability on 5 March 2010, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Pinchuan. Upon completion of the equity transfer as described in the paragraph headed “— 1. Acquisition of all the minority equity interest in Chengdu Yijiayuan, Changsha Yisheng and Shanghai Yixiang” in this section below, Chengdu Yijiayuan was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin and became a wholly-owned subsidiary of our Group;
 - (iii) Changsha Yisheng, a company established in the PRC with limited liability on 20 July 2006, was owned as to 90% and 10% respectively by Yijiayuan and Xiamen Pinchuan. Upon completion of the equity transfer as described in the paragraph headed “— 1. Acquisition of all the minority equity interest in Chengdu Yijiayuan, Changsha Yisheng and Shanghai Yixiang” in this section below, Changsha Yisheng was owned as to 90% and 10% respectively by Yijiayuan and Xiamen Yiyuexin and became a wholly-owned subsidiary of our Group;

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- (iv) Nanping Yanping District Yijiayuan Property Management Company Limited* (南平市延平區怡家園物業管理有限公司), a company established in the PRC with limited liability on 23 August 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (v) Yongtai Yijiayuan Property Management Company Limited* (永泰怡家園物業管理有限公司), a company established in the PRC with limited liability on 26 August 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (vi) Shenzhen Yijiayuan Property Management Company Limited* (深圳市怡家園物業管理有限公司), a company established in the PRC with limited liability on 6 August 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (vii) Ningde Yishun Property Management Company Limited* (寧德怡順物業管理有限公司), a company established in the PRC with limited liability on 27 June 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (viii) Hangzhou Yixing Property Management Company Limited* (杭州怡興物業管理有限公司), a company established in the PRC with limited liability on 26 June 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (ix) Wuyishan Yichen Property Management Company Limited* (武夷山怡辰物業管理有限公司), a company established in the PRC with limited liability on 24 January 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (x) Putian Yixin Property Management Company Limited* (莆田市怡信物業管理有限公司), a company established in the PRC with limited liability on 23 October 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xi) Huzhou Yisheng Property Management Company Limited* (湖州市怡晟物業管理有限公司), a company established in the PRC with limited liability on 11 October 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xii) Zhuhai Yixin Property Management Company Limited* (珠海市怡欣物業管理有限公司), a company established in the PRC with limited liability on 27 August 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xiii) Wuhan Yiran Property Management Company Limited* (武漢怡然物業管理有限公司), a company established in the PRC with limited liability on 14 August 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xiv) Guangzhou Yijiayuan Property Management Company Limited* (廣州怡家園物業管理有限公司), a company established in the PRC with limited liability on 3 August 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xv) Zhangzhou Yiping Property Service Company Limited* (漳州怡平物業服務有限公司), a company established in the PRC with limited liability on 8 May 2018, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xvi) Zhangzhou Yijiayuan Property Service Company Limited* (漳州怡家園物業服務有限公司), a company established in the PRC with limited liability on 6 December 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
- (xvii) Shanghang Yicheng Property Management Company Limited* (上杭怡誠物業管理有限公司), a company established in the PRC with limited liability on 15 October 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (xviii) Zhangzhou Yizhuo Property Management Company Limited* (漳州怡卓物業管理有限公司), a company established in the PRC with limited liability on 15 October 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
 - (xix) Putian Yirui Property Management Company Limited* (莆田怡瑞物業管理有限公司), a company established in the PRC with limited liability on 6 March 2019, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
 - (xx) Minhou Yijiayuan Property Management Company Limited* (閩侯怡家園物業管理有限公司), a company established in the PRC with limited liability on 8 June 2020, was owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin;
 - (xxi) Zhangzhou Yijiayuan Yuegang, a company established in the PRC with limited liability on 30 April 2019, was owned as to 50% and 50% respectively by Yijiayuan and an Independent Third Party. Although Yijiayuan only held 50% equity interest in Zhangzhou Yijiayuan Yuegang, Yijiayuan had the power to appoint and remove the majority members of the board of directors of Zhangzhou Yijiayuan Yuegang and held more than half of the voting rights by virtue of an agreement with other investors. As such, Yijiayuan had control over Zhangzhou Yijiayuan Yuegang;
 - (xxii) Nanping Huijia Property Management Company Limited* (南平匯嘉物業管理有限公司) (“**Nanping Huijia**”), a company established in the PRC with limited liability on 18 May 2018, was wholly-owned by Huijia;
 - (xxiii) Nanping Huihe, a company established in the PRC with limited liability on 16 October 2019, was owned as to 49% and 51% respectively by Nanping Huijia and an Independent Third Party; and
 - (xxiv) Nanan Huijia Property Management Company Limited* (南安匯嘉物業管理有限公司) (“**Nanan Huijia**”), a company established in the PRC with limited liability on 23 July 2018, was owned as to 95% and 5% respectively by Huijia and Xiamen Yiyuexin.
8. Ms. Qiao Haixia held 32,000 shares of CDI, representing 0.003% of the total issued shares of CDI.
 9. Xiamen C&D is the actual controller of C&D Inc. and thus, Xiamen C&D is our Controlling Shareholder. The financial results of C&D Inc. are consolidated into the financial statement of Xiamen C&D.

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

1. Acquisition of all the minority equity interest in Chengdu Yijiayuan, Changsha Yisheng and Shanghai Yixiang

On 25 May 2020, Xiamen Yiyuexin entered into an equity transfer agreement with Xiamen Pinchuan, pursuant to which Xiamen Yiyuexin acquired 5% equity interest of Chengdu Yijiayuan from Xiamen Pinchuan at a consideration of RMB1.0 million. The consideration was determined after arm’s length negotiation and with reference to the net asset value of Chengdu Yijiayuan as at 31 January 2020 as verified by a qualified PRC asset and real estate appraiser.

On 25 May 2020, Xiamen Yiyuexin entered into an equity transfer agreement with Xiamen Pinchuan, pursuant to which Xiamen Yiyuexin acquired 10% equity interest of Changsha Yisheng from Xiamen Pinchuan at a consideration of RMB0.5 million. The consideration was determined after arm’s length negotiation and with reference to the net asset value of Changsha Yisheng as at 31 January 2020 as verified by a qualified PRC asset and real estate appraiser.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 May 2020, Xiamen Yiyuexin entered into an equity transfer agreement with Shanghai Zhaorui, pursuant to which Xiamen Yiyuexin acquired 5% equity interest of Shanghai Yixiang from Shanghai Zhaorui at a consideration of RMB0.05 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Shanghai Yixiang as at 31 January 2020 as verified by a qualified PRC asset and real estate appraiser.

Upon the completion of the aforesaid acquisitions during the Track Record Period, each of Chengdu Yijiayuan, Changsha Yisheng and Shanghai Yixiang became a wholly-owned subsidiary of our Group.

2. Transfer of all its equity interest in the 11 Excluded Companies by Xiamen Yirui

Since C&D Youkehui was mainly engaged in provision of paper sales in the PRC prior to the Reorganisation, which was not related to the business of our Group, on 10 June 2020, Xiamen Yirui, as one of the minority shareholders of C&D Youkehui, entered into an equity transfer agreement with Xiamen C&D, pursuant to which Xiamen Yirui transferred to Xiamen C&D its 20% equity interest of C&D Youkehui at a consideration of RMB0.03 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Youkehui as at 31 December 2019 as verified by a qualified PRC asset and real estate appraiser. Upon completion of the above transaction, C&D Youkehui ceased to be an associate of our Group.

Between 17 June 2020 and 28 June 2020, Xiamen Yirui entered into 10 equity transfer agreements with Yi Yue, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of CDI, pursuant to which Xiamen Yirui transferred to Yi Yue:

- (i) its 100% equity interest of C&D Guangyue at a consideration of RMB5.0 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Guangyue as at 15 June 2020 as audited by a registered PRC accountant firm;
- (ii) its 100% equity interest of C&D Zhaocheng at a consideration of RMB19.5 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Zhaocheng as at 15 June 2020 as audited by a registered PRC accountant firm;
- (iii) its 55% equity interest of C&D Zhaoyu at a consideration of RMB9.7 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Zhaoyu as at 31 May 2020 as audited by a registered PRC accountant firm;
- (iv) its 100% equity interest of Xiamen Wanxinlian at a consideration of RMB200.0 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Xiamen Wanxinlian as at 15 June 2020 as audited by a registered PRC accountant firm;
- (v) its 100% equity interest of Xiamen Lihe at a consideration of RMB5.0 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Xiamen Lihe as at 15 June 2020 as audited by a registered PRC accountant firm;

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (vi) its 95% equity interest of Xiamen Liyue at a consideration of RMB608.99. The consideration was determined after arm's length negotiation and with reference to the net asset value of Xiamen Liyue as at 15 June 2020 as audited by a registered PRC accountant firm;
- (vii) its 90% equity interest of Xiamen Zhaoyang at a consideration of RMB3.0 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Xiamen Zhaoyang as at 15 June 2020 as audited by a registered PRC accountant firm;
- (viii) its 100% equity interest of C&D Yipin at a consideration of RMB2,351.18. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Yipin as at 15 June 2020 as audited by a registered PRC accountant firm;
- (ix) its 30% equity interest of C&D Home Furnishing at a consideration of RMB2.9 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of C&D Home Furnishing as at 31 May 2020 as audited by a registered PRC accountant firm; and
- (x) its 95% equity interest of Zhaoxu Construction at a consideration of RMB46.3 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Zhaoxu Construction as at 15 June 2020 as audited by a registered PRC accountant firm.

Upon the completion of all the aforesaid equity transfers during the Track Record Period, Xiamen Yirui ceased to be interested in each of the 11 Excluded Companies and each of the 11 Excluded Companies ceased to be part of our Group.

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, deemed distribution amounting to RMB43.7 million, RMB50.0 million, RMBNil and RMB227.2 million, respectively represents consideration paid for the registered capital of the Excluded Companies. The amounts were accounted for as deduction of reserve. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, deemed contribution amounting to RMBNil, RMB123.7 million, RMB49.1 million and RMB48.7 million respectively mainly represents dividend received from the Excluded Companies. The amounts were accounted for as addition of reserve.

No gain or loss of disposal was recognised by our Group during the Track Record Period as a result of the disposal of C&D Youkehui as C&D Youkehui has been excluded in preparing the historical financial information of our Group throughout the Track Record Period. For details of basis of presentation, please refer to Note 1.3 of the section headed "Accountant's Report" in Appendix I to this listing document. The disposal of C&D Youkehui did not have significant impact to the financial position of our Group.

3. Transactions in relation to Xiamen Bairui

On 24 June 2020, Xiamen Yirui entered into an equity transfer agreement with Shanghai Bairen, an Independent Third Party, pursuant to which Xiamen Yirui acquired 51% equity interest of Xiamen Bairui from Shanghai Bairen at a consideration of RMB24.0 million. The consideration was determined after arm's length negotiation and with reference to the net asset value of Xiamen

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Bairui as at 31 May 2020 as verified by a qualified PRC asset and real estate appraiser. Upon the completion of the above transaction during the Track Record Period, Xiamen Bairui was wholly-owned by Xiamen Yirui and Xiamen Bairui became a wholly-owned subsidiary of our Group.

In order to bring in experienced personnel to the Yibai Centre, on 18 November 2020, Xiamen Yirui entered into an equity transfer agreement with Shanghai Leqin Health Management Company Limited* (“**Shanghai Leqin**”, 上海樂親健康管理有限公司, a company established in the PRC with limited liability whose ultimate beneficial owner was a director of Xiamen Bairui during the past 12 months since 18 November 2020), pursuant to which Xiamen Yirui agreed to sell and Shanghai Leqin agreed to purchase 20% equity interest in Xiamen Bairui at a cash consideration of RMB10.0 million. The consideration was determined through the public listing-for-sale* (公開掛牌出售) procedure held at Xiamen Property Transaction Centre* (廈門產權交易中心), an Independent Third Party, and with reference to the net asset value of Xiamen Bairui as at 30 June 2020 as verified by a qualified PRC asset and real estate appraiser.

4. Change of the maximum number of authorised Shares of our Company, allotment and repurchase of shares of our Company

Immediately before the Reorganisation, our Company was authorised to issue a maximum of up to 50,000 shares of a single class each with or without a par value, of which 2,000 shares of par value US\$1.0, representing 100% of the issued Shares of our Company, were allotted to CDI.

Pursuant to the written resolutions of the sole Shareholder of our Company dated 25 September 2020, (i) the maximum number of shares that our Company was authorised to issue was changed to 3,000,050,000 shares comprising 50,000 shares with par value of US\$1.00 each and 3,000,000,000 shares with par value of HK\$0.01 each; (ii) 1,560,000 Shares were allotted and issued to CDI at par value of HK\$0.01 each for cash; and (iii) the 2,000 ordinary shares of US\$1.00 par value each in our Company originally held by CDI were repurchased by our Company and cancelled.

Pursuant to the written resolutions of the sole Shareholder of our Company dated 23 November 2020, (i) the maximum number of Shares that our Company is authorised to issue will further be changed to 3,000,000,000 Shares with par value of HK\$0.01 each of a single class; and (ii) our Company will further allot and issue 1,175,151,106 Shares to CDI at par value of HK\$0.01 each for cash. Upon completion of the allotment and as at the Latest Practicable Date, the number of total issued Shares of our Company was 1,176,711,106 Shares which were wholly-owned by CDI.

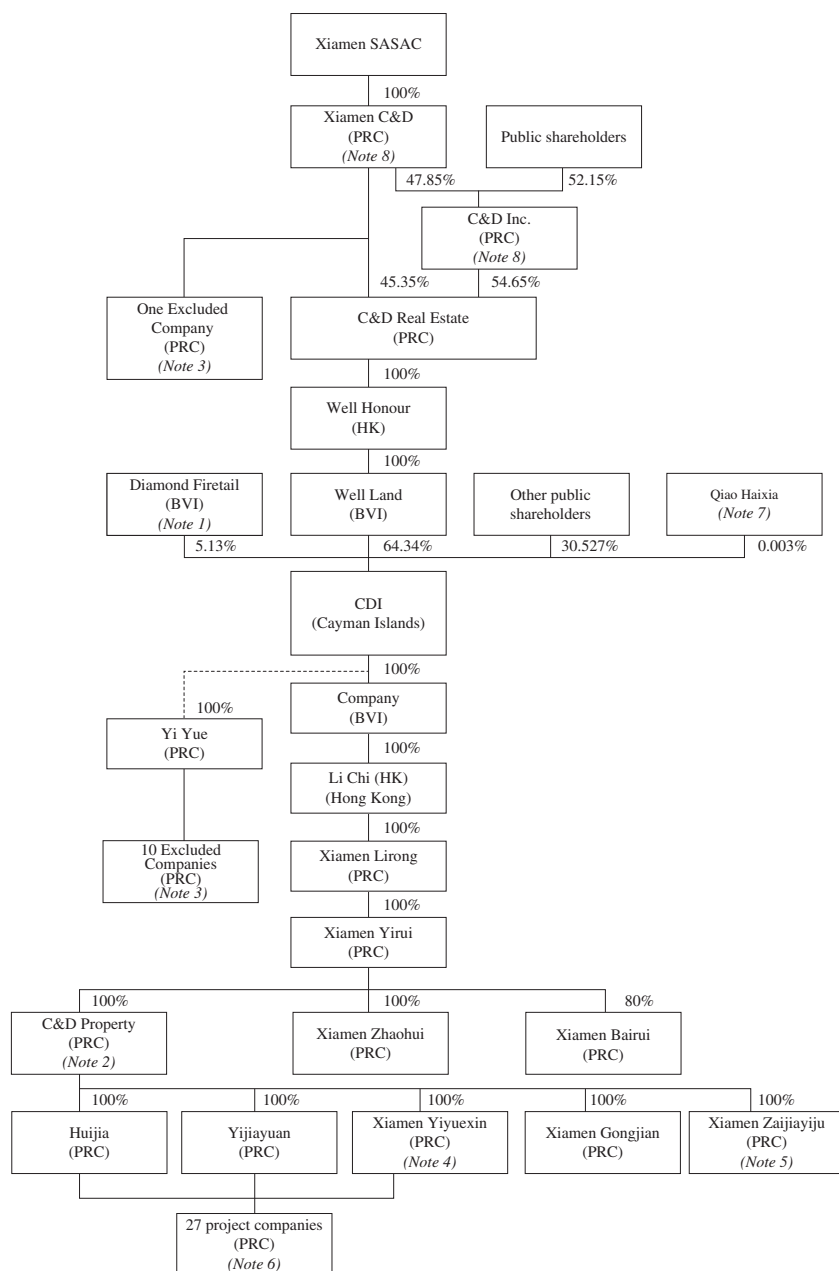
LEGAL COMPLIANCE

As advised by our BVI legal advisers, the establishment of our Company and each change in the shareholding structure of our Company were legally and properly completed and settled and complied with all applicable laws, rules and regulations from time to time in force in the BVI. As advised by our BVI legal advisers, as at the Latest Practicable Date, we have obtained all necessary approvals, permits, authorisations and consents from the relevant authorities with respect to the Reorganisation in all material aspects and such approvals, permits, authorisations and consents were valid, current, subsisting and have not been revoked and the equity interest held by our Company in each of our subsidiaries was valid. Our PRC Legal Advisers have also confirmed that since all necessary filings and registrations with the relevant PRC authorities in respect of the transactions in relation to the Reorganisation have been obtained, all the relevant legal procedures were completed in accordance with the relevant PRC laws and regulations.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Immediately upon Completion of Steps 1 to 4

The corporate chart below illustrates our simplified shareholding and as at the Latest Practicable Date corporate structure including our principal subsidiaries immediately upon completion of the above steps:



— denotes direct ownership in the shareholding or equity interest
 denotes indirect ownership in the shareholding or equity interest

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. Please refer to Note 1 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
2. Please refer to Note 2 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
3. Please refer to Note 4 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
4. Please refer to Note 5 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
5. Please refer to Note 6 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
6. Among the 27 project companies, three of which, namely, Beijing Yichuang Property Management Company Limited* (北京怡創物業管理有限公司), Guiyang Yijiayuan Property Management Company Limited* (貴陽怡家園物業管理有限公司) and Zhangjiagang Hexi Property Management Company Limited* (張家港市和璽物業服務有限公司) were newly established after the Track Record Period. Beijing Yichuang Property Management Company Limited* (北京怡創物業管理有限公司) was established in the PRC with limited liability on 20 August 2020 and owned as to 51% and 49% respectively by Yijiayuan and Rongchuang Property Service Group Co., Ltd* (融創物業服務集團有限公司, an Independent Third Party. Guiyang Yijiayuan Property Management Company Limited* (貴陽怡家園物業管理有限公司) was established in the PRC with limited liability on 28 August 2020 and owned as to 95% and 5% respectively by Yijiayuan and Xiamen Yiyuexin. Zhangjiagang Hexi Property Management Company Limited* (張家港市和璽物業服務有限公司) was established in the PRC with limited liability on 13 November 2020 and owned as to 49% and 51% respectively by Yijiayuan and Zhangjiagang Guangyuan Property Management Company Limited* (張家港廣源物業服務有限公司), an Independent Third Party. The principal business of the above three newly established project companies is property management. Please refer to Note 7 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above for the information of the other 24 project companies.
7. Please refer to Note 8 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
8. Please refer to Note 9 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.

CDI DISTRIBUTION

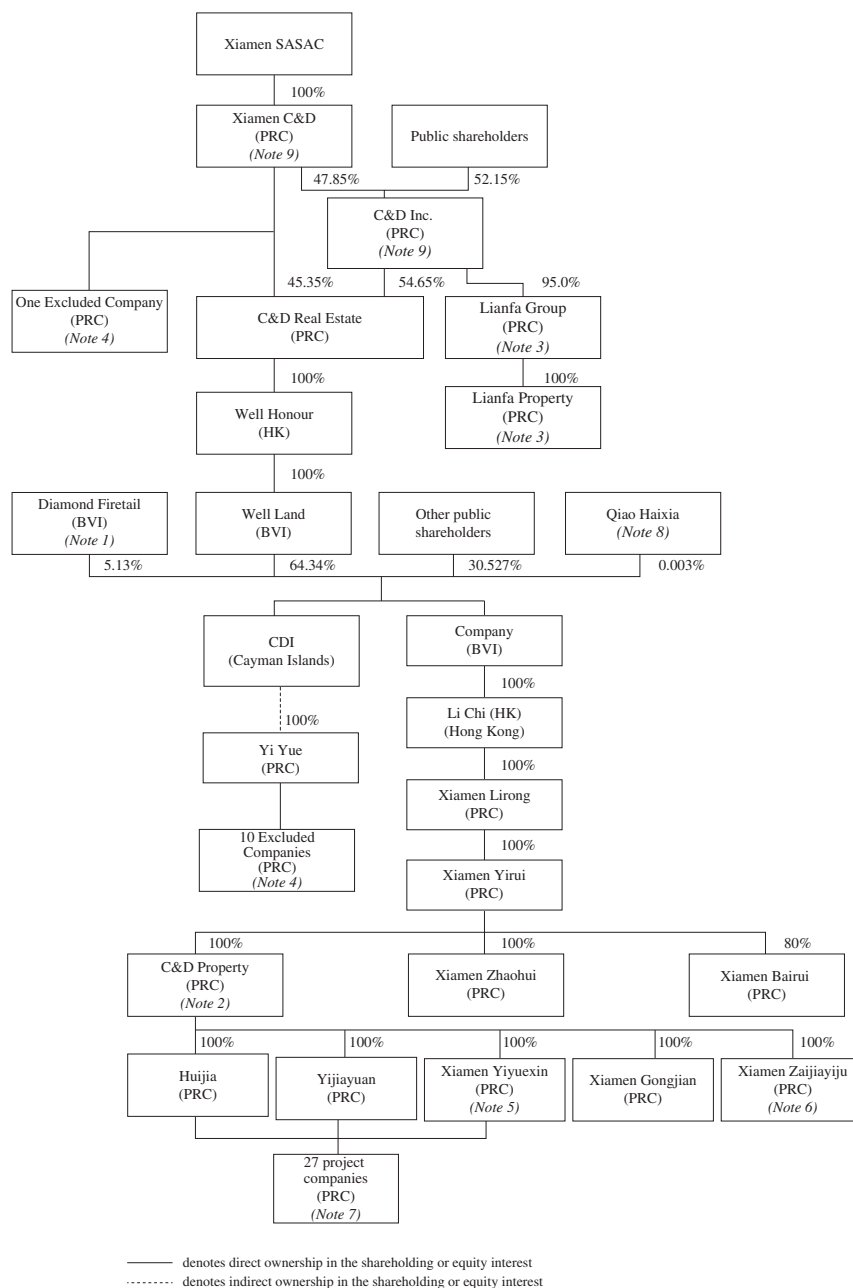
On 23 December 2020, the CDI Board declared the CDI Distribution to the Qualifying CDI Shareholders.

The CDI Distribution will be satisfied wholly by way of a distribution in specie to the Qualifying CDI Shareholders of an aggregate of 1,176,711,106 Shares, representing all the issued Shares of our Company, in proportion to their respective shareholdings in CDI as at the Record Date. Pursuant to the CDI Distribution, the Qualifying CDI Shareholders will be entitled to one Share for every one CDI Share held as at the Record Date. For further details of the CDI Distribution, please refer to the section headed “CDI Distribution and the Spin-off” in this listing document.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Immediately upon Completion of the Spin-off

The corporate chart below illustrates our simplified shareholding and corporate structure including our principal subsidiaries immediately upon completion of the Spin-off:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. Please refer to Note 1 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above in relation to the ultimate beneficial owners of Diamond Firetail. Immediately following the completion of the Spin-off, Equity Trustee, Mr. Zhuang Yuekai, Ms. Zhao Chengmin, Ms. Cao Xinyu, Ms. Liu Jing, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in our Shares held by Diamond Firetail by virtue of the SFO.
2. Please refer to Note 2 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
3. Lianfa Group was a subsidiary of C&D Inc.. Lianfa Property was a wholly-owned subsidiary of Lianfa Group. For details, please refer to the section headed “Relationship with our Controlling Shareholders” in this listing document.
4. Please refer to Note 4 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
5. Please refer to Note 5 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
6. Please refer to Note 6 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
7. Please refer to Note 6 under the paragraph headed “— Reorganisation — Immediately upon completion of steps 1 to 4” in this section above.
8. Please refer to Note 8 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.
9. Please refer to Note 9 under the paragraph headed “— Reorganisation — Immediately before the Reorganisation” in this section above.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Foreign Invested Property Management Enterprises

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

The MOFCOM and the NDRC jointly promulgated the Catalogue of Industries for Encouraged Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) on 30 June 2019 which came into effect on 30 July 2019 and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Version) (《外商投資准入特別管理措施 (負面清單) (2020版)》) on 23 June 2020 which came into effect on 23 July 2020. The property management services does not fall into such negative list for access of foreign investment.

On 15 March 2019, the National People’s Congress (the “NPC”) approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which came into effect on 1 January 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the People’s Republic of China (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the People’s Republic of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the People’s Republic of China (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC. According to the Foreign Investment Law, the PRC government shall implement the administration system of pre-entry national treatment with a negative list for foreign investments, and shall give national treatment to foreign investments which do not fall into Negative List. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

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

On 28 May 2020, the National People’s Congress approved the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “**Civil Code**”), which will come into effect on 1 January 2021 and replace the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code, which

REGULATORY OVERVIEW

basically follows the current regulatory principles of property management industry, will become the legal foundation for the property management services in the PRC. Prior to the effectiveness of the Civil Code, the Regulations on Property Management (《物業管理條例》) and the Property Law of the PRC (《中華人民共和國物權法》) have laid down the basic legal framework for the property management industry in China.

Qualification of Property Management Enterprises

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

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 and took effect on the same day, the examination and approval of Second and Third Class qualifications of property management enterprises were cancelled.

According to the Decision of the State Council on Cancelling a Batch of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on 22 September 2017 and came into effect on the same day, the examination and approval of First Class qualification of property management enterprises was cancelled.

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

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

Appointment of Property Management Enterprises

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

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

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

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

In addition, on 15 May 2009, the Supreme People's Court promulgated the Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Services (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (the “**Interpretation**”), which came into effect on 1 October 2009. The Interpretation stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, the preliminary property management contract signed by the developer and the property management

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enterprise according to the relevant laws and regulations, and the property management contract signed by the property owners' association and property management enterprises which hired by the general meeting according to the relevant laws and regulations are legally binding on property owners, the people's court shall not support a claim if property owners plead as they are not a party to the contract. The court shall support a claim in case property owners' association or property owners appeal to the court to confirm that the clauses of property management services contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Fees Charged by Property Management Enterprises

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

The competent price administration department of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management enterprises in their respective administrative regions. The fees charged by property management can be either the government guidance price or market-based price depending on the basis of the nature and features of relevant properties. If the fees charged subject to the government guidance price, the specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the Central Government.

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

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

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

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (《物業服務定價成本監審辦法(試行)》) which was jointly promulgated by the NDRC and the MOHURD on 10 September 2007 and came into effect on 1 October 2007, the competent price administration department of people's government formulates or regulates property management charging standards, and the pricing cost of property management services should be the social average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organise the implementation of the property management pricing cost supervision and examination work. Property management services pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners. In accordance with the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》), which was promulgated by NDRC on 17 December 2014 and became effective on the same day, the price control on property services of non-government-supported houses was cancelled. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for property management fees for government-supported houses, houses under housing reform, old residence communities and preliminary property management services in light of the actual situation. The benchmark and floating range of these government guidance prices vary from region to region.

For example, in Fujian, according to Fujian Province Property Management Regulations (《福建省物業管理條例》), which came into effect on 1 January 2019, if the property management service fees are implemented with market-based prices, the Property Management Industry Association may regularly publish various property management service projects, service standards and reference prices in accordance with the economic development level and cost changes of the industry in local administrative region. Furthermore, according to Notice of Fujian Provincial Development and Reform Commission and Fujian Provincial Department of Housing and Urban-Rural Development on Issues related to Management of Property Service Fees (《福建省發展和改革委員會、福建省住房和城鄉建設廳關於物業

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服務收費管理有關問題的通知》), which came into effect on 21 May 2019, property management service fees in Fujian Province adopts the management mode of combining the government-guided prices and the market-based prices. Except for government-guided property service fees for indemnificatory housing, other property service fees are subject to market-based prices.

In Shanghai, according to Regulations of Shanghai Municipality on Residential Property Management (《上海市住宅物業管理規定》), which came into effect on 1 March 2019, property service fees are subject to market-based prices, which shall be negotiated by the property owner and the property management enterprise in accordance with the principles of rationality, openness and consistency of quality and price and be stipulated in the property service contract.

In Jiangsu, according to Measures for the Administration of Property Service Charges in Jiangsu Province (《江蘇省物業服務收費管理辦法》), which came into effect on 1 January 2019, the public service fees for the common preliminary residential property and the car parking fees shall be guided by the government. After the set up of a general meeting of the property owners of the community, the public service fees for the common preliminary residential property and the car parking fees shall be negotiated between the property management enterprise and the general meeting of the property owners or the property owners' association authorised by the general meeting of the property owners and shall be implemented through the property service agreement. Where laws or regulations provide otherwise, such provisions shall prevail.

In Sichuan, according to Sichuan Province Property Management Regulations (《四川省物業管理條例》), which came into effect on 26 July 2018, the charging standards for property services shall follow the principles of rationality, fairness, openness and consistency of quality and price, and shall be agreed upon by the parties to the contract. The charging standards for preliminary property services and indemnificatory housing property services shall follow the government-guided prices set up with the local actual conditions and promulgated regularly by the price administrative departments and the real estate administrative departments of the local people's governments at the county level in accordance. In the case of the same type of property, the same service content and standard within the same property management area, the same price standard shall be applied to the property management fees.

In Hunan, according to Measures for the Administration of Property Service Charges in Hunan Province (《湖南省物業服務收費管理辦法》), which came into effect on 3 January 2017, in accordance with the nature and characteristics of different properties, government-guided prices and market-adjusted prices shall be respectively implemented. Government-guided prices shall be adopted for the property service fees of indemnificatory housing, housing-reform houses, old residential quarters and common commercial residential property before the establishment of the general meeting of the property owners; market-based prices shall be adopted for the property service fees of villa, other non-residential property and common commercial residential property after the establishment of the general meeting of the property owners.

Property Management Services Outsourcing

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

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Fire Protection

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

Development of the Resident Service Industry

According to 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 was promulgated by the general office of the State Council on 19 November 2015, the main tasks to accelerate the development of resident services and upgrade consumption structures include focusing on the development of the living services that are closely related to the people's livelihood with vast demand potentials and strong driving forces, among other things, promoting the standardisation developments of the real estate intermediary, house leasing, property management, moving and cleaning, household vehicles maintenance and other resident services, improving the construction level of the elderly-care services system, and encouraging the integration and innovative development of elderly-care services and related industries.

SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

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

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

MAJOR REGULATIONS ON COMMUNITY ELDERLY-CARE SERVICES

According to The Elderly Interests Protection Law of the People's Republic of China (《中華人民共和國老年人權益保障法》), which was promulgated by SCNPC on 29 August 1996 and recently amended on 29 December 2018, the nation established and improve the social pension service system by home-based, relying on community, supporting by institutions. Each people's governments and related departments implemented measures in terms of administration, taxation, land and finance, encouraged and supported corporate business units, social organisations or individuals to build and operate the facilities of elderly-caring, elderly day-care and the elderly cultural athlete activities, etc.. Establishment of charitable pension organisations are subject to register in accordance with the laws, establishment of operating pension organisations are subject to register in the market regulatory management department. Elder pension organisations may commence service activities after registered and filed to county level or above people's government department.

According to the Pension Organization Management Method (《養老機構管理辦法》), which was issued by Ministry of Civil Affairs on 1 September 2020 and came into effect on 1 November 2020, pension organisations are encouraged to operate community elderly service facilities, or to provide home-based services such as meal, bath and cleaning assistance to elderly people.

According to the Several Opinions of the General Office of the State Council on Fully Liberalizing the Elderly Service Market and Improving the Quality of Elderly Care Services (《國務院辦公廳關於全面放開養老服務市場提升養老服務質量的若干意見》) issued by the General Office of the State Council on 7 December 2016, resources for the elderly shall be allocated towards community-based services at home to promote full coverage of community-based elderly services in order to greatly improve the quality of life for the elderly at home. The Opinions of the General Office of the State Council on Promoting the Development of Elderly Care Services (《國務院辦公廳關於推進養老服務發展的意見》) issued by the General Office of the State Council on 29 March 2019 suggested (i) supporting the large-scale and chain development of pension organisations by supporting for the creation of a number of influential and competitive brands in the field of elderly services and strengthening the protection of trademark brands of elderly service in accordance with the law; (ii) fully implementing national treatment of foreign-funded pension service organisations by allowing foreign investment in the development of elderly care services in the Mainland through means of construction by the public sector and operation by the private sector, government purchases, and cooperation between the government and social capital to enjoy the same treatment as domestic investment; (iii) promoting the integrated development of home, community and institutional elderly care, and exploring the “property services + elderly care” model etc., in order to promote the development of elderly care.

According to the Notice of the Ministry of Civil Affairs and the Ministry of Finance on the Central Government's Financial Support for the Pilot Reform of Home and Community-based Elderly Care Services (《民政部、財政部關於中央財政支持開展居家和社區養老服務改革試點工作的通知》) issued on 13 July 2016, a group of regions were selected for the pilot reform of home and community-based elderly care service to promote the improvement of elderly care service system, focus on supporting the development of home and community-based elderly care services in the pilot areas, through government support, social operation, and market-based operation, comprehensively improve the capacity of integrated home and community-based elderly care services. According to the Implementation Opinions of the Ministry of Civil Affairs on Further Expanding the Supply of Elderly Care Services and Promoting the Consumption of Elderly Care Services (《民政部關於進一步擴大養老服務供給、促進養

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老服務消費的實施意見》) issued by the Ministry of Civil Affairs on 20 September 2019, by 2022, all streets shall have at least one community elderly care service organisations with integrated functions, and qualified towns and villages shall also actively build community elderly care service organisations with integrated functions, with the coverage rate of community day care organisations reaching more than 90 per cent. Funds invested in communities at all levels shall be applied in an integrated manner to optimise the expenditure structure of financial support for the development of elderly services, with more of the relevant funds being used to support community elderly services.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Supervision on Internet Information Services

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

Supervision on Mobile Internet Application Information Services

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

Major regulations on information safety and privacy protection

According to the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC on 7 November 2016, come into effect on 1 June 2017, to construct, operate Internet or provide services through Internet in the PRC are subject to law,

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administrative regulations and mandatory requirements of national standards, adopted technical measures and other necessary measures to protect Internet safety and stable operation, responds to Internet safety issue effectively, prevent from Internet crime activities, protect the completeness, confidentiality and availability of Internet data. Internet operators should conduct in accordance with requirements of the multi-level network security protection scheme, fulfil Internet security obligations, safeguard Internet from the violation, damage or unauthorised access, prevent from release of Internet data or from being stolen or changed. In addition, Internet operators must not collect the personal information not related to the services provided, must not violate the regulations of the law and administration regulations and mutual agreed collection and usage of personal information, and shall process their stored personal information complied with the requirements of the law, administration regulations and agreement with the clients. Network operators shall not disclose, falsify, or destroy the personal information they have collected; shall not provide personal information to the others without the consent of the collected person, except for the processed information that cannot be identified and restored.

The Decision of the Standing Committee of the National People's Congress on Strengthening the Protection of Network Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》), which was issued by the SCNPC on 28 December 2012 and came into effect on the same day, aims to strengthen the protection of network information security and privacy. The Regulations on the Protection of Personal Information of Users of Telecommunications and the Internet (《電信和互聯網用戶個人信息保護規定》), which was issued by the Ministry of Industry and Information Technology of the PRC on 16 July 2013 and came into effect on 1 September 2013, aims to regulate the collection and use of users' personal information in the course of providing telecommunications services and Internet information services in the PRC.

LABOUR AND SOCIAL INSURANCE-RELATED LAWS AND REGULATIONS

According to 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, came into effect on 1 January 1995 and was amended on 27 August 2009 and 29 December 2018, an employer shall develop and improve its rules and policies to ensure the rights of its workers.

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

According to Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, came into effect since 1 July 2011, and was amended on 29 December 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), Regulations on Work Injury Insurance (《工傷保險條例》), Regulations on Unemployment Insurance (《失業保險條例》) and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦

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法》), the employer shall register with the social insurance authorities and contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work injury insurance and maternity insurance contributions shall be paid only by employers, and employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and became effective on 3 April 1999, and was amended on 24 March 2002 and 24 March 2019, the employer shall undertake housing provident fund payment and deposit registrations at the housing provident fund administration centre, and open housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. With respect to companies that fail to undertake housing provident fund registrations or open housing provident fund accounts for their employees, such companies may be ordered by the housing provident fund administration centre to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of no less than RMB10,000 nor more than RMB50,000 shall be imposed. When an employer fails to pay up housing provident fund contributions in full amount on the due date, the housing provident fund administration centre shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

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

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Patent Law

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

Copyright Law

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

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

Domain Name Law

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

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holder's identity for the purpose of registration, and sign the registration agreements. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

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

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

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

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

REGULATORY OVERVIEW

Value-added Tax

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

Furthermore, in accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》), promulgated by the MOF and the SAT on 23 March 2016 and taking effect on 1 May 2016, and was amended on 11 July 2017 and 20 March 2019 the state started to fully implement the pilot programme from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

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

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

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

REGULATIONS RELATING TO FOREIGN EXCHANGE

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

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

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

INDUSTRY OVERVIEW

This industry overview section contains information and statistics that are derived from government publications, data we purchased from China Index Academy and publicly available data.

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. The information and data derived from China Index Academy are not commissioned by us, our connected persons or associates or the Sole Sponsor and China Index Academy's information and data can be accessed by all its subscribers. 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 purchased from China Index Academy and the data extracted from publicly available sources have not been independently verified by us, the Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off (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 Sole Sponsor, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off (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 purchased the right to use and quote various data from publications by China Index Academy 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 co-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 the Top 100 Property Management Companies in terms of overall strength of property management companies primarily by evaluating each property management company's data from the previous year in relation to property management scale, operational performance, service quality, growth potential and social responsibility. In determining such rankings, China Index Academy may assign the same ranking to multiple companies with the same or very close scores, and therefore it is possible that more than 100 companies may be classified as being among the Top 100 Property Management Companies in the industry. China Index Academy assesses the service scale of a property management company primarily in terms of total assets, number of properties under management, GFA under management and geographical coverage. China Index Academy assesses the operational potential of property management companies primarily in terms of aggregate revenue, gross profit margin, net profit, per capita output value and operating cost ratio. In this section, the data analysis is primarily based on the Top 100

INDUSTRY OVERVIEW

Property Management Companies in the PRC and the analysis and forecasts of China Index Academy were made based on assumptions including (i) China's and global social, economic and political environment will remain stable in the forecast period; (ii) the government policies on the property management industry in the PRC will remain stable in the forecast period; (iii) all the published data from the statistics department shall be accurate; and (iv) all the data in relation to the residential sales transactions collected from the relevant housing regulatory departments shall be accurate.

OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC AND THE FUJIAN PROVINCE

In the PRC

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

Driven by rapid economic growth, 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. Total property development investment amount increased from RMB9,597.9 billion in 2015 to RMB13,219.4 billion in 2019, representing a CAGR of 8.3%. According to the data from the National Bureau of Statistics sorted out by China Index Academy, the total GFA of commodity properties sold in the PRC reached 1.7 billion sq.m. in 2019, representing a CAGR of 7.5% from 1.3 billion sq.m. in 2015; the total GFA of commodity residential properties sold in the PRC increased from 1.1 billion sq.m. in 2015 to 1.5 billion sq.m. in 2019, representing a CAGR of 7.5%; the total GFA of newly constructed commodity properties in the PRC increased from 1.5 billion sq.m. in 2015 to 2.3 billion sq.m. in 2019, representing a CAGR of 10.1%; the total GFA of newly constructed commodity residential properties in the PRC increased from 1.1 billion sq.m. in 2015 to 1.7 billion sq.m. in 2019, representing a CAGR of 11.9%. Such growth has provided an excellent opportunity for the development of the property management industry.

In the Fujian Province

According to China Index Academy, the demand of the real estate market in the Fujian Province is continuously increasing. The total property development investment amount increased from RMB447.0 billion in 2015 to RMB567.3 billion in 2019, representing a CAGR of 6.1%. According to the data from the Statistics Bureau in the Fujian Province, the GFA of commodity properties sold in the Fujian Province reached 64.6 million sq.m. in 2019, representing a CAGR of 12.5% from 40.4 million sq.m. in 2015; the GFA of commodity residential properties sold in the Fujian Province increased from 33.2 million sq.m. in 2015 to 50.7 million sq.m. in 2019, representing a CAGR of 11.2%.

THE PROPERTY MANAGEMENT INDUSTRY IN THE PRC

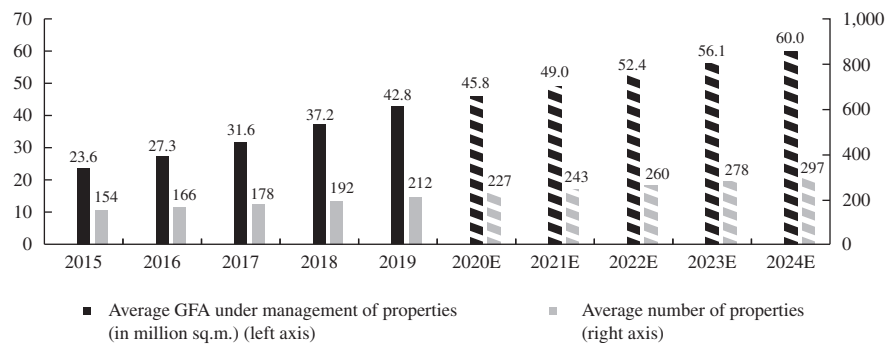
Overview

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 Regulations 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

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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 recent years, 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 the PRC. According to China Index Academy, the average GFA under management by 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% and is expected to increase from 45.8 million sq.m. in 2020 to 60.0 million sq.m. in 2024, representing a CAGR of 7.0%. 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% and is expected to increase from 227 in 2020 to 297 in 2024, representing a CAGR of 7.0%. The following chart sets out the historical and projected 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

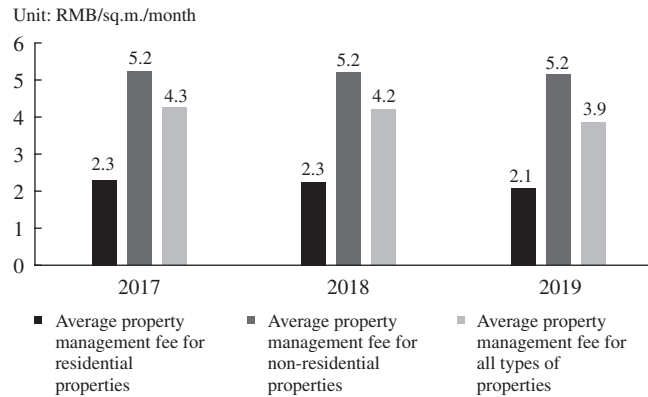
According to China Index Academy, the geographical coverage of the Top 100 Property Management Companies has also been expanding in recent years with the average number of cities in which the Top 100 Property Management Companies had operations increased to 31 in 2019 from 27 in 2015.

Corresponding to the significant growth in GFA under management and the number of properties managed, as well as geographical coverage, the average revenue of the Top 100 Property Management Companies increased to RMB1,040.2 million in 2019 from RMB540.8 million in 2015, representing a CAGR of 17.8%.

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 services 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 services providers.

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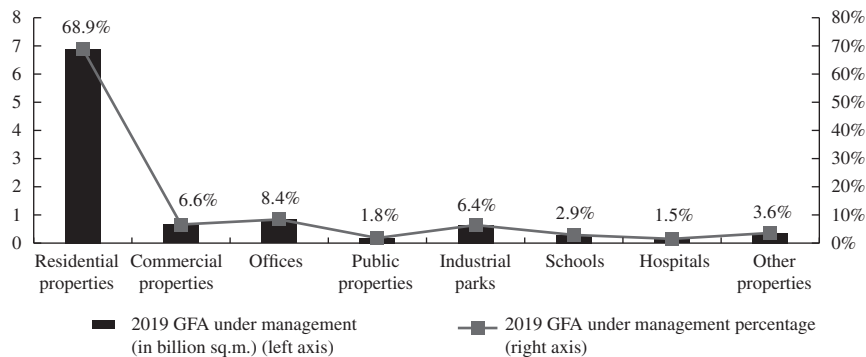
The following chart sets out the average property management fee of the Top 100 Property Management Companies in the PRC by property type for the years indicated:



Source: China Index Academy

Note: CIA's formula, where the average monthly property management fee per sq.m. is calculated by (i) the sum of the property management fees receivable per sq.m. for each property under management at year-end multiplied by the GFA under management of the corresponding property at year-end, divided by (ii) the GFA under management of all properties under management at year-end.

While residential properties account for the majority of the total GFA under management of the Top 100 Property Management Companies, property management companies in the PRC 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:



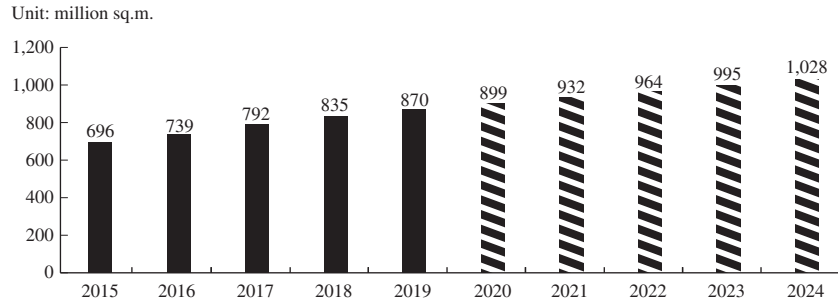
Source: China Index Academy

According to China Index Academy, a majority of the Top 100 Property Management Companies in the PRC have their parent companies or controlling shareholders engaging in property development business. Out of the 244 companies comprising the Top 100 Property Management Companies for 2019, nearly 80% of them manage properties developed by property developers which were their related parties, and the GFA under management of such properties accounted for nearly 60% of such property management companies' total GFA under management in 2019, according to China Index Academy.

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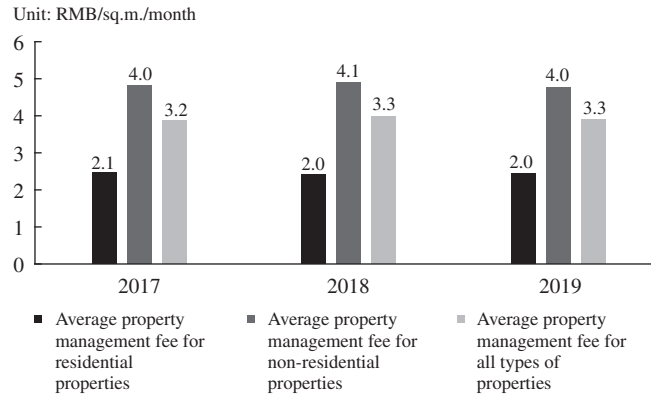
THE PROPERTY MANAGEMENT INDUSTRY IN THE FUJIAN PROVINCE

According to China Index Academy, the GFA under management in the Fujian Province increased to 870 million sq.m. in 2019, representing 3.6% of the total GFA under management in the PRC, from 696 million sq.m. in 2015 representing a CAGR of 5.7%. The GFA under management in the Fujian Province is expected to increase from 899 million sq.m. in 2020 to 1,028 million sq.m. in 2024, representing a CAGR of 3.4%. The following chart sets out the historical and projected total GFA under management in the Fujian Province for the years indicated:



Source: Economic Census Data, sorted out by China Index Academy

The following chart sets out the average property management fee of the Top 100 Property Management Companies in the Fujian Province by property type for the years indicated:



Source: China Index Academy

Note: CIA's formula, where the average monthly property management fee per sq.m. is calculated by dividing (i) the sum of products of the monthly property management fee chargeable for each of the properties under management and the GFA under management as at the relevant date for each of such properties by (ii) the total GFA under management of all properties under management as at the relevant date.

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Industry Growth Drivers

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

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 the PRC increased from 34.8% for 1999 to 60.6% for 2019. The urbanisation rate in the Fujian Province increased from 49.9% in 2008 to 66.5% in 2019. 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, rapid economic growth in the PRC has spurred continuous growth in the per capita disposable income for urban population which increased to RMB42,359 in 2019, representing a CAGR of 9.4% since 2009. The per capita disposable income in the Fujian Province increased from RMB28,174 in 2013 to RMB45,620 in 2019, representing a CAGR of 8.4%. Consumers in the PRC 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 properties (being properties developed for sale) also surged in the PRC. Please refer to the paragraph headed “— Overview of the Real Estate Market in the PRC and the Fujian Province” in this section above for more information on the development of the real estate market in the PRC and the Fujian Province.

Favourable policies

The promulgation of the Regulations on Property Management (《物業管理條例》) on 8 June 2003 by the State Council marked as a milestone for the regulatory framework for the property management industry in the PRC. Subsequently, a series of favourable policies supporting the development of the property management industry have come into effect, including but not limited to the Circular of the NDRC on the Opinions of Decontrolling the Prices of Some Services (《國家發展改革委員會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 services, and the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the 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 other things, the standardisation of the provision of property management services as part of the industrial upgrading and diversification of the resident service sectors. The Regulations on Property Management in the Fujian Province (《福建省物業管理條例》), which came into effect on 1 January 2019, also adopts the market pricing mechanism. 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

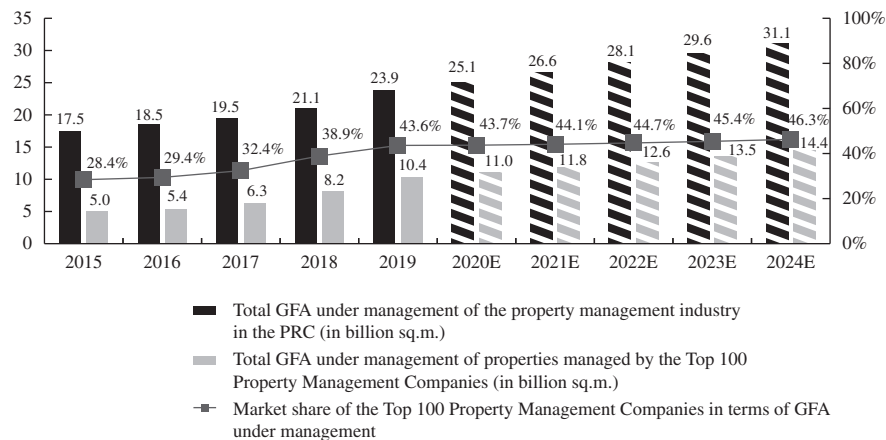
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environment and accelerate the development of the industry and property management companies in the PRC. For further details, please refer to the paragraph headed “Regulatory Overview — Legal Supervision over Property Management Services” in this listing document.

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 100 Property Management Companies increased from 2015 to 2019 at a CAGR of 20.5% and is expected to increase from 2020 to 2024 at a CAGR of 7.0%. Meanwhile, the total GFA under management of property management companies in the PRC increased from 2015 to 2019 at a CAGR of 8.2% and is expected to increase from 2020 to 2024 at a CAGR of 5.5%. According to China Index Academy, the GFA under management concentration rate of the Top 100 Property Management Companies among property management companies in China increased from 28.4% in 2015 to 43.6% in 2019, and is expected to increase from 43.7% in 2020 to 46.3% in 2024, as the market continues to consolidate and the GFA of commodity properties continues to increase. The following chart sets out the historical and projected total GFA under management of property management companies in the PRC and the aggregate market share of the Top 100 Property Management Companies in terms of the total GFA under management for the years indicated:

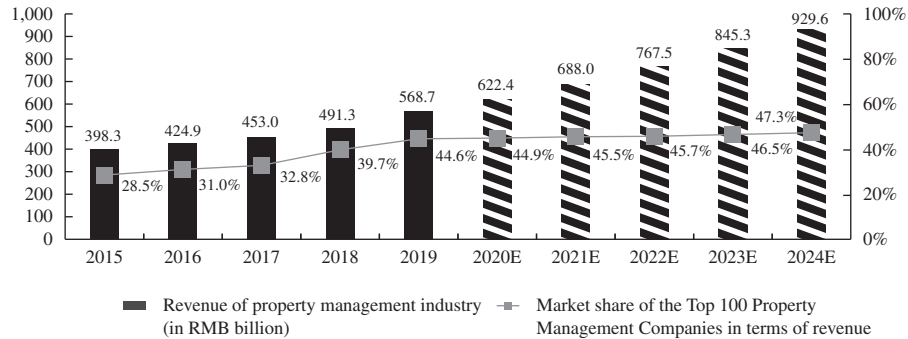


Source: Economic Census Data, sorted out by China Index Academy

According to China Index Academy, the total revenue of property management companies in the PRC increased from 2015 to 2019 at a CAGR of 9.3% and is expected to increase from 2020 to 2024 at a CAGR of 10.6%. According to China Index Academy, the revenue concentration rate of the Top 100 Property Management Companies among property management companies in China increased from 28.5% in 2015 to 44.6% in 2019, and is expected to increase from 44.9% in 2020 to 47.3% in 2024, as the market continues to

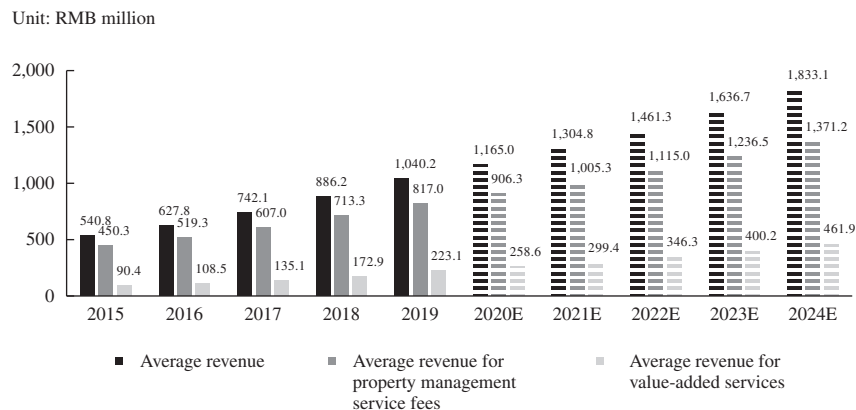
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consolidate and the GFA of commodity housing continues to increase. The following chart sets out the historical and projected total revenue of property management companies in China and the aggregate market share of the Top 100 Property Management Companies in terms of the revenue for the years indicated:



Source: Economic Census Data, sorted out by China Index Academy

- 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 also increasingly diversifying their revenue streams by offering various value-added services for higher profitability. These mainly include pre-delivery services and consultancy services to property developers and other property management companies and community value-added services to property owners and residents, such as community living services, e-commerce services, property value management 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

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- *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. Many property management companies reduced labour costs and enhanced profitability by leveraging information technologies such as cloud application, e-commerce, Internet of Things (“物聯網”), big data and artificial intelligence. For example, artificial intelligence technologies such as smart entrance pass, smart building management, smart energy management, patrol robots, delivery robots and consultancy robots largely reduced the labour costs of property management companies. In addition, by adopting new technologies and using e-service platforms, property management companies could effectively integrate and allocate resources to provide more diversified community value-added services and further expand their services to common space management, community finance, property agency and housekeeping. As a result, the revenue generated from value-added services to non-property owners and community value-added services increasingly becomes an important source of revenue for property management companies. Moreover, to better control costs and maintain competitiveness, property management companies need to standardise and automate their operations to improve capacity and service quality and to meet diversified customer demands.
- *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. They 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 Challenge

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

- *Competition.* Property management industry in the PRC is increasingly competitive. As a result, property owners have more choices and are placing greater emphasis on professional and standardised services.
- *Cost control.* Property management companies in the PRC charge property management fees primarily on a lump sum basis. They charge fees at a predetermined fixed price per sq.m. per month, representing all-inclusive fees for the property management services provided. As a result, when total costs and expenses incurred exceed the amount of property management

INDUSTRY OVERVIEW

fees they receive, the property management companies will bear the shortfall and may not charge additional fees from property developers, property owners or residents during the agreement terms.

- *Limited sources of property management agreements.* The top property management companies in the PRC are typically either subsidiaries or affiliated companies of property development companies. In the event that the related property development companies stop engaging the property management companies as their property management service providers, the performance of the property management companies may be adversely affected.
- *Increasing labour and operation costs.* The property management industry in the PRC is labour-intensive. The percentage of staff cost to cost of services of the Top 100 Property Management Companies was 55.8%, 57.8% and 59.1% for each of the three years ended 31 December 2019, respectively, according to China Index Academy. The minimum wage in various regions has increased in recent years. Such increasing labour costs were primarily due to (i) the increasing minimum wage in various regions in recent years; and (ii) the increasing demand of labour. According to China Index Academy, the average labour costs of the Top 100 Property Management Companies increased to RMB467.0 million in 2019 from RMB245.6 million in 2015, representing a CAGR of 17.4%. In addition, the market share of the Top 100 Property Management Companies in terms of GFA under management increased to 43.6% in 2019 from 38.9% in 2018. 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. The average operation costs of the Top 100 Property Management Companies also increased from RMB432.4 million in 2015 to RMB790.3 million in 2019, representing a CAGR of 16.3% according to China Index Academy.
- *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.
- *Risks from mergers and acquisitions.* Many property management companies in the PRC expanded their business scales through mergers and acquisitions. However, mergers and acquisitions may subject them to various risks due to the complexity and size of their business operations, unfamiliarity in corporate cultures and the inability to retain key personnel.

For more information on industry related risks, please refer to the paragraph headed “Risk Factors — Risks Relating to our Business and Industry” in this listing document.

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COMPETITION

Competitive Landscape

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

As a reputable player with a large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC. Our value-added services compete against other property management companies as well as relevant industry participants providing similar services.

We are a property management services provider deeply cultivating in the Fujian Province. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. According to China Index Academy, we ranked the sixth among the Top 100 Property Management Companies with properties located in the Fujian Province in terms of GFA under management in 2019. We were ranked the 36th by China Index Academy in 2019 among the Top 100 Property Management Companies in the PRC in terms of overall strength. Since 2017, we have been ranked by China Index Academy within the top 50 among the Top 100 Property Management Companies in the PRC in terms of overall strength. Our GFA under management increased at a CAGR of 14.4% from 2017 to 2019. The table below sets out our market position among the Top 100 Property Management Companies headquartered in the Fujian Province in terms of revenue in 2019:

<u>Ranking</u>	<u>Company</u>	<u>Background</u>	<u>Revenue</u>	<u>GFA under management in the Fujian Province</u>	<u>Market share in the Fujian Province (in terms of GFA under management)</u>	<u>Listing status</u>
			<i>RMB'million</i>	<i>('000 sq.m.)</i>		
1	Company A	Established in 2005, it is a large-scale comprehensive enterprise group with property management as its core business, and is involved in the four diversified industries of hotel management, food, elderly care and technology. It is a national First Class property management enterprise.	Over 1,800	Over 60,000	Over 7.0%	Not listed
2	Our Company		801	16,539	1.9%	—

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<u>Ranking</u>	<u>Company</u>	<u>Background</u>	<u>Revenue</u> <i>RMB'million</i>	<u>GFA under management in the Fujian Province</u> <i>('000 sq.m.)</i>	<u>Market share in the Fujian Province (in terms of GFA under management)</u>	<u>Listing status</u>
3	Company B	Established in 2011, it is a third-party comprehensive life service enterprise that has deeply cultivated in the Fujian Province and the Hainan Province and has a national layout. Its businesses under management cover various categories, such as residential properties, commercial complex, commercial office buildings, industrial parks, government institutions, schools, banks, venues, ports, prisons, etc.	Over 700	Over 20,000	Nearly 3.0%	Not listed
4	Company C	Established in 2003, the types of properties which the company provides services to include government office buildings, municipal public construction projects, urban complexes, commercial office buildings, villas, apartments, schools, ports, logistics parks, etc.	Over 600	Over 20,000	Nearly 3.0%	Not listed
5	Company D	Established in 1994, its service projects cover ordinary residences, high-end residences, office buildings, commercial complexes, apartments, exhibition venues, factories, schools, hospitals, government office buildings, etc.	Nearly 300	Over 8,000	Over 0.9%	Not listed

Many property management companies in the PRC have begun diversifying their service offering and expanding their sources of revenue. According to China Index Academy, we ranked the first in 2019 among the Top 100 Property Management Companies headquartered in the Fujian Province in the terms of the proportion of revenue derived from value-added services.

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The table below sets out a comparison of average monthly property management fees charged by us and our major industry peers for each of the three years ended 31 December 2019:

	For the year ended 31 December					
	2017		2018		2019	
	Residential properties	Office properties	Residential properties	Office properties	Residential properties	Office properties
	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>
Company C	1.36	2.84	1.21	2.98	1.52	2.46
Company B	1.47	5.87	1.53	6.49	1.46	6.35
Our Group	2.07	9.02	2.07	9.12	2.11	9.29
Company D	1.54	2.49	1.66	3.41	1.59	3.41
Company E	2.03	9.61	2.14	8.97	2.29	9.03

Source: China Index Academy

Note: The CIA's formula for calculation of the average monthly property management fee per sq.m. is (i) the sum of the property management fees receivable per sq.m. for each property under management at year-end multiplied by the GFA under management of the corresponding property at year-end, divided by (ii) the GFA under management of all properties under management at year-end.

According to CIA, they are of the view that our Group's average monthly property management fees are generally within the industry average of our major industry peers for residential and office properties with similar locations, scales and attributes for the three years ended 31 December 2019, and the Sole Sponsor concurs with CIA's view.

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.

IMPACT OF COVID-19 OUTBREAK ON THE PROPERTY DEVELOPMENT AND PROPERTY MANAGEMENT INDUSTRY IN THE PRC AND THE FUJIAN PROVINCE

The outbreak of COVID-19 has impacted on China's macro economy and certain industries such as property development and catering during early 2020. However, the COVID-19 outbreak has only a short-term impact on China's macroeconomic conditions, the property development and property management industry. According to the data from the National Bureau of Statistics, China's GDP for the first quarter of 2020 was RMB20,650.4 billion, representing a decrease of 6.8% from the first quarter of 2019; however, China's GDP for the third quarter of 2020 was RMB26,617.2 billion, representing an increase of 4.9% from the third quarter of 2019. In perspective of the general economic performance, while China's GDP for the first half of 2020 amounted to RMB45,661.4 billion, representing a decrease of 1.6% as compared to the same period in 2019, China's GDP for the first three quarters of 2020 amounted to RMB72,278.6 billion, representing an increase of 0.7% as compared to the same period in 2019. Based on the above, China Index Academy is of the view that the macroeconomic conditions in the PRC has been gradually returning back to normal, subject to unforeseen circumstances. According to the data from the Statistics Bureau in the Fujian Province, the GDP for the first quarter of 2020 in the Fujian Province was RMB899.9 billion, representing a decrease of 5.2% from the first quarter of 2019; however, the GDP for the first three quarters of 2020 was RMB3,133.2 billion, representing an increase of 2.4% as compared to the same period in 2019. Based on the above, China Index Academy is of the view that the macroeconomic conditions in the Fujian Province has been gradually returning back to normal, subject to unforeseen circumstances.

According to the National Bureau of Statistics, the nationwide cumulative sales area and newly constructed area of commodity housing have both demonstrated significant improvement for the first half of 2020 when compared to the beginning of 2020, during the peak of the COVID-19 outbreak in the PRC. As the COVID-19 outbreak has under control and economic activities gradually resume in the PRC, the property development industry is also recovering as purchase demand for commodity housing resumes. According to the data from the National Bureau of Statistics, the total GFA of commodity properties sold in the PRC for the first two months of 2020 decreased by 39.9% as compared to the first two months of 2019; however, the total GFA of commodity properties sold in the PRC for the first nine months of 2020 was 1.2 billion sq.m., representing a decrease of only 1.8% as compared to the same period in 2019. Further, according to the data from the Statistics Bureau in the Fujian Province, the total GFA of commodity properties sold in the Fujian Province for the first two months of 2020 decreased 43.7% from the first two months of 2019; however, the total GFA of commodity properties sold in the Fujian Province for the first nine months of 2020 was 46.7 million sq.m., representing an increase of 0.5% as compared to the same period in 2019. Given the above, China Index Academy is of the view that the real estate market in both the PRC and the Fujian Province have been gradually returning back to normal, subject to unforeseen circumstances.

The short-term impact of the COVID-19 outbreak on the property management industry in the PRC would be primarily on increased cost of sales and management efforts. Given that property management companies were on the front line of the battle against the COVID-19 outbreak in China, they had to bear the financial burden of additional procurement costs for protective supplies such as masks, gloves, and disinfectant for their property management staff and for their performance of disinfection and cleaning tasks. In addition, property management companies were also liable to the increasing labour costs in connection with the additional overtime expenses and subsidies for its property management staff during the extended Chinese New Year holidays. The COVID-19 outbreak had also put pressure and challenges

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on providing property management services due to the insufficiency of protective supplies and difficulties in implementing infection prevention and control measures among the properties under management. As such, exploration and expansion on new projects as well as value-added services to both property owners and non-property owners have been hindered.

Despite the abovementioned short-term impact on the property management industry in the PRC, the outbreak has also presented several new development opportunities for the industry in the long run:

- (1) *Accelerated adoption of smart management and digitisation* — During the COVID-19 outbreak, property service companies have actively employed technologies such as “Internet +” and smart products such as cloud platforms, smart access control and smart car parking management systems to improve the efficiency of infection prevention and control. Such increasing demands in technologies are expected to accelerate the upgrades in information technology as well as development and adoption of smart management and digitisation for property management services.
- (2) *Development of new community value-added services* — Since most property owners and residents were home-bound during the COVID-19 outbreak, it has presented opportunities for property service companies to provide more community living services. For example, property service companies may better approach and provide existing value-added services to property owners and residents through their online service platforms including delivery of daily products, as well as develop and offer new value-added services in relation to home-living so as to expand revenue stream.
- (3) *Improvement in brand value and reputation* — The property management companies has played a critical role in infection prevention and control during the COVID-19 outbreak and their services have been widely recognised by the society and the PRC government. As such, property management companies who were able to deliver high-quality service during this critical time would significantly improve their brand value and industry reputation. Such reputation and positive user experience may cultivate strong customer loyalty and may facilitate the future collection and pricing of property management fees, as well as obtaining future property management projects.
- (4) *Industry-wide improvement on property management standards* — With property management companies becoming more risk averse after the COVID-19 outbreak, it is expected that many such companies would enhance their risk management capabilities by strengthening their policies and establishing mechanisms on the management of risks and emergencies.
- (5) *Increased government support* — As the PRC government successively introduced policies to alleviate the short-term negative impact brought about by the COVID-19 outbreak, such policies have not only directly alleviated the cost pressure caused by the outbreak, but may also facilitate sustainable development of the property management industry in the future.

DIRECTORS' CONFIRMATION

Our 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.

OVERVIEW

We are a property management services provider deeply cultivating in the Fujian Province. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. We were ranked the 36th by China Index Academy in 2019 among the Top 100 Property Management Companies in the PRC in terms of overall strength. We are an important indirect subsidiary of Xiamen C&D, a large scale conglomerate being a Fortune Global 500 Company, which is owned and supervised by Xiamen SASAC in the PRC. Through upholding our service philosophy of “exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)” and our commitment to becoming “a first class urban service operator in the PRC (國內一流的城市空間運營服務商)” in delivering our services, we envisage to become an outstanding property management services provider in the PRC. We are headquartered in Xiamen, Fujian Province, the PRC. As at the Latest Practicable Date, we had 66 project companies (including subsidiaries, joint ventures and branch offices) across 12 province(s), municipality(ies) and autonomous region(s) in the PRC.

During the Track Record Period and up to the Latest Practicable Date, our three main business lines, namely, (i) property management services, (ii) community value-added and synergy services, and (iii) value-added services to non-property owners, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

- **Property management services.** We provide a range of property management services to property owners and residents of our managed properties, as well as property developers, including, among other things, greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc., with a focus on residential properties. Our property management portfolio also covers non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals, schools and parks, etc.. We charge property management fees for property management services primarily on a lump sum basis, with a comparatively lesser amount of total revenue charged on a commission basis. We have a large property management portfolio covering more than 24 cities across 10 province(s), municipality(ies) and autonomous region(s) in the PRC, with a total contracted GFA reaching 39.6 million sq.m. as at 30 June 2020. We managed 203 projects in the PRC and provided property management services to 137,000 property units with an aggregate GFA under management of 21.7 million sq.m. as at 30 June 2020.
- **Community value-added and synergy services.** We mainly provide a wide array of community value-added and synergy services, either by ourselves or third-party sub-contractors or service companies, which mainly include: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the

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operation of the Yibai Centre; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application “Huishenghuo* (慧生活)”.

- **Value-added services to non-property owners.** We mainly provide (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

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

The table below sets out the breakdown of our revenue by business lines for the year/period 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	302,776	67.7	400,049	65.7	486,314	60.7	228,596	65.8	281,935	62.3
Community value-added and synergy services	52,215	11.7	56,614	9.3	80,221	10.0	30,154	8.7	42,403	9.4
Value-added services to non-property owners	<u>92,060</u>	<u>20.6</u>	<u>151,955</u>	<u>25.0</u>	<u>234,795</u>	<u>29.3</u>	<u>88,487</u>	<u>25.5</u>	<u>127,827</u>	<u>28.3</u>
Total	<u>447,051</u>	<u>100.0</u>	<u>608,618</u>	<u>100.0</u>	<u>801,330</u>	<u>100.0</u>	<u>347,237</u>	<u>100.0</u>	<u>452,165</u>	<u>100.0</u>

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The table below sets out the breakdown of our revenue generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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>										
Revenue of property management services generated from:										
— The Remaining CDI Group	— ^(Note)	—	797	0.1	3,301	0.4	1,174	0.3	3,503	0.7
— The Remaining Xiamen C&D Group	51,461	11.5	50,638	8.3	47,472	5.9	21,237	6.1	17,985	4.0
— Independent Third Parties	<u>251,315</u>	<u>56.2</u>	<u>348,614</u>	<u>57.3</u>	<u>435,541</u>	<u>54.4</u>	<u>206,185</u>	<u>59.4</u>	<u>260,447</u>	<u>57.6</u>
Sub-total	<u>302,776</u>	<u>67.7</u>	<u>400,049</u>	<u>65.7</u>	<u>486,314</u>	<u>60.7</u>	<u>228,596</u>	<u>65.8</u>	<u>281,935</u>	<u>62.3</u>
Revenue of community value-added and synergy services generated from:										
— The Remaining CDI Group	431	0.1	1,765	0.3	1,196	0.1	442	0.1	1,162	0.3
— The Remaining Xiamen C&D Group	5,903	1.3	4,182	0.7	2,982	0.4	443	0.1	1,244	0.3
— Independent Third Parties	<u>45,881</u>	<u>10.3</u>	<u>50,667</u>	<u>8.3</u>	<u>76,043</u>	<u>9.5</u>	<u>29,269</u>	<u>8.5</u>	<u>39,997</u>	<u>8.8</u>
Sub-total	<u>52,215</u>	<u>11.7</u>	<u>56,614</u>	<u>9.3</u>	<u>80,221</u>	<u>10.0</u>	<u>30,154</u>	<u>8.7</u>	<u>42,403</u>	<u>9.4</u>
Revenue of value-added services to non-property owners generated from:										
— The Remaining CDI Group	26,109	5.9	70,975	11.7	124,919	15.6	47,911	13.8	90,099	19.9
— The Remaining Xiamen C&D Group	57,783	12.9	58,678	9.6	74,873	9.3	32,542	9.4	23,425	5.2
— Independent Third Parties	<u>8,168</u>	<u>1.8</u>	<u>22,302</u>	<u>3.7</u>	<u>35,003</u>	<u>4.4</u>	<u>8,034</u>	<u>2.3</u>	<u>14,303</u>	<u>3.2</u>
Sub-total	<u>92,060</u>	<u>20.6</u>	<u>151,955</u>	<u>25.0</u>	<u>234,795</u>	<u>29.3</u>	<u>88,487</u>	<u>25.5</u>	<u>127,827</u>	<u>28.3</u>
Total	<u>447,051</u>	<u>100.0</u>	<u>608,618</u>	<u>100.0</u>	<u>801,330</u>	<u>100.0</u>	<u>347,237</u>	<u>100.0</u>	<u>452,165</u>	<u>100.0</u>

Note: As at 31 December 2017, the GFA under management of the properties developed by the Remaining CDI Group was 234,000 sq.m.. As we charged the relevant property management fees for the above properties with the Independent Third Party owners, the source of revenue we generated was from Independent Third Parties. As such, our Group did not generate any property management services revenue from the Remaining CDI Group for the year ended 31 December 2017. For the revenue of property management services derived from property projects developed by the Remaining CDI Group for the year ended 31 December 2017, please refer to the paragraph headed “— Our Customers — Major customers” in this section below.

We experienced continuous growth during the Track Record Period. Our revenue increased from RMB447.1 million in 2017 to RMB608.6 million in 2018 and further to RMB801.3 million in 2019, representing a CAGR of 33.9% from 2017 to 2019. Our revenue for the six months ended 30 June 2020 was RMB452.2 million. The increases were primarily driven by the increase in number of residential and non-residential properties we managed as a result of our continuous business expansion and our continuous effort to enhance our service capability and diversify our service scope. For details of our relationship with and business delineation from the Remaining Xiamen C&D Group and the Remaining CDI Group, please refer to the section headed “Relationship with our Controlling Shareholders” in this listing document.

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The table below sets out the breakdown of our gross profit and gross profit margin by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
							(Unaudited)			
Property management services	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5
Community value-added and synergy services	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3
Value-added services to non-property owners	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8
Total	116,996	26.2	140,891	23.1	183,397	22.9	84,086	24.2	109,758	24.3

Our gross profit for the year increased from RMB117.0 million in 2017 to RMB183.4 million in 2019 at a CAGR of 25.2% from 2017 to 2019. Our gross profit for the six months ended 30 June 2020 was RMB109.8 million.

COMPETITIVE STRENGTHS

We believe that our success is mainly attributable to the following competitive strengths:

Well established property management services provider with state-owned background in the PRC with strong brand recognition and a large property management portfolio

We are a property management services provider in the PRC with extensive property management scale. We are a property management services provider deeply cultivating in the Fujian Province. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. We were ranked the 36th by China Index Academy in 2019 among the Top 100 Property Management Companies in the PRC in terms of overall strength. Since 2017, we have been ranked by China Index Academy within the top 50 among the Top 100 Property Management Companies in the PRC in terms of overall strength. We are an important indirect subsidiary of Xiamen C&D, a large scale conglomerate of Fortune Global 500 Company, which is owned and supervised by Xiamen SASAC in the PRC.

We have been providing property management services in the PRC for more than 25 years. As a result of our dedication to providing industry-leading and high-quality services over the years, our "C&D Property* (建發物業)" brand has gained market acceptance and industry recognition widely among our customers. We have received various awards and accolades over the years in recognition of our industry-leading brand and competitiveness. For details, please refer to the paragraph headed "—Awards and Recognitions" in this section below. Furthermore, we believe that our brand appeal has helped and would continue to help us maintain a high renewal rate for property management services contracts and bring upon new engagement opportunities from customers as well as more business opportunities with industry participants.

BUSINESS

According to China Index Academy, we ranked the sixth among the Top 100 Property Management Companies with properties located in the Fujian Province in terms of GFA under management in 2019. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. As at 30 June 2020, our total contracted GFA reached 39.6 million sq.m., covering more than 24 cities across 10 province(s), municipality(ies) and autonomous region(s) in the PRC. In particular, as at 30 June 2020, our GFA under management reached 21.7 million sq.m. and we provided property management services to 131 residential properties and 72 non-residential properties and managed 137,000 property units with our GFA under management covering more than 16 cities across seven province(s), municipality(ies) and autonomous region(s) in the PRC. Our GFA under management increased at a CAGR of 14.4% from 2017 to 2019. We believe our extensive property management services business coverage has served and will continue to serve as a strong basis for us to solidify our existing industry position against general or regional market fluctuations. It would also provide a large customer base for our community value-added and synergy services for better business synergies.

Furthermore, we are an important indirect subsidiary of Xiamen C&D. We believe that the endorsement of such strong state-owned background has reinforced the value and credibility of our brand and has enabled us to take on property management engagements, especially of public and other properties. During the Track Record Period, we established business relationship with different state-owned entities in the transportation, financial and real estate industries and we also provided our services to government departments and institutions.

Strong leverage on the large project portfolio and landbank of C&D Real Estate and CDI as well as diversified types of properties managed by Xiamen C&D leading to highly visible and sustainable growth opportunities

Upon completion of the Spin-off, we will become an associate of CDI and remain as an indirect subsidiary of Xiamen C&D and C&D Real Estate. C&D Real Estate and CDI are leading property developers in the PRC. Our proven track record of business cooperation with C&D Real Estate and CDI has helped us solidify our position as a reputable and experienced property management services provider. C&D Real Estate was ranked the 37th and fourth respectively among the Top 500 Chinese Real Estate Development Enterprises in 2020 in terms of overall strength and Top 10 China Real Estate Development Enterprises in Comprehensive Development in 2020 in terms of overall strength jointly published by the China Real Estate Association* (中國房地產業協會), Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院) and the China Real Estate Assessment Centre* (中國房地產測評中心) and has been awarded "Top 500 Chinese Real Estate Development Enterprises" and "Top 10 China Real Estate Development Enterprises in Comprehensive Development" for nine consecutive years. As at 30 June 2020, C&D Real Estate and its associates (including the CDI Group) owned 209 property development projects in more than 30 cities across 12 province(s), municipality(ies) and autonomous region(s) in the PRC. As at 30 June 2020, C&D Real Estate and its associates (including the CDI Group) had a land reserve area (on equity basis) of 9.3 million sq.m. in the PRC and Australia, representing a year-on-year increase of 30.5%. As at 30 June 2020, the aggregate saleable GFA of land reserves of C&D Real Estate and its associates (including the CDI Group) were 12.8 million sq.m.. As at the Latest Practicable Date, C&D Real Estate and its associates (including the CDI Group) had a total of 244 projects in the PRC and Australia, and the aggregate saleable GFA of land reserves were 15.8 million sq.m.. For the year ended 31 December 2019, C&D Real Estate and its associates (including the CDI Group) achieved contracted sales of RMB72.2 billion, representing a year-on-year increase of 86.7%.

BUSINESS

As an indirect subsidiary of Xiamen C&D, we have maintained a close business relationship with C&D Real Estate and CDI and we provided property management services to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. As at 31 December 2017, 2018, 2019 and 30 June 2020, 67.3%, 61.5%, 54.4% and 55.7% of the GFA of the properties under our management was developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. In addition, we also provided value-added services to non-property owners, such as consultancy services and reception, order maintenance and cleaning services for their pre-sale activities, to the Remaining Xiamen C&D Group and the Remaining CDI Group during the Track Record Period. We believe that our long-term and stable business relationship with C&D Real Estate and CDI will position us well to continue to benefit from their extensive and large project reserve, providing clear drivers for the continuing growth of our property management portfolio and further development of our value-added services to non-property owners business.

In addition, Xiamen C&D, as the leading state-owned enterprise in the Fujian Province, manages a wealth of property types, including residential, commercial, hotel, convention and exhibition, and hospitals. As an important indirect subsidiary of Xiamen C&D, we have obtained diversified types of managed properties based on the resource advantages of Xiamen C&D, which is conducive to enriching our service dimensions and revenue sources.

Deeply cultivated in the Fujian Province with a focus on the core cities of the Yangtze River Delta and gradually expanding across the country

We commence our business in Xiamen and gradually expand our business to major cities in the Fujian Province, such as Fuzhou, Zhangzhou, Quanzhou, Putian and Nanping. We have been operating in the Fujian Province for more than 25 years and have gained extensive market recognition in the Fujian Province with our leading brand. According to China Index Academy, we were ranked the first in 2019 Leading Property Management Companies in terms of Market Status in Fujian* (“2019福建物業服務市場地位領先企業”排名第一).

As at 30 June 2020, our GFA under management in the Fujian Province amounted to 16.9 million sq.m., representing 77.9% of the total GFA under management and our GFA under management in the Fujian Province grew at a CAGR of 13.0% from 2017 to 2019. According to China Index Academy, we were ranked the sixth among the Top 100 Property Management Companies with properties located in the Fujian Province in terms of GFA under our management in 2019. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. We believe that we are likely to continue to benefit from the economies of scale created by the increased brand influence brought about by our deep regional development, thereby realising the synergistic development of our value-added services.

Further, we actively explored business opportunities outside the Fujian Province and expanded to core cities in the Yangtze River Delta, such as Shanghai, Suzhou and Wuxi as well as core cities in Central China, such as Changsha and Chengdu, which paved the solid foundation of our future development. During the Track Record Period, revenue generated from property management services provided to properties located in Eastern China and Central China was RMB82.4 million, RMB108.0 million, RMB122.4 million and RMB72.6 million, respectively, which exhibited an increasing trend.

An industry player in the management of service quality with consistent high-level service standards

We are committed to providing high-quality and comprehensive services and establishing our property management brand. Our service philosophy is “exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)” and we are committed to become “a first class urban service operator in the PRC (國內一流的城市空間運營服務商)”. In terms of quality control, we adopt strict quality supervision measures to ensure that our quality standards are met. We have established a multi-level monitoring system at three levels: headquarters, regional companies and on-site property management offices, to achieve full coverage of customers and hierarchical monitoring of service quality, which further orients quality control towards “customer satisfaction”, establish our strong quality control capability, and thus enhance our service capabilities and service quality. We enjoy a high customer satisfaction rate, as evidenced by a survey conducted by FG Consulting* (賽惟諮詢), an Independent Third Party consultancy firm, which reported that our customer satisfaction rate for property management services for the year of 2017, 2018, 2019 and the first half of 2020 was 87%, 91%, 93% and 96%, respectively.

We have enjoyed a reputation for our high-quality and comprehensive services and won many awards for the residential communities under our management. As at 30 June 2020, 43 of the projects managed by us were accredited as demonstration residential communities at municipal, provincial or national levels. As at 30 June 2020, we had also won 218 awards for property management, including the title of “China Property Service Industry Demonstration Base* (中國物業服務行業示範基地)” awarded to Yangtang Residential District* (洋唐居住區) and Xiamen Hongai Hospital* (廈門弘愛醫院), two properties managed by us, by China Index Academy in 2020. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our overall property management services contracts renewal rate (being the number of property management services contracts effective as at the relevant year-end/period-end divided by the number of property management services contracts subject to renewal during the same year/period) was 95.0%, 92.7%, 86.7% and 85.7%, respectively.

For each of the three years ended 31 December 2019, our annual collection rate of property management fees, calculated as a percentage of the property management fees cumulatively collected by the end of the relevant year of the corresponding total property management fees receivable for the same year, was 93.4%, 94.3% and 95.3%, respectively. Our annual collection rate of property management fees calculated as a percentage of the property management fees cumulatively collected by the end of the first half year of the corresponding total property management fees receivable for the whole year was 59.7% and 63.5% for the six months ended 30 June 2019 and 2020, respectively. Our Directors believe that the increasing trend of our annual collection rates of property management fees for each of the three years ended 31 December 2019, and the six months ended 30 June 2019 and 2020, was mainly due to the increased loyalty and satisfaction of the property owners and residents of our services. Considering that we generally do not grant credit term of property management fees and we generally charge property management fees on a monthly basis, the annual collection rate of property management fees for the six months ended 30 June 2020 was lower than that for the year ended 31 December 2019 because while the property management fees were contracted to be paid and settled on a monthly basis, some of the property owners and/or residents may not have fully paid and settled their semi-annual property management fees as at 30 June 2020, and most of the property management fees as at 30 June 2020 are expected to be settled at the end of 2020. The current collection rate for the six months ended 30 June 2020, which was calculated by (i) the property management fees collected as at 30 June 2020

(excluding any pre-collected amount for the second half of 2020) divided by (ii) the property management fees receivable as at 30 June 2020, was 82.2%, which well exceeded that for the six months ended 30 June 2019 of 78.9%. Our Directors believe that our renewal rates and annual collection rates of property management fees reflected that the property owners and residents were satisfied with our service quality.

Despite the intense competition in the property management services industry, we believe that our high-level service standards enable us to secure new property management projects, including those developed by C&D Real Estate, CDI and Independent Third Party property developers. During the Track Record Period, our tender success rates for managing properties developed by (i) the Remaining Xiamen C&D Group and (ii) the Remaining CDI Group reached 100%, and our tender success rate for managing properties developed by Independent Third Party property developers was 31.3%, 50.0%, 63.6% and 55.0%, respectively.

Wide sources of revenue generated from our diversified property management portfolio and service offerings

We have historically focused on the provision of property management services to residential communities in the PRC by leveraging our business relationship with C&D Real Estate and CDI. During the Track Record Period, we have been successful in exploring market opportunities to diversify our property management portfolio and service offerings with wider sources of revenue:

- **Increased engagements from Independent Third Party property developers.** We achieved significant growth during the Track Record Period with respect to property management engagements from Independent Third Party property developers in the PRC, which was mainly attributable to the competitiveness of our brand and services, as well as the exemplary effect of our existing managed properties for obtaining property management engagements from communities in the vicinity. Our total contracted GFA for property management services to Independent Third Party property developers increased from 6.4 million sq.m. as at 31 December 2017 to 15.1 million sq.m. as at 31 December 2019 at a CAGR of 54.0% and the total contracted GFA for property management services to Independent Third Party property developers was 16.3 million sq.m. as at 30 June 2020. Contribution of contracted GFA from Independent Third Party property developers to our total contracted GFA increased from 31.3% as at 31 December 2017 to 43.6% as at 31 December 2019 and the contribution of contracted GFA from Independent Third Party property developers to our total contracted GFA was 41.4% as at 30 June 2020.
- **Diversified types of managed properties.** In addition to residential communities, we have endeavoured to diversify our property management portfolio by extending our services to an increasing variety of non-residential properties, including commercial and office buildings, industrial parks, government and public facilities, hospitals, schools and parks, etc.. Our total contracted numbers for property management of non-residential properties increased from 26 as at 31 December 2017 to 76 as at 31 December 2019 at a CAGR of 71.0% and our total contracted GFA for property management of non-residential properties was 3.3 million sq.m. as at 30 June 2020. Our number of property management projects under management for non-residential properties increased from 25 as at 31 December 2017 to 71 as at 31 December 2019 at a CAGR of 68.5% and our GFA under management for property management of non-

residential properties was 2.8 million sq.m. as at 30 June 2020. The diversification of our managed property types has enriched our service dimensions and revenue streams with business opportunities emerging from newer markets.

- **Broadened service offerings.** Apart from traditional property management services, we have developed and established other service types, namely community value-added and synergy services provided to property owners and residents and property developers, and value-added services to non-property owners, such as property developers. Aggregate revenue contribution from our community value-added and synergy services and value-added services to non-property owners increased from 32.3% of our total revenue in 2017 to 39.3% of our total revenue in 2019 at a CAGR of 10.3% and aggregate revenue contribution from our community value-added and synergy services and value-added services to non-property owners was 37.7% of our total revenue for the six months ended 30 June 2020. In addition, according to China Index Academy, we ranked the first among the Top 100 Property Management Companies headquartered in Fujian Province in terms of the proportion of revenue derived from value-added services in 2019. Our Company's market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%.

Focus on service specialisation, procedure standardisation and operation automation with our smart property management systems

Focusing on service specialisation, procedure standardisation and operation automation, we provide consistent and cost-effective property management services to improve our service efficiency and customers' experience through our smart property management systems:

- **Smart building system.** Through the smart building system, we can provide a one-stop operation and maintenance service platform for the whole life cycle of building facilities and equipment by applying the Internet of Things. Our EBA system can monitor the access control to our managed non-residential properties. During the Track Record Period, the system can also realise the smart management of fire extinguishing system, car parking system and remote video surveillance in our managed non-residential properties, to reduce the frequency of the on-site inspections of our staff and lower operational costs.
- **Smart property system.** Through the smart property platform, we have solidified our service management standards, standardised our staff management actions where the steps and standard of the management actions will be provided and the employees shall follow such steps and standard when performing the management actions accordingly, reduced human errors to a minimum, and ensured the consistency of services. The flattening of management structure brings more effective management, more efficient service delivery, higher service quality and higher customer satisfaction. Further, with the use of the smart property system which standardises part of the daily quality control work tasks of each property management office, our employees can conduct quality inspections to ensure our service quality standard and the timely completion of daily quality control work.

- **Smart community system.** As our smart community services under our community value-added and synergy services, we utilise our mobile application “Huishenghuo* (慧生活)” as the online gateway to a variety of our community products and services to enhance customer experience, satisfaction and loyalty of property owners and residents of the residential communities we manage. Registered users can access our services through our mobile application Huishenghuo* (慧生活), primarily including: (i) reporting repair requests and arranging repair logistics; (ii) contacting our butler for assistance; and (iii) paying property management fees, reviewing and tracking monthly fee statements and receiving payment reminders from us.

As at the Latest Practicable Date, there were six patents and 34 software copyrights registered in the PRC, which were material to our business and mainly in relation to the digitalisation of our projects and smart management of our operations. We are committed to using modern technology to automise our operation, which could reduce human errors to a minimum, ensure consistent service procedures and standards, improve service quality and reduce relevant costs.

Experienced and professional management team supported by an effective human resources system

Our professional management team and employees are crucial to our success. We have an experienced management team, including our executive Directors, Ms. Qiao Haixia and Mr. Huang Danghui, who have more than 20 years of experience in the property management services industry in the PRC. In addition, our management team at our subsidiaries and branch offices have on average over 10 years of experience in the property management services industry.

We have adopted a human resources system featuring differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management with varying skill sets and career pursuits. We also conduct evaluation on the performance of our management team every year. We have designed competitive compensation packages and performance review and internal rating systems to incentivise our employees and boost productivity. We have an internal transfer system which encourages employees with outstanding performance and potential to transfer to a department where he or she can excel. Employees are required to submit application to the relevant department and assessment will be conducted on such employee to assess his or her ability and strength. The system is intended to unleash the potential and initiative of the employees and cultivate and promote quality talents. We provide employees with targeted and personalised support based on their individual abilities and pursuits. We believe our results-driven and value-sharing culture and well-developed talent selection, cultivation and evaluation initiatives have enabled us to identify employees who share our fundamental values and who are highly motivated to serve our customers with professionalism, dedication and outstanding services that differentiate us from our competitors.

BUSINESS STRATEGIES

Further expand the scale of our property management services business through multiple channels

We intend to expand our business scope and increase our market share in the industry by expanding the total contracted GFA, GFA under management and number of properties under management. We seek to achieve business expansion mainly through organic growth by leveraging our existing business relationship and coverage with Xiamen C&D, as well as by proactively obtaining new engagements from Independent Third Party property developers, and capitalising our brand value and business opportunities from provision of value-added services to non-property owners. We also intend to strengthen cooperation with the government departments and the state-owned companies, taking advantage of our state-owned background. To increase our market share, we aim to evaluate opportunities selectively in areas around our existing locations where we have a presence with a view to maximising our economies of scale, as well as maintaining a reasonable balance of our geographic coverage and level of profitability for property management services. Based on the contracted GFA of 1.4 million sq.m. in Southern China as at 30 June 2020, we intend to gradually develop and further expand our property management services business in Southern China. To diversify our property management portfolio and revenue streams, we also intend to provide comprehensive property management services to an increasing number of non-residential properties, such as commercial and office buildings, industrial parks, government buildings and public facilities, hospitals, schools and parks through strengthened strategic cooperation with various business partners.

When suitable opportunities arise, we may explore selective strategic investments in, alliances with or acquisitions of other property management companies in the PRC. We may focus on companies that are consistent with our brand image and market positioning and with complementary business profile and know-how, such as companies with integrated facility management capabilities, that can increase the depth and breadth of our service offerings and our managed property portfolio.

Continue to deliver a diverse range of high-quality and in-depth value-added services

We intend to continue to develop our value-added services business to improve customer living experience and satisfaction, as well as enhancing our service innovation and value creation capability in building a personalised community ecosphere.

For property developers and property management companies, we intend to provide value-added services to non-property owners addressing their needs from preliminary consultancy for property development to post-delivery management. We believe the provision of such services to property developers would put us in an advantageous position in obtaining the property management engagements for the same projects. Further, we intend to utilise our expertise in information technologies for property management services and community value-added and synergy services, and provide consultancy services to other property management companies to improve the scalability of our business.

BUSINESS

For property owners and residents, we intend to further explore and address their evolving needs to bring convenience to their daily lives as well as to maintain and add value to community assets. In this connection, we intend to further develop the community value-added and synergy services, such as home living services, real estate brokerage and asset management services and elderly-care & health value-added services. For home living services, we have launched our online shopping platform “C&D Property Zhenxuan* (建發物業臻選)”, a WeChat Mini Programme, since August 2020, through which the property owners and residents can place orders for a variety of products through our online shopping platform or the websites of our merchants. “C&D Property Zhenxuan* (建發物業臻選)” is an online store applied for by Xiamen Zaijiayiju on an online platform “Youzan micromall* (有贊微商城)” which is developed and operated by an Independent Third Party. As advised by our PRC Legal Advisers, as (i) Xiamen Zaijiayiju is an e-commerce operator that sells goods through e-commerce platforms; and (ii) e-commerce is not included in the negative list for access of foreign investment as stipulated in the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Version)* (外商投資准入特別管理措施(負面清單)(2020年版)) which was issued by the MOFCOM and the NDRC and came into effect on 23 July 2020, no licence/permit/approval for value-added telecommunication services is required for us to conduct our current business through “C&D Property Zhenxuan* (建發物業臻選)” and it is not subject to foreign ownership restrictions under the relevant PRC laws and regulations. We intend to further develop our online shopping platform to provide more comprehensive and convenient value-added services to the property owners and residents. For real estate brokerage and asset management services, with our wide customer base and our proven record of experience, we intend to commence the property agency business for the unsold property units of the property developers, where we will act as agent to facilitate the sales of unsold property units of the property developers and we will receive commission as predetermined in accordance with the agreement with the relevant vendors and/or buyers. As such, we will act as an intermediary to promote and assist in the transactions between the vendors and the buyers. We do not intend to change our business position in the near future. For elderly-care & health value-added services, the Yibai Centre intends to provide institutional elderly-care services and home respite services to elderly who do not live in the Yibai Centre. Such home respite services can be promoted and offered to the property owners and residents of our managed properties, where our Group can achieve synergy benefits from further development of the elderly-care & health value-added services. We also intend to bring in experienced personnel in the management of the Yibai Centre as part of our strategic planning.

Leveraging the abundant resources of Xiamen C&D, we will establish an all-round supplier platform to provide online and offline value-added services to meet the increasingly diversified service needs of our customers.

Further enhance our standard and automated operations with upgraded information technology and smart management to maximise cost efficiency and enhance service standard

We aim to continue to provide high-quality services to our customers through standardisation, automation, smart management and upgrades of IT systems to enable us to strengthen our operating efficiency and control our costs effectively. For our property management services, we have commenced pilot programme of our smart building system regarding the smart management of fire extinguishing system, car parking system and remote video surveillance on residential properties under our management in July 2020. We intend to further extend the coverage of our smart building system to all other residential properties and non-residential properties under our management to provide better and more comprehensive property management services. We intend to further develop and improve our smart property system and the application of the Internet of Things, including the monitoring of the status of utility facilities, fire extinguishing system and other public equipment and facilities and relying such information to our smart property system for automatic identification and inspection. We also intend to expand the features of our mobile application “Huishenghuo* (慧生活)” with the use of big data analysis so as to identify the needs of property owners and residents, which will facilitate our provision of property management services and improve customer satisfaction.

Further, for our community value-added and synergy services, we have launched our online shopping platform “C&D Property Zhenxuan* (建發物業臻選)”, a WeChat Mini Programme, since August 2020 through which the property owners and residents can place orders for a variety of products either through our shopping platform or the websites of the merchants. We intend to further develop our online shopping platform to further increase our revenue stream, achieve our brand building and provide more comprehensive value-added services to the property owners and residents. These upgrades will be designed to enhance our customers’ overall experience in the properties under our management.

Continue to improve our human resources training and incentive system to support the sustainable growth of our business

We will continue to devote resources to recruit, develop and retain talent in various positions and functions. We will seek to further improve our comprehensive internal and external staff training systems through which we provide periodic presentation, lecture and courses targeted at different levels of our employees from on-site staff to mid-level managerial positions, as well as at induction, promotion and transfer to new positions. We also intend to increase our collaboration with specialised institutions and vocational schools for the cultivation and recruitment of graduates. We expect to continue to offer wider and long-term career development opportunities and create promotions through our internal transfers to cultivate and retain key employees. We plan to further implement various employee recognition initiatives and to ensure rewards are tied to performance to motivate employees and optimise employee remuneration.

BUSINESS

PROPERTY MANAGEMENT SERVICES

Our history can be traced back to the year of 1995 when the predecessor of Huijia began providing property management services in the PRC. Over the years, we have grown our presence with contracted GFA covering more than 24 cities across 10 province(s), municipality(ies) and autonomous region(s) in the PRC with a total contracted GFA reaching 39.6 million sq.m. as at 30 June 2020. We managed 203 projects in the PRC and provided property management services to 137,000 property units with an aggregate GFA management of 21.7 million sq.m. as at 30 June 2020. The table below sets out our (i) contracted GFA; (ii) GFA under management; (iii) undelivered GFA; (iv) average GFA under management per project; and (v) number of property management projects for GFA under management as at the dates indicated:

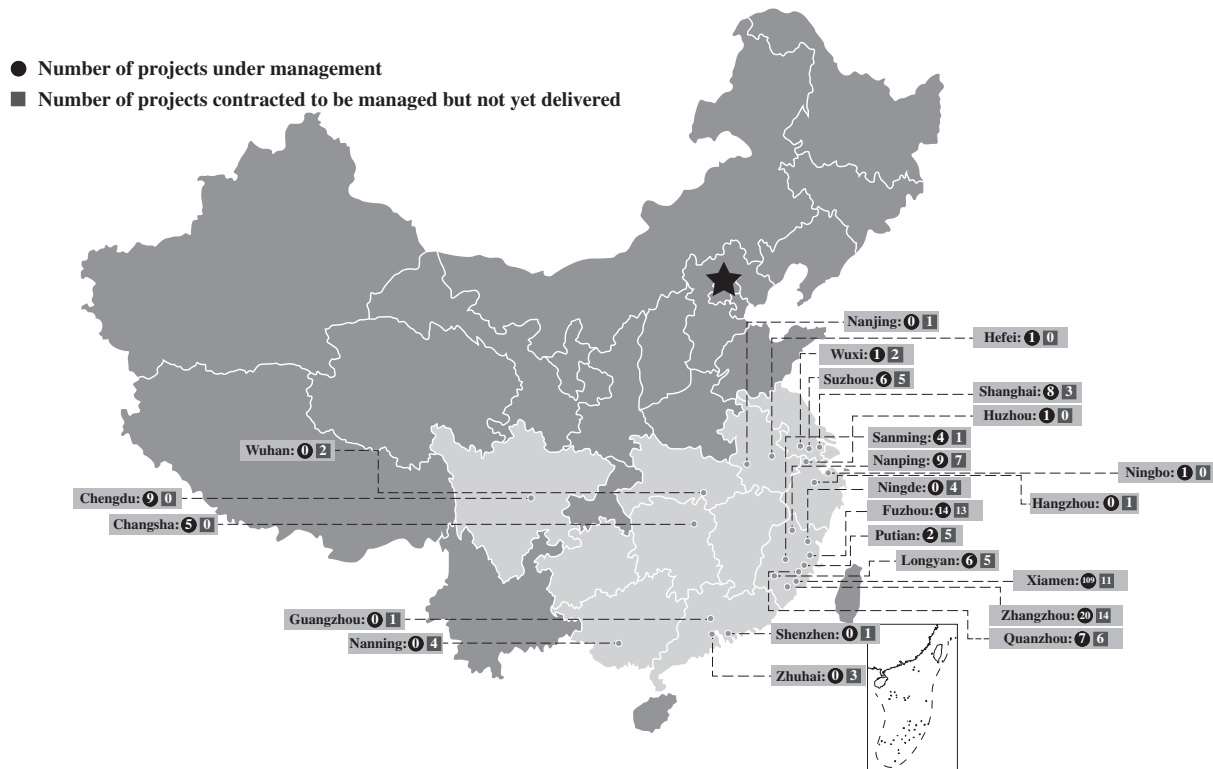
	As at 31 December			As at 30 June
	2017	2018	2019	2020
Residential properties				
Contracted GFA ^(Note 1) ('000 sq.m.)	16,179	23,731	31,511	36,300
GFA under management ('000 sq.m.)	11,981	14,218	17,927	18,824
Undelivered GFA ^(Note 2) ('000 sq.m.)	4,198	9,513	13,584	17,476
Average GFA under management per project ('000 sq.m.)	144	145	145	144
Number of property management projects for GFA under management	83	98	124	131
Non-residential properties				
Contracted GFA ^(Note 1) ('000 sq.m.)	4,153	4,666	3,176	3,290
GFA under management ('000 sq.m.)	3,824	4,542	2,745 ^(Note 3)	2,827
Undelivered GFA ^(Note 2) ('000 sq.m.)	329	124	431	463
Average GFA under management per project ('000 sq.m.)	153	134	39	39
Number of property management projects for GFA under management	25	34	71	72
Total				
Contracted GFA ^(Note 1) ('000 sq.m.)	20,332	28,397	34,687	39,590
GFA under management ('000 sq.m.)	15,805	18,760	20,672	21,651
Undelivered GFA ^(Note 2) ('000 sq.m.)	4,527	9,637	14,015	17,939
Average GFA under management per project ('000 sq.m.)	146	142	106	107
Number of property management projects for GFA under management	108	132	195	203

Notes:

1. Contracted GFA refers to the total GFA managed and the total GFA to be managed by our Group under signed property management services contracts.
2. Calculated as the difference between contracted GFA and GFA under management as at the dates indicated.
3. The decrease in the GFA under our management of non-residential properties for the year ended 31 December 2019 was mainly due to the expiration of the property management services contracts under which our Group had provided services to certain parks located in Xiamen with an aggregate GFA under management of approximately 2.4 million sq.m..

Geographic Coverage

The map below illustrates the geographic coverage of the properties under our management as at 30 June 2020 in terms of (i) contracted GFA; and (ii) GFA under management, respectively:



BUSINESS

The table below sets out the breakdown of our revenue from our property management services by geographic region for the year/period 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>									
Haixi										
Xiamen (tier-two city)	137,640	45.5	179,727	44.9	226,217	46.5	108,175	47.3	121,743	43.2
Quanzhou (tier-three city and below)	9,361	3.1	10,571	2.6	14,212	2.9	7,041	3.1	10,800	3.8
Zhangzhou (tier-three city and below)	17,006	5.6	23,152	5.8	32,791	6.7	14,702	6.4	22,513	8.0
Putian (tier-three city and below)	—	0.0	1,621	0.4	1,710	0.4	845	0.4	952	0.3
Longyan (tier-three city and below)	8,351	2.8	10,946	2.7	13,059	2.7	6,190	2.7	9,187	3.3
Sub-total	172,358	57.0	226,017	56.4	287,989	59.2	136,953	59.9	165,195	58.6
South-eastern China										
Fuzhou (tier-two city)	36,141	11.9	51,096	12.8	50,446	10.4	23,815	10.4	28,180	10.0
Nanping (tier-three city and below)	9,447	3.1	9,844	2.5	20,069	4.1	6,500	2.9	12,081	4.3
Sanming (tier-three city and below)	2,418	0.8	5,117	1.3	5,383	1.1	2,561	1.1	3,894	1.4
Sub-total	48,006	15.8	66,057	16.6	75,898	15.6	32,876	14.4	44,155	15.7
Eastern China										
Shanghai (tier-one city)	34,573	11.4	41,382	10.4	40,350	8.3	21,212	9.3	21,443	7.6
Huzhou (tier-three city and below)	—	0.0	—	0.0	1,553	0.3	—	—	—	0.0
Hefei (tier-two city)	—	0.0	—	0.0	—	0.0	—	—	1,738	0.6
Suzhou (tier-three city and below)	2,164	0.7	7,779	1.9	14,546	3.0	6,066	2.7	12,836	4.6
Wuxi (tier-three city and below)	—	0.0	—	0.0	—	0.0	—	0.0	1,807	0.6
Sub-total	36,737	12.1	49,161	12.3	56,449	11.6	27,278	12.0	37,824	13.4
Central China										
Chengdu (tier-two city)	34,864	11.5	47,327	11.8	51,323	10.6	24,752	10.8	23,708	8.4
Changsha (tier-two city)	10,811	3.6	11,487	2.9	14,655	3.0	6,737	2.9	11,053	3.9
Sub-total	45,675	15.1	58,814	14.7	65,978	13.6	31,489	13.7	34,761	12.3
Total	<u>302,776</u>	<u>100.0</u>	<u>400,049</u>	<u>100.0</u>	<u>486,314</u>	<u>100.0</u>	<u>228,596</u>	<u>100.0</u>	<u>281,935</u>	<u>100.0</u>

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

	As at 31 December						As at 30 June			
	2017		2018		2019		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
	'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.	
Haixi										
Xiamen (tier-two city)	8,166	62	9,316	73	8,126	107	7,315	77	8,059	109
Quanzhou (tier-three city and below)	422	2	663	4	968	6	663	4	1,022	7
Zhangzhou (tier-three city and below)	965	5	1,347	7	1,931	19	1,381	9	1,941	20
Putian (tier-three city and below)	—	—	433	1	433	1	433	1	483	2
Longyan (tier-three city and below)	544	2	647	3	801	4	742	3	972	6
Sub-total	10,097	71	12,406	88	12,259	137	10,534	94	12,477	144
South-eastern China										
Fuzhou (tier-two city)	2,064	11	2,080	13	2,324	16	2,232	13	2,275	14
Nanping (tier-three city and below)	458	3	582	4	1,451	8	1,144	6	1,514	9
Sanming (tier-three city and below)	331	2	330	2	505	3	330	2	600	4
Sub-total	2,853	16	2,992	19	4,280	27	3,706	21	4,389	27
Eastern China										
Shanghai (tier-one city)	606	8	606	8	606	8	606	8	606	8
Huzhou (tier-three city and below)	—	—	152	1	152	1	152	1	152	1
Ningbo (tier-two city)	—	—	—	—	—	—	—	—	124	1
Hefei (tier-two city)	—	—	—	—	93	1	—	—	93	1
Suzhou (tier-three city and below)	234	2	458	3	944	5	911	4	1,257	6
Wuxi (tier-three city and below)	—	—	—	—	147	1	—	—	143	1
Sub-total	840	10	1,216	12	1,942	16	1,669	13	2,375	18
Central China										
Chengdu (tier-two city)	1,360	8	1,672	10	1,467	10	1,461	9	1,605	9
Changsha (tier-two city)	655	3	474	3	724	5	537	3	805	5
Sub-total	2,015	11	2,146	13	2,191	15	1,998	12	2,410	14
Total	15,805	108	18,760	132	20,672	195	17,907	140	21,651	203

During the Track Record Period, our revenue generated from property management services increased from RMB302.8 million for the year ended 31 December 2017 to RMB486.3 million for the year ended 31 December 2019 and our revenue generated from property management services for the six months ended 30 June 2020 was RMB281.9 million. During the Track Record Period, the GFA under our management increased from 15.8 million sq.m. as at 31 December 2017 to 21.7 million sq.m. as at 30 June 2020. The increases were primarily driven by the increase in number of residential and non-residential properties we managed as a result of our continuous business expansion. As a property management services provider in the Fujian Province, during the Track Record Period, 72.8%, 73.0%, 74.8% and 74.3% of our revenue from property management services was generated in the Fujian

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Province (i.e. Haixi and South-eastern China), respectively, and 81.9%, 82.1%, 80.0% and 77.9% of GFA under management was located in the Fujian Province (i.e. Haixi and South-eastern China), respectively.

Types of the Managed Properties

We manage a diverse portfolio of properties covering (i) residential properties; and (ii) non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals, schools and parks, etc..

The table below sets out the breakdown of the revenue from our property management services by type of property for the year/period 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>									
Residential properties	229,170	75.7	289,356	72.3	348,203	71.6	165,214	72.3	209,044	74.1
Non-residential properties	73,606	24.3	110,693	27.7	138,111	28.4	63,382	27.7	72,891	25.9
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

The table below sets out the breakdown of (i) the GFA under our management and (ii) number of properties under our management by type of property as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		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	GFA under management	Number of properties under management
	'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.	
Residential properties	11,981	83	14,218	98	17,927	124	15,971	106	18,824	131
Non-residential properties	3,824	25	4,542	34	2,745	71	1,936	34	2,827	72
Total	15,805	108	18,760	132	20,672	195	17,907	140	21,651	203

During the Track Record Period, our Group focused our property management services in residential properties as a significant portion of our revenue of the property management services were provided to residential properties.

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Source of Revenue/Projects

The table below sets out the breakdown of our revenue of property management services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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 (Unaudited)	%	RMB'000	%
Revenue of property management services generated from:										
— The Remaining CDI Group	— ^(Note)	—	797	0.2	3,301	0.7	1,174	0.5	3,503	1.2
— The Remaining Xiamen C&D Group	51,461	17.0	50,638	12.7	47,472	9.8	21,237	9.3	17,985	6.4
— Independent Third Parties	251,315	83.0	348,614	87.1	435,541	89.5	206,185	90.2	260,447	92.4
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

Note: As at 31 December 2017, the GFA under management of the properties developed by the Remaining CDI Group was 234,000 sq.m.. As we charged the relevant property management fees for the above properties with the Independent Third Party owners, the source of revenue we generated was from Independent Third Parties. As such, our Group did not generate any property management services revenue from the Remaining CDI Group for the year ended 31 December 2017. For the revenue of property management services derived from property projects developed by the Remaining CDI Group for the year ended 31 December 2017, please refer to the paragraph headed “— Our Customers — Major customers” in this section below.

The table below sets out the breakdown of the GFA of the properties under our management developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		2020	
	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%	'000 sq.m.	%
The Remaining CDI Group	234	1.5	1,077	5.7	2,403	11.6	1,810	10.1	2,876	13.3
The Remaining Xiamen C&D Group	10,394	65.7	10,462	55.8	8,837	42.8	8,290	46.3	9,169	42.4
Independent Third Parties	5,177	32.8	7,221	38.5	9,432	45.6	7,807	43.6	9,606 ^(Note)	44.3
Total	15,805	100.0	18,760	100.0	20,672	100.0	17,907	100.0	21,651	100.0

Note: It included the Yibai Centre operated by our Group.

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The table below sets out our revenue derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	29,227	6.6	86,309	14.3	174,855	21.8	125,891	27.8
— The Remaining Xiamen C&D Group ^(Note 2)	297,477	66.5	348,110	57.2	365,269	45.5	177,717	39.4
— Independent Third Parties ^(Note 3)	120,347	26.9	174,199	28.5	261,206	32.7	148,557	32.8
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0

Notes:

1. Refer to properties developed by CDI, its subsidiaries (excluding our Group, our associates and joint ventures), associates and joint ventures of CDI.
2. Refer to properties developed by Xiamen C&D and its subsidiaries and the associates and joint ventures of Xiamen C&D (excluding the Remaining CDI Group, our Group, our associates and joint ventures and the Lianfa Group).
3. Refer to properties solely developed by Independent Third Party property developers.

The table below sets out the breakdown of the number of projects under our management developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		2020	
		%		%		%		%		%
The Remaining CDI Group	2	1.9	8	6.0	17	8.7	10	7.2	20	9.8
The Remaining Xiamen C&D Group	63	58.3	64	48.5	69	35.4	65	46.4	69	34.0
Independent Third Parties	43	39.8	60	45.5	109	55.9	65	46.4	114 ^(Note)	56.2
Total	108	100.0	132	100.0	195	100.0	140	100.0	203	100.0

Note: It included the Yibai Centre operated by our Group.

The GFA of the properties under our management developed by the Remaining CDI Group increased from 0.2 million sq.m. as at 31 December 2017 to 2.4 million sq.m. as at 31 December 2019 and the GFA of the properties under any management developed by the Remaining CDI Group as at 30 June 2020 was 2.9 million sq.m.. The increase of the GFA of the properties under our management developed by the Remaining CDI Group was mainly due to the continuous expansion of the Remaining CDI Group. The GFA of the properties under our management developed by the Remaining Xiamen C&D Group remained stable as at 31 December 2017 and 2018 and decreased from 10.5 million sq.m. as at 31 December 2018 to 8.8 million sq.m. as at 31 December 2019. It was mainly due to C&D Real

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Estate's redirection of its business focus and became less directly involved in the property development business, which caused the decrease of the GFA of the properties under our management developed by the Remaining Xiamen C&D Group as at 31 December 2019. For details concerning the business delineation between the Remaining CDI Group and us, please refer to the paragraph headed "Relationship with our Controlling Shareholders — Delineation of our Business from our Controlling Shareholders and their Respective Close Associates" in this listing document. The GFA of the properties under our management developed by Independent Third Parties increased from 5.2 million sq.m. as at 31 December 2017 to 9.4 million sq.m. as at 31 December 2019 and the GFA of the properties under our management developed by Independent Third Parties as at 30 June 2020 was 9.6 million sq.m., and the number of projects under our management developed by Independent Third Parties increased from 43 as at 31 December 2017 to 114 as at 30 June 2020. As at 31 December 2017, 2018, 2019 and 30 June 2020, the GFA under our management for the non-residential properties developed by Independent Third Parties was 0.8 million sq.m., 1.5 million sq.m., 2.1 million sq.m. and 2.2 million sq.m., respectively. For details of the measures taken to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group and diversify services provided to properties developed by Independent Third Party property developers and other Independent Third Party customers, please refer to the paragraph headed "— Our Customers" in this section below.

General Scope of Property Management Services

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

- **Security services.** The security services that we provide primarily include access control including personnel, article and vehicle, parking management, community patrolling, electronic access control, video surveillance and emergency response. We generally staff our security services with our staff and sub-contractors.
- **Cleaning, pest control, greening and maintaining services.** We provide general cleaning, pest control, greening and maintaining services of our managed properties through both of our staff and sub-contractors.
- **Repair and maintenance services.** The scope of our repair and maintenance services typically covers (i) common area equipment and facilities, such as elevators and central air conditioning systems; (ii) fire and safety facilities, such as fire extinguishing and fire alarm systems; (iii) utility facilities, such as power supply and distribution systems and water supply and drainage systems; and (iv) other buildings and ancillary facilities and equipment in our managed properties. During the Track Record Period, we outsourced the repair and maintenance services regarding elevators system and fire extinguishing and fire alarm systems to sub-contractors. For details, please refer to the paragraph headed "— Our Suppliers — Sub-contracting" in this section below. Save as to above, our in-house technicians perform routine management and inspections of other systems and equipment and they also take charge of planning equipment maintenance and maintaining ledgers to ensure the normal operation of the equipment in the serviced areas.

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Revenue Model of Property Management Services

During the Track Record Period, we charged property management fees primarily on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis. As confirmed by our Directors, the determination of the use of the lump sum basis or commission basis is based on the following factors, including but not limited to (i) the type(s), scale(s) and location(s) of properties to be managed; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; and (iv) arm's length negotiation with our customers. In particular, commission basis is preferred rather than lump sum basis if (i) greater difficulties in recognition of the cost to be incurred; (ii) more customised or non-standard services to be provided; and/or (iii) greater complexities in the dynamics of the costs are anticipated. Our property management revenue generated from services charged on a lump sum basis accounted for 90.5%, 91.9%, 93.8% and 94.5%, respectively, of our total revenue from property management services for each of the three years ended 31 December 2019 and the six months ended 30 June 2020. The table below sets out the breakdown of the revenue from our property management services by revenue model for the year/period indicated:

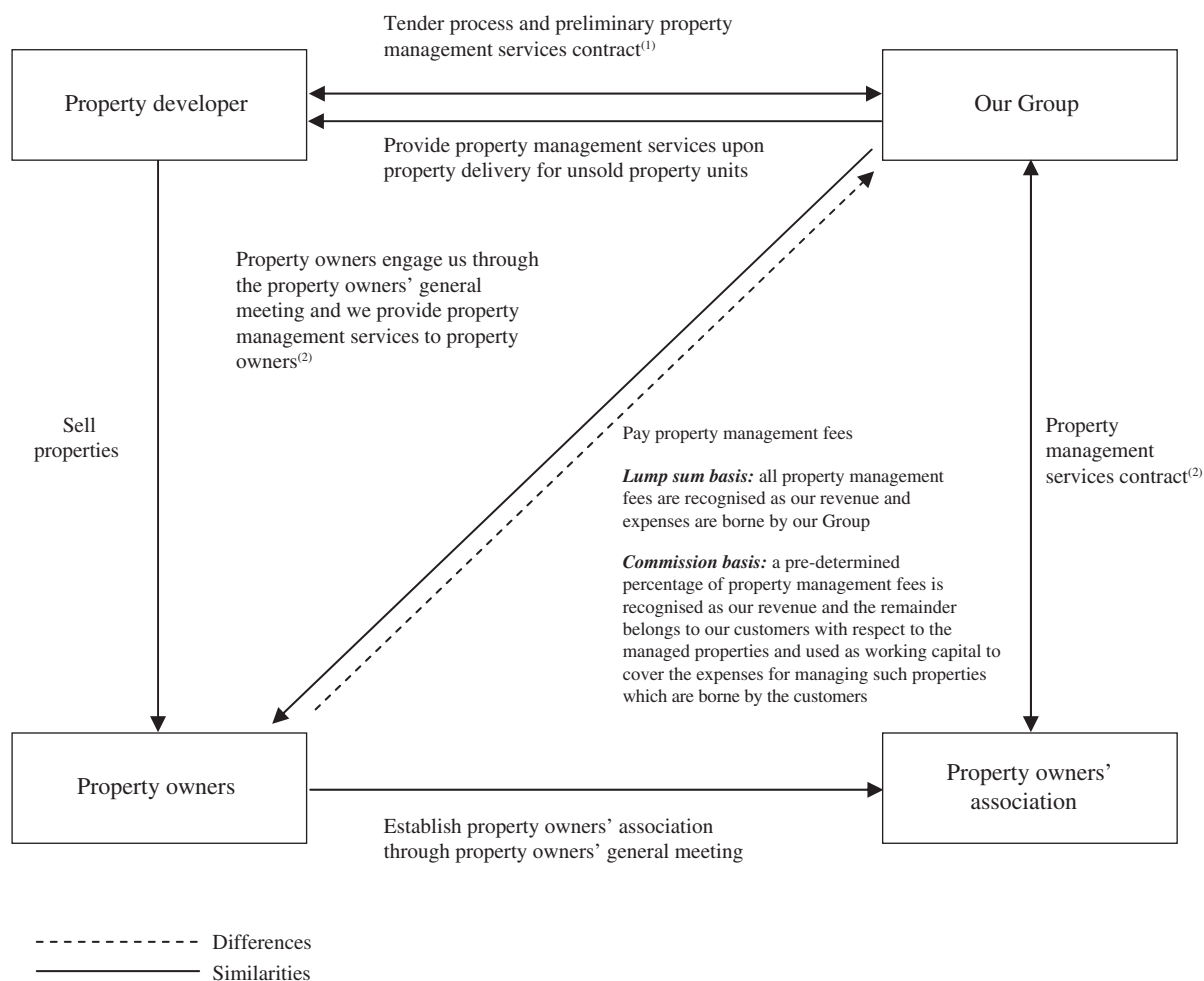
	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Lump sum basis	274,025	90.5	367,719	91.9	456,286	93.8	214,070	93.6	266,530	94.5
Commission basis	28,751	9.5	32,330	8.1	30,028	6.2	14,526	6.4	15,405	5.5
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

The table below sets out the breakdown of the GFA under our management by revenue model as at the dates indicated:

	As at 31 December						As at 30 June			
	2017		2018		2019		2019		2020	
	'000	%	'000	%	'000	%	'000	%	'000	%
	sq.m.		sq.m.		sq.m.		sq.m.		sq.m.	
Lump sum basis	13,388	84.7	15,911	84.8	19,965	96.6	17,331	96.8	20,800	96.1
Commission basis	2,417	15.3	2,849	15.2	707	3.4	576	3.2	851	3.9
Total	15,805	100.0	18,760	100.0	20,672	100.0	17,907	100.0	21,651	100.0

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The diagram below illustrates the major differences between managing properties under the two revenue models:



Notes:

1. The property developer can enter into a preliminary property management services 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 services contract with us on behalf of the property owners and such contract is legally binding on all the property owners.

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 per sq.m. of GFA under management on a monthly basis, which represents “all-inclusive” fees for all of the property management services provided by us with respect to the managed property. We are entitled to retain the full amount of property management fees received from property owners and residents and property developers.

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On a lump sum basis, we bear the costs of managing properties, and recognise such costs as our cost of sales, which 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 has a direct impact on our profitability. If the amount of property management fees we collect during the term of a contract is not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us the shortfall. During the Track Record Period, we incurred losses with respect to a number of properties managed on a lump sum basis which accounted for less than 26.0% of our total number of properties under management as at the relevant year-end/period-end. As at the Latest Practicable Date, all of the loss-making properties were still under our management. As the collection of the property management fees from such properties are expected to be fully completed during the second half of the year ending 31 December 2020, their performances are expected to improve. The table below sets out the number and the unaudited amount of loss-making property management projects during the Track Record Period:

	As at/For the year ended 31 December			As at/For the six months ended 30 June
	2017	2018	2019	2020
Number of loss-making projects	24	24	50	36
— The Remaining CDI Group	1	—	—	3
— The Remaining Xiamen C&D Group	20	19	17	12
— Independent Third Parties	3	5	33	21
Number of projects as at the year/period end	108	132	195	203
Percentage (%)	22.2	18.2	25.6	17.7
— The Remaining CDI Group	0.9	0.0	0.0	1.5
— The Remaining Xiamen C&D Group	18.5	14.4	8.7	5.9
— Independent Third Parties	2.8	3.8	16.9	10.3
Amount of loss for the year/ period (RMB'000)	(9,596)	(12,217)	(10,559)	(5,623)
— The Remaining CDI Group	(77)	—	—	(769)
— The Remaining Xiamen C&D Group	(9,065)	(9,421)	(8,378)	(2,688)
— Independent Third Parties	(454)	(2,796)	(2,181)	(2,166)

The losses incurred with respect to such properties were primarily due to the relatively large costs incurred of such aged properties with comparatively higher maintenance costs and lower management fees charged. The amount of loss increased from RMB9.6 million for the year ended 31 December 2017 to RMB12.2 million for the year ended 31 December 2018 mainly because

costs of some of the loss-making projects increased and certain of our new managed properties for the year ended 31 December 2018, including hospital, required extra initial staff costs. The increase in number of loss-making projects as at 31 December 2019 compared to that as at 31 December 2018 was mainly due to the 24 newly-engaged projects with Independent Third Parties for aged schools which required higher preliminary costs incurred by our Group. The underlying reasons for the loss-making property management projects for the Remaining Xiamen C&D Group are as follows: (i) the average GFA under management of such projects, being 86,000 sq.m., 73,000 sq.m., 80,000 sq.m. and 50,000 sq.m. for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively, was smaller than that of the overall projects under our management for the corresponding year/period and therefore it would be more difficult to reach economies of scale; (ii) such projects had been completed for longer years and required more maintenance costs; and (iii) such projects required more manual labour for maintenance and management and therefore incurred more personnel cost.

The number of loss-making projects represented 22.2%, 18.2%, 25.6% and 17.7% of the total number of projects under our Group's management as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, which demonstrates an overall decreasing trend of loss-making projects (save for the increase from 31 December 2018 to 31 December 2019 which was attributable to the increase in newly-engaged projects with Independent Third Parties for reasons as set out above). Further, the proportion of loss-making projects sourced from the Remaining CDI Group out of the total number of projects under our Group's management as at 31 December 2017, 2018 and 2019 and 30 June 2020 was 0.9%, N/A, N/A and 1.5%, respectively, whereas the proportion of loss-making projects sourced from the Remaining Xiamen C&D Group out of the total number of projects under our Group's management as at 31 December 2017, 2018 and 2019 and 30 June 2020 was 18.5%, 14.4%, 8.7% and 5.9%, respectively, which exhibited a decreasing trend. In light of the above, for these loss-making projects, we leveraged our advantages in economies of scale to better manage our profitability and centrally manage the allocation of human resources of properties with other neighbouring properties under our management. We also adopted smart property management systems in managing properties in a cost-effective manner to save costs. We also opted out for certain loss-making projects. As such, our Directors consider that our Company's measures to improve the financial performance of the loss-making projects are generally realistic and effective. Taking into account (i) our Directors' view above; (ii) the discussions with our Company's management in relation to our Group's relevant measures; and (iii) the general decreasing trend of the average amount of loss per loss-making project, being approximately RMB399,800, RMB509,000, RMB211,200 and RMB156,200 for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively (except for the increase in such amount from 31 December 2017 to 31 December 2018 as a result of reasons set out above), the Sole Sponsor concurs with our Directors' view that these measures are generally realistic and effective. For details, please refer to the paragraph headed "Risk Factors — Risks Relating to our Business and Industry — Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, staff costs, and our profit margin and results of operations may be materially and adversely affected by the increase in staff costs or other operating costs" in this listing document. Going forward, we plan to further improve our service quality and enhance communications with property owners in order to gain their approvals to increase property management fees. We also plan to improve the type and volume of community value-added and synergy services, which typically generate higher gross profit margin compared to property management services. To save costs and improve our operational efficiency, we plan to

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adopt more technological solutions and systems in managing properties in a more cost-effective manner, such as automated surveillance system and intelligent equipment management in order to save staff costs and utility costs, such as installing LED lights to reduce utility charges.

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

During the Track Record Period, we derived revenue from a limited number of property management services contracts on a commission basis, amounting to RMB28.8 million, RMB32.3 million, RMB30.0 million and RMB15.4 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. On a commission basis, we recognise as revenue a pre-determined property management commission fee generally representing a fixed percentage of the property management fees payable by property owners and residents and property developers, or expenses incurred in connection with providing such services. The commission rate is determined through arm's length negotiation with reference to, including but not limited to, (i) the type(s), scale(s) and location(s) of properties to be managed; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; (iv) the expected amount of the total property management fee receivable from the property owners and residents and property developers, or total property management cost to be incurred or accrual by the property owners and residents and property developers; and (v) the estimated profit margin for our Group. For property management services income from properties managed on a commission basis, our Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property owners and residents and property developers, or total property management cost incurred or accrual by the property owners and residents and property developers, as its revenue for arranging and monitoring the services as provided by other suppliers.

When we are contracted to manage the properties on a commission basis, we essentially act as an agent of the property owners and residents and property developers where the transactions related to these management offices of these properties are settled through our treasury function. On a commission basis, we are not entitled to any excess of the property management fees paid by property owners and residents and property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property. Therefore, we do not recognise any direct cost under property management services contracts charged on a commission basis in general. Such costs are borne by the property owners and residents and property developers, as the case may be.

During the Track Record Period, the number of the properties managed under commission basis making loss was nil, one, nil and two as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. The losses incurred by such properties managed under commission basis amounted to RMBNil, RMB0.1 million, RMBNil and RMB0.1 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. The main reason for such losses was the recognition of unrealised personnel wages (such as bonuses). Our Directors are of the view that such losses would not significantly affect the operation and financial position of our Group.

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Property Management Fees

Pricing

We generally price our property management services based on a number of factors, including (i) the types of the properties, such as residential or non-residential, and locations of the properties, such as the tier of city; (ii) the scope and quality of the services proposed; (iii) the expected operational costs (including, among other things, staff costs, material costs, sub-contracting costs and operational administrative expenses); (iv) our target profit margin; (v) profiles of the property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the property management fees for similar services and similar types of projects in the market.

The relevant price administration department and construction administration department of the State Council are jointly responsible for supervising property management fees and issuing relevant guidance. For details, please refer to the paragraph headed "Regulatory Overview — Legal Supervision Over Property Management Services — Fees charged by property management enterprises" in this listing document. As at 30 June 2020, the number of our projects that were subject to government's guidance price was 31, contributing to the total revenue of RMB64.5 million for the six months ended 30 June 2020, representing for 14.3% of our total revenue during the same period.

The table below sets out our overall Average Monthly Property Management Fees of the properties under our management by developer type for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>
Average Monthly Property Management Fee:				
— The Remaining CDI Group	2.59	2.42	2.39	2.58
— The Remaining Xiamen C&D Group	2.97	2.98	2.95	2.90
— Independent Third Parties	2.21	2.42	2.51	2.48
Overall Average Monthly Property Management Fee	2.70	2.71	2.71	2.69

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The table below sets out our Average Monthly Property Management Fees of the residential properties under our management by developer type for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>
Average Monthly Property Management Fee for residential properties:				
— The Remaining CDI Group	2.59	2.42	2.39	2.58
— The Remaining Xiamen C&D Group	2.49	2.51	2.49	2.48
— Independent Third Parties	1.78	1.82	1.87	1.86
Overall Average Monthly Property Management Fee for residential properties	2.24	2.21	2.23	2.26

The table below sets out our Average Monthly Property Management Fees of the non-residential properties under our management by developer type for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>	<i>per sq.m.</i>
Average Monthly Property Management Fee for non-residential properties:				
— The Remaining CDI Group	—	—	—	—
— The Remaining Xiamen C&D Group	11.09	11.09	11.09	10.84
— Independent Third Parties	12.43	8.47	7.81	7.79
Overall Average Monthly Property Management Fee for non-residential properties	11.47	9.59	8.98	8.88

During the Track Record Period, our Average Monthly Property Management Fees charged for properties developed by (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group were generally higher than those developed by Independent Third Party property developers. This was mainly because (i) the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI

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Group were mainly new properties and located in the tier-one cities and tier-two cities of the PRC and we usually charged a higher property management fee for these customers; and (ii) the properties developed by Independent Third Party property developers were generally existing or dated properties and often included public and government facilities (mainly including parks and schools) and we usually charged a lower property management fee for these projects. According to China Index Academy, property management fees charged for newly built properties are generally higher than those for existing properties.

The major types of properties developed by (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group (collectively, the “**Parent Group**”) are residential properties and offices. As at 30 June 2020, 99.8% of the total GFA under our management of the properties developed by the Parent Group are residential properties and offices.

Our Average Monthly Property Management Fees and the industry average provided by China Index Academy were calculated in different methods. The Average Monthly Property Management Fees calculated by our Company used revenue-bearing GFA and excluded package price projects the property management fees of which were charged on a project-by-project basis without reference to any GFA under management for its calculation basis; while the average monthly property management fees calculated by China Index Academy used the GFA under management for its calculation basis. To illustrate the pricing level of our property management services as compared to our industry peers, after taking into consideration the types of properties developed by the Parent Group which are managed by our Group being mainly residential properties and offices, we have calculated our average monthly property management fee for residential properties and offices using China Index Academy’s formula.

As we have been ranked by China Index Academy within the top 50 among the Top 100 Property Management Companies in the PRC in terms of overall strength (the “**Top 50 Property Management Companies**”) since 2017, for the purpose of illustration of our pricing level as compared to our industry peers, the table below sets out our average monthly property management fees for residential properties and offices by developer type as compared to the industry average of the Top 50 Property Management Companies for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June					
	2017			2018			2019			2020		
	Parent Group (1)(2)	Independent Parties ⁽¹⁾	Industry Average ⁽¹⁾⁽³⁾	Parent Group (1)(2)	Independent Parties ⁽¹⁾	Industry Average ⁽¹⁾⁽³⁾	Parent Group (1)(2)	Independent Parties ⁽¹⁾	Industry Average ⁽¹⁾⁽³⁾	Parent Group (1)(2)	Independent Parties ⁽¹⁾	Industry Average ⁽¹⁾⁽³⁾⁽⁴⁾
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.	per sq.m.
Overall ⁽¹⁾	2.29	2.57	2.51	2.31	2.56	2.44	2.31	2.52	1.96	2.40	2.59	2.05
Residential properties	10.73	10.86	8.57	8.84	10.86	8.46	9.71	10.83	8.59	9.45	9.82	9.02
Offices												

Notes:

1. Applying the China Index Academy's formula, in which the average monthly property management fee per sq.m. is calculated by (i) the sum of the property management fees receivable per sq.m. for each property under management at year-end/period-end multiplied by the GFA under management of the corresponding property at year-end/period-end, divided by (ii) the GFA under management of all properties under management at year-end/period-end.
2. Refers to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group which are managed by our Group.
3. As advised by China Index Academy, the industry average is calculated using the related information of the Top 50 Property Management Companies of the respective years.
4. As China Index Academy only conducts full-year analysis with respect to various aspects, including pricing levels, of Top 50 Property Management Companies, the data for the six months ended 30 June 2020 is not available as at the Latest Practicable Date.

In terms of the types of properties, our overall average monthly property management fee for residential properties for each of the three years ended 31 December 2019 was relatively stable and generally in line with the industry average of the Top 50 Property Management Companies. Our overall average monthly property management fee for offices for each of the three years ended 31 December 2019 was higher than the industry average of the Top 50 Property Management Companies, mainly due to the offices we managed were high-end office buildings with high demand for quality services, where we could charge a relatively high property management fees.

The table below sets out the average monthly property management fees for residential properties and offices by city tiers as compared to the industry average of the Top 50 Property Management Companies for the year/period indicated:

	For the year ended 31 December										For the six months ended 30 June			
	2017					2018					2019			
	Parent Group ⁽¹⁾⁽²⁾		Independent Third Party ⁽¹⁾		Industry Average ⁽¹⁾⁽³⁾		Parent Group ⁽¹⁾⁽²⁾		Independent Third Party ⁽¹⁾		Parent Group ⁽¹⁾⁽²⁾		Independent Third Party ⁽¹⁾	
	Overall ⁽¹⁾ RMB	per sq.m.	RMB	per sq.m.	RMB	per sq.m.	Overall ⁽¹⁾ RMB	per sq.m.	RMB	per sq.m.	Overall ⁽¹⁾ RMB	per sq.m.	RMB	per sq.m.
Residential														
— Tier-one cities	4.43		4.62	3.26	3.50	3.40	4.43	4.43	3.26	3.26	4.62	4.43	4.62	3.26
— Tier-two cities	2.38		2.87	1.79	2.37	2.35	2.42	2.44	1.92	2.04	2.88	2.55	2.91	2.17
— Tier-three cities and below	1.71		1.73	1.49	2.20	2.21	1.82	1.95	1.41	1.30	2.04	2.05	2.17	1.41
Offices														
— Tier-one cities	15.32		15.32	N/A	12.49	12.94	15.32	15.32	N/A	15.32	15.32	14.86	14.86	N/A
— Tier-two cities	9.76		8.95	10.48	6.74	6.82	7.57	10.02	6.97	10.77	8.92	9.74	7.59	11.65
— Tier-three cities and below	2.42		2.42	N/A	6.33	6.42	2.42	3.13	N/A	3.41	2.42	3.13	2.42	3.40

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Notes:

1. Applying the China Index Academy's formula, in which the average monthly property management fee per sq.m. is calculated by (i) the sum of the property management fees receivable per sq.m. for each property under management at year-end/period-end multiplied by the GFA under management of the corresponding property at year-end/period-end, divided by (ii) the GFA under management of all properties under management at year-end/period-end.
2. Refers to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group which are managed by our Group.
3. As advised by China Index Academy, the industry average is calculated using the related information of the Top 50 Property Management Companies of the respective years.
4. As China Index Academy only conducts full-year analysis with respect to various aspects, including pricing levels, of Top 50 Property Management Companies, the data for the six months ended 30 June 2020 is not available as at the Latest Practicable Date.
5. As advised by China Index Academy, as the tier-three cities and below cover all the cities in the PRC other than tier-one cities and tier-two cities, for better illustration purpose, the industry average of the tier-three cities and below only covers cities where our Group had property management projects of the respective years.

In terms of the city tiers and certain characteristics of the abovementioned properties, we had a quality property management portfolio during the Track Record Period. For city tiers, we mainly focused on properties located in tier-two cities and tier-three cities. We also deepened our development in these cities by increasing the concentration of properties under our management in each area, and we believe that this will raise our competitiveness and enhance our brand image in the market competition.

For residential properties in tier-one cities and tier-two cities, our average monthly property management fees of the properties developed by the Parent Group for each of the three years ended 31 December 2019 were higher than the industry average of the Top 50 Property Management Companies. It is because the properties under our management developed by the Parent Group were mainly high-end improvement residential properties with generally higher property management fees. Our average monthly property management fee for residential properties developed by the Parent Group in tier-three cities and below was lower than the industry average of the Top 50 Property Management Companies for each of the two years ended 31 December 2018 and increased to be comparable with the industry average of the Top 50 Property Management Companies for the year ended 31 December 2019. It is because the property management fees of certain of the properties under our management developed by the Parent Group for the year ended 31 December 2019 increased.

For offices in tier-one cities, our average monthly property management fees of the properties developed by the Parent Group for each of the three years ended 31 December 2019 were higher than the industry average of the Top 50 Property Management Companies. For offices in tier-two cities, our average monthly property management fees of the properties developed by the Parent Group and the Independent Third Parties for each of the three years ended 31 December 2019 were generally higher than the industry average of the Top 50 Property Management Companies. It is mainly because the offices we managed in tier-one and tier-two cities were mostly high-end office buildings where we could charge a relatively high property management fee. For the offices in tier-three cities and below, there was only one office developed by the Parent Group and located in Nanping, Fujian for each of the three years ended 31 December 2019 and there were only three offices developed by the Independent Third Parties and located in Longhai, Fujian and Huzhou, Zhejiang for the year ended 31 December 2019. The locations of these offices were comparatively remote, and thus, the property management fees were lower than the industry average of the Top 50 Property Management Companies.

We were ranked by China Index Academy within the top 20 property management companies in each of the regions of Haixi, South-eastern China, Eastern China and South China in terms of GFA under management in 2019 (the “**Regional Top 20 Property Management Companies**”, defined as the 20 property management companies with the largest GFA under management in each of the regions of Haixi, South-eastern China, Eastern China and South China as at the end of the respective year). To further illustrate the average monthly property management fees charged by our Group and the industry average during the Track Record Period, we have, with the advice of China Index Academy, specifically selected the average monthly property management fees charged by the Regional Top 20 Property Management Companies to represent the industry average level of the monthly property management fees. The table below sets out the average monthly property management fees for residential properties and offices in the four geographic regions under our management as compared to the industry average of the Regional Top 20 Property Management Companies for the year/end indicated:

	For the year ended 31 December										For the six months ended 30 June									
	2017					2018					2019					2020				
	Independent					Independent					Independent					Independent				
	Overall ⁽¹⁾ RMB per sq.m.	Parent Group ⁽¹⁾⁽²⁾ RMB per sq.m.	Third Parties ⁽¹⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Overall ⁽¹⁾ RMB per sq.m.	Parent Group ⁽¹⁾⁽²⁾ RMB per sq.m.	Third Parties ⁽¹⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Overall ⁽¹⁾ RMB per sq.m.	Parent Group ⁽¹⁾⁽²⁾ RMB per sq.m.	Third Parties ⁽¹⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾⁽⁴⁾ RMB per sq.m.	Overall ⁽¹⁾ RMB per sq.m.	Parent Group ⁽¹⁾⁽²⁾ RMB per sq.m.	Third Parties ⁽¹⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾ RMB per sq.m.	Industry Average ⁽¹⁾⁽³⁾⁽⁴⁾ RMB per sq.m.
Residential																				
— Haixi ⁽ⁱ⁾	2.08	2.35	1.68	2.34	2.24	2.09	2.34	1.77	2.24	2.25	2.20	2.40	1.95	2.25	2.24	2.41	2.24	2.41	2.02	—
— South-eastern China	2.05	2.14	1.96	2.07	2.01	2.02	2.09	1.96	2.01	1.97	1.91	2.01	1.79	1.97	1.92	2.04	1.92	2.04	1.78	—
— Eastern China ⁽ⁱⁱ⁾	3.84	3.90	3.26	2.42	2.44	3.61	3.64	3.26	2.44	2.53	3.08	3.07	3.26	2.53	3.24	3.24	3.24	3.24	3.26	—
— Central China ⁽ⁱⁱⁱ⁾	2.99	2.99	N/A	2.16	2.13	3.26	3.18	4.21	2.13	2.11	3.22	3.14	4.21	2.11	3.21	3.09	3.21	3.09	4.14	—
Office																				
— Haixi ^(iv)	10.41	8.95	12.13	5.92	5.94	9.93	8.95	10.78	5.94	6.01	9.86	8.92	10.64	6.01	9.21	7.59	9.21	7.59	10.78	—
— South-eastern China ^(v)	4.13	2.42	5.57	5.78	5.81	6.11	2.42	8.71	5.81	5.83	7.04	2.42	10.44	5.83	7.79	2.42	7.79	2.42	16.62	—
— Eastern China ^(vi)	15.32	15.32	N/A	6.65	6.68	15.32	15.32	N/A	6.68	6.63	10.53	15.32	3.04	6.63	10.25	14.86	10.25	14.86	3.04	—
— Central China	N/A	N/A	N/A	6.89	6.93	N/A	N/A	N/A	6.93	6.95	N/A	N/A	N/A	N/A	12.57	N/A	12.57	N/A	12.57	—

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Notes:

1. Applying the China Index Academy's formula, in which the average monthly property management fee per sq.m. is calculated by (i) the sum of the property management fees receivable per sq.m. for each property under management at year-end/period-end multiplied by the GFA under management of the corresponding property at year-end/period-end, divided by (ii) the GFA under management of all properties under management at year-end/period-end.
2. Refers to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group which are managed by our Group.
3. As advised by China Index Academy, the industry average is calculated using the related information of the Regional Top 20 Property Management Companies for the respective year.
4. As China Index Academy only conducts full-year analysis with respect to various aspects, including pricing levels, of the Regional Top 20 Property Management Companies, the data for the six months ended 30 June 2020 is not available as at the Latest Practicable Date.

As illustrated above, for residential properties, for each of the three years ended 31 December 2019, our average monthly property management fees for properties developed by the Parent Group were generally comparable to those developed by Independent Third Parties and the industry average of the Regional Top 20 Property Management Companies in South-eastern China, and we generally had a higher average monthly property management fees compared to the industry average of the Regional Top 20 Property Management Companies in Eastern China and Central China:

- (i) Haixi: our average monthly management fees for residential properties developed by the Parent Group were higher than those developed by Independent Third Parties but comparable with the industry average for each of the three years ended 31 December 2019. As at 31 December 2017, 2018, 2019 and 30 June 2020, the GFA under our management for residential properties in Xiamen, a tier-two city, constituted a large percentage of our total GFA under management in Haixi, which accounted for 72.2%, 65.1%, 63.7% and 61.5%, respectively. We managed 23, 24, 24 and 25 residential properties developed by the Parent Group, respectively, during the Track Record Period in Xiamen, most of which were located in Xiamen Island, the core area of Xiamen. Most of the abovementioned residential properties are positioned as mid-to-high-end properties, which require higher quality of property management services and thus higher average monthly management fees can be charged. According to China Index Academy, as at 30 June 2020 and based on available information, the average selling price in secondary market of residential properties developed by the Parent Group in Xiamen was RMB69,803 per sq.m., which was higher than the average selling price of local second-hand urban residential properties of RMB46,052 per sq.m.. For each of the three years ended 31 December 2019, our average monthly management fees for residential properties developed by Independent Third Parties were lower than the industry average of the Regional Top 20 Property Management Companies mainly because among the 22, 27 and 35 residential properties developed by Independent Third Parties respectively for each of the three years ended 31 December 2019 in Xiamen, nine, 10, and 14 properties were located outside the Xiamen Island (i.e. the non-core area in Xiamen) and six, seven and eight properties were government-supported houses communities for low-income group, and thus, lower average monthly management fee were charged.

- (ii) Eastern China: our average monthly management fees for residential properties developed by the Parent Group were higher than those developed by Independent Third Parties for each of the two years ended 31 December 2018, mainly due to the reason that the residential properties under our management developed by the Parent Group were delivered more recently than those developed by Independent Third Parties. The GFA under our management for residential properties in Shanghai, a tier-one city, constituted a relatively large percentage of our total GFA under management in Eastern China, which accounted for 61.1% and 44.5%, respectively as at 31 December 2017 and 2018. Since 2017, we have been managing four residential properties developed by the Parent Group in Shanghai, most of which are positioned as mid-to-high-end apartments with high renovation standard. The average monthly property management fee for the above four residential properties was RMB4.62 per sq.m. during the Track Record Period, which was higher than that of the property developed by Independent Third Party which was delivered in 2007. Our average monthly management fees for residential properties developed by the Parent Group was higher than the industry average of the Regional Top 20 Property Management Companies for each of the three years ended 31 December 2019, mainly because a number of the residential properties under our management developed by the Parent Group were mid-to-high-end apartments in Shanghai, which had a substantially higher average monthly management fees of RMB4.62 per sq.m. than the industry average of the Regional Top 20 Property Management Companies.

Our average monthly management fee for residential properties developed by the Parent Group decreased and was lower than those developed by Independent Third Parties for the year ended 31 December 2019. It was mainly because we commenced developing the property management markets of lower-tier cities in Eastern China, namely Hefei, Wuxi and Suzhou, since 2019. According to China Index Academy, the average monthly property management fees of tier-two cities and tier-three cities and below are generally lower than that of tier-one cities.

- (iii) Central China: our average monthly management fees for residential properties developed by Independent Third Parties were higher than those developed by the Parent Group and the industry average of the Regional Top 20 Property Management Companies for each of the two years ended 31 December 2019 mainly because the only residential property developed by the Independent Third Party was delivered in 2018 and more recently than those developed by the Parent Group. Our average monthly management fees for residential properties developed by the Parent Group were higher than the industry average of the Regional Top 20 Property Management Companies because the residential properties under our management are mainly positioned as mid-to-high-end properties. According to China Index Academy, as at 30 June 2020 and based on available information, the average selling price in secondary market of residential properties developed by the Parent Group in Chengdu was RMB23,303 per sq.m., which was higher than the average selling price of local second-hand urban residential properties of RMB15,707 per sq.m.; and the average selling price in secondary market of residential properties developed by the Parent Group in Changsha was RMB13,949 per sq.m., which was higher than the average selling price of local second-hand urban residential properties of RMB10,857 per sq.m..

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For offices, for each of the three years ended 31 December 2019, we generally had a higher average monthly property management fees than the industry average of the Regional Top 20 Property Management Companies in Haixi, South-eastern China and Eastern China:

- (iv) Haixi: our average monthly management fees for offices developed by Independent Third Parties were higher than those developed by the Parent Group and the industry average of the Regional Top 20 Property Management Companies for each of the three years ended 31 December 2019. The GFA under management for offices in Xiamen accounted for 100.0%, 100.0%, 97.3% and 97.5% of our total GFA under management for offices in Haixi respectively as at 31 December 2017, 2018, 2019 and 30 June 2020. The majority of the offices under our management developed by Independent Third Parties in Xiamen are for banks and other financial institutions which have a higher demand of manpower than the offices developed by the Parent Group in Xiamen which is for normal office purpose, and thus led to higher operational cost and higher average monthly property management fees. Our average monthly management fees for offices developed by the Parent Group were higher than the industry average of the Regional Top 20 Property Management Companies for each of the three years ended 31 December 2019 mainly because the only office under our management was a mid-to-high-end property in Xiamen, a tier-two city. According to China Index Academy, the average monthly property management fees of tier-two cities are generally higher than that in tier-three cities and below.
- (v) South-eastern China: our average monthly management fees for offices developed by the Parent Group were lower than those developed by Independent Third Parties and the industry average of the Regional Top 20 Property Management Companies for each of the three years ended 31 December 2019. We only managed one office developed by the Parent Group, which was in Nanping, a tier-three and below city. The location of the office developed by the Parent Group was comparatively remote and thus, its average monthly management fee was lower than the industry average of the Regional Top 20 Property Management Companies. We managed two, four and four offices developed by Independent Third Parties in South-eastern China respectively for each of the three years ended 31 December 2019. The offices developed by Independent Third Parties are all in Fuzhou, a tier-two city. Most of the offices were located in the core area of Fuzhou, and thus their average monthly property management fees were relatively higher than that developed by the Parent Group during the Track Record Period and the industry average of the Regional Top 20 Property Management Companies for each of the two years ended 31 December 2019.
- (vi) Eastern China: our average monthly management fees for offices developed by the Parent Group were substantially higher than those developed by Independent Third Parties for the year ended 31 December 2019 and the industry average of the Regional Top 20 Property Management Companies for each of the three years ended 31 December 2019, mainly because all the three offices under our management developed by the Parent Group were in Shanghai, a tier-one city. The only office under our management developed by Independent Third Parties was in Huzhou, a tier-three city and below, which was relatively remote and thus, its average monthly management fee was lower than those developed by the Parent Group and the industry average of the Regional Top 20 Property Management Companies.

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As advised by China Index Academy, for the three years ended 31 December 2019, the property management fee for residential properties and office properties of the Top 50 Property Management Companies remained stable, with most of the property management fee for residential properties ranging from RMB1.0 per sq.m./month to RMB5.3 per sq.m./month and most of the property management fee for office properties ranging from RMB2.4 per sq.m./month to RMB17.9 per sq.m./month.

The table below sets out the property management fee ranges for residential properties and office properties of the Regional Top 20 Property Management Companies in Haixi, South-eastern China, Eastern China and Central China, respectively, from 2017 to 2019:

	Residential properties	Office properties
	<i>RMB per sq.m.</i>	<i>RMB per sq.m.</i>
Haixi	1.23–3.12	2.49–9.77
South-eastern China	1.21–3.09	2.46–9.67
Eastern China	2.07–4.53	5.02–12.32
Central China	1.49–4.48	4.13–10.02

As advised by China Index Academy, the property management fees normally depend on a number of factors, including but not limited to (i) the quality, scope and attributes of the services proposed by different property management companies; (ii) the locations of the properties, such as the tier of cities, and the different locations in the same city; (iii) the types of the properties, such as residential properties (including villas, apartments or government-supported houses) or office properties (including office buildings for different usage); and (iv) the age of the properties. Generally, the property management fee for a project may be higher than another project despite being in the same city if the property is (i) located at the city centre and has a convenient network of transportation; (ii) of a higher class in terms of design and construction quality; and/or (iii) delivered more recently. China Index Academy is of the view that our property management fees collected for the cities mentioned above were generally in line with the industry level.

Under our property management services contracts, we can negotiate with property owners and residents to raise the property management fees upon contract renewal or through obtaining approval from the requisite number of property owners under the 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, such as when an extended scope of services is required by property owners and residents or we need to improve the profitability of any potentially loss-making managed property. There is no assurance that we would succeed in achieving such fee increases whenever needed. For further details, please refer to the paragraph headed “Risk Factors — Risks Relating to our Business and Industry — Our ability to maintain or improve our current level of profitability depends on our ability to control operating costs, in particular, staff costs, and our profit margin and results of operations may be materially and adversely affected by the increase in staff costs or other operating costs” in this listing document.

Collection, Payment and Credit Terms

When the properties to be managed by us have reached the delivery stage, we begin receiving property management fees from owners of the sold property units which are generally calculated based on the size of the unit. We generally charge property management fees on a monthly basis in advance. We typically send out payment notices in advance for payment of the property management fees to property owners or residents on the first day of each calendar month. We generally do not grant credit term of property management fees. Property management fees are due and payable by the property owners upon the issuance of the payment notice. For further details on our trade receivables, please refer to the paragraph headed “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade and other receivables” in this listing document.

Payment of property management fees can be made to us in cash, through online or offline transfer, auto-pay, credit card or debit card. Payment can also be made via third-party mobile payment platforms which are linked to our mobile application “Huishenghuo* (慧生活)”. For details regarding our cash management system, please refer to the paragraph headed “ — Cash Management Policy” in this section below.

We have undertaken various measures to enhance the timeliness of the collection of property management fees. When the property management fees become overdue for one month, we will send overdue payment notices to the property owners or residents by phone or messages, or deliver in person or to the mailboxes of the relevant property owners or residents and follow up with frequent payment reminders. The customer service centre of each property we manage will be responsible for collection of overdue property management fees. Generally, if the overdue fees have not been paid after the issuance of overdue payment notice, we may instruct our lawyer to issue a formal letter to the property owners or residents. If we are still unable to collect overdue fees after exhausting all avenues mentioned above, we may bring the dispute to court as a last resort.

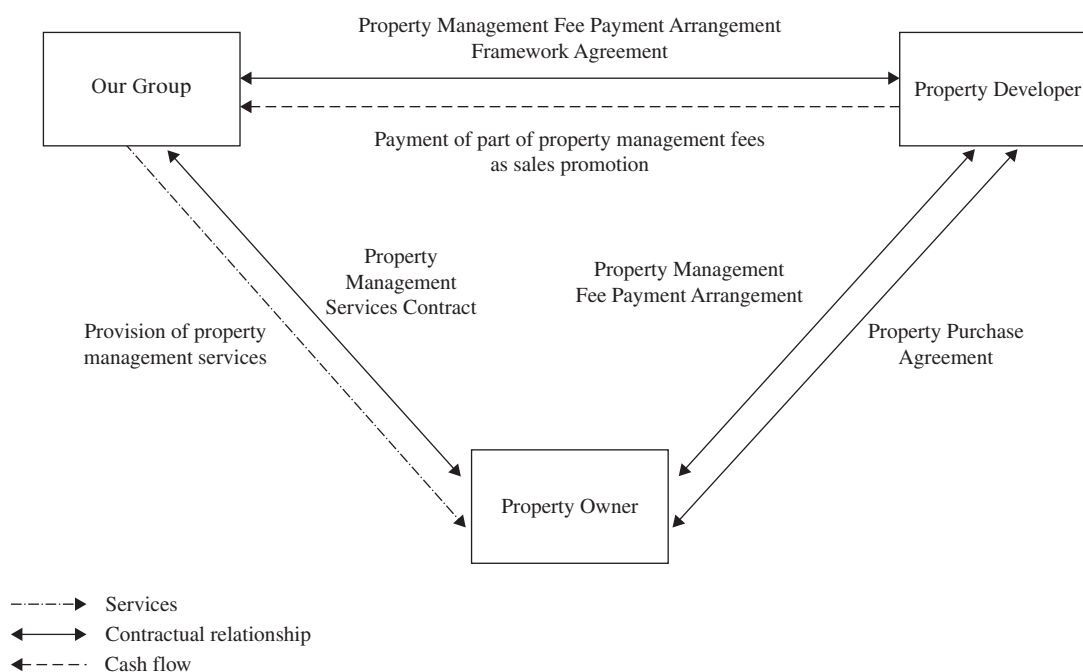
Our annual collection rate of property management fees, calculated as a percentage of the property management fees cumulatively collected by the end of the relevant year of the corresponding total property management fees receivable for the same year, was 93.4%, 94.3% and 95.3%, respectively, for each of the three years ended 31 December 2019. Our annual collection rate of property management fees was 59.7% and 63.5% for the six months ended 30 June 2019 and 2020, respectively. The increase of our annual collection rate of property management fees for each of the three years ended 31 December 2019, and the six months ended 30 June 2019 and 2020, was mainly due to the increased loyalty and satisfaction of the property owners and residents of our services. Considering that we generally do not grant credit term of property management fees and we generally charge property management fees on a monthly basis, the annual collection rate of property management fees for the six months ended 30 June 2020 was comparatively lower than that for the year ended 31 December 2019 mainly because while the property management fees were contracted to be paid and settled on a monthly basis, some of the property owners and/or residents may not have fully paid and settled their semi-annual property management fees as at 30 June 2020, and most of the property management fees as at 30 June 2020 are expected to be settled towards the end of 2020. The current collection rate for the six months ended 30 June 2020, which was calculated by (i) the property management fees collected as at 30 June 2020 divided by (ii) the property management fees receivable as at 30 June 2020, was 82.2%,

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which well exceeded that for the six months ended 30 June 2019 of 78.9%. Our Directors believe that our renewal rates and annual collection rates of property management fees reflected that the property owners and residents were satisfied with our service quality.

During the Track Record Period, we received property management fees from property developers for unsold property units. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our revenue from property management services for the aforementioned property units amounted to RMB14.7 million, RMB13.2 million, RMB11.1 million and RMB5.8 million, respectively, representing 3.3%, 2.2%, 1.4% and 1.3% of our total revenue for the respective year/period, respectively.

During the Track Record Period, certain property management fees were agreed to be paid to us by property developers instead of property owners for properties sold to them pursuant to certain sales promotion practices implemented by property developers from time to time. As part of such sales promotion, property developers agreed to pay us designated amounts of property management fees and we received such fees from the property developers for property management services provided to the property owners (the “**Property Management Fee Payment Arrangement**”). The agreed amounts under the Property Management Fee Payment Arrangement for each of the property owners involved vary. When the payment obligations of the property developers under the Property Management Fee Payment Arrangement have been fully discharged, the property owners will pay the subsequent property management fees directly to us pursuant to the property management services contracts entered into with us. Under the Property Management Fee Payment Arrangement, our customers are still the property owners to whom we provide property management services as governed by the property management services contracts. The diagram below illustrates our relationships with the property developer and the property owner under the Property Management Fee Payment Arrangement:



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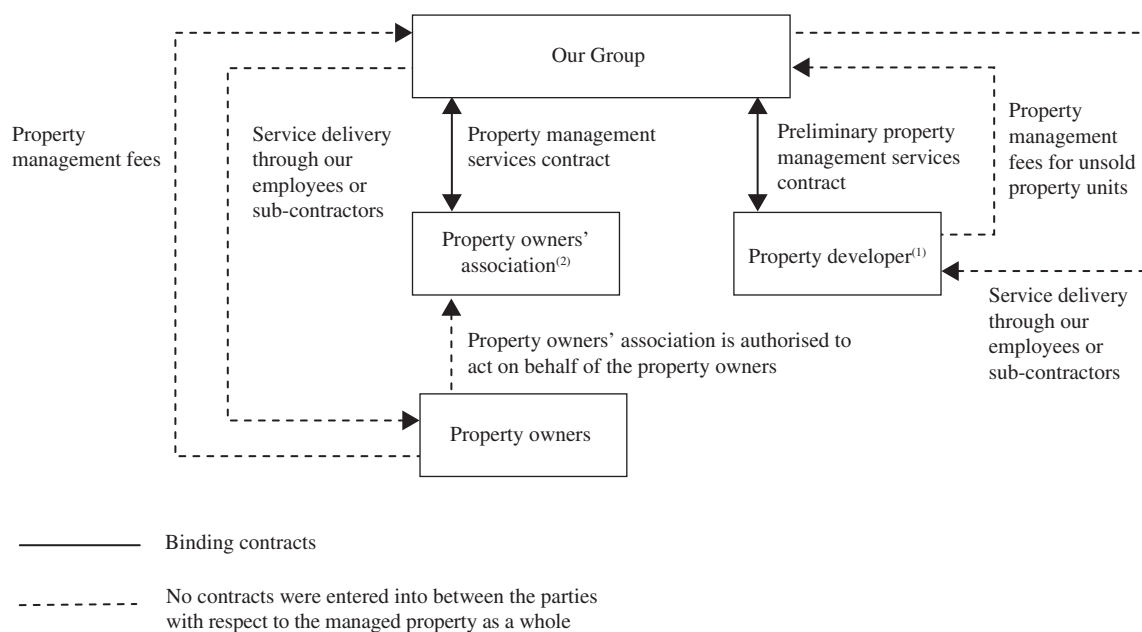
During the Track Record Period, the property developers with which we had entered into the aforementioned framework agreements under the Property Management Fee Payment Arrangement were primarily subsidiaries, associates and joint ventures of C&D Real Estate and the CDI Group. Our revenue generated under the Property Management Fee Payment Arrangement with subsidiaries, associates and joint ventures of C&D Real Estate and the CDI Group amounted to RMB5.2 million, RMB4.0 million, RMB3.7 million and RMB4.2 million, respectively, representing 1.2%, 0.6%, 0.5% and 0.9% of our total revenue for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

Property Management Services Contracts

Property management services contracts for residential communities

For the provision of our property management services for residential communities, we generally enter into (i) preliminary property management services contracts with property developers; or (ii) property management services contracts with property owners' associations (on behalf of the property owners). During the Track Record Period, most of our revenue from property management services was generated from preliminary property management services contracts entered into with property developers.

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



Notes:

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

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Property developers typically engage and are able to contract directly with property management services providers before newly developed properties are sold to property owners. Upon engagement by the property developers, property management companies will generally need to register the preliminary property management services contracts (together with the proposed property management fees) with the local PRC authorities. 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.

Our PRC Legal Advisers have advised us that although neither the property owners' associations nor property owners are parties to the preliminary property management services contracts, these contracts are nonetheless legally binding on the future property owners under the PRC law as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management services contracts. Accordingly, property owners are obligated to pay property management fees directly to us under these contracts. Under the PRC laws, property owners may engage a property management company through the property owners' general meeting. Generally, the property owners' association is formed to handle the daily communication with the property management company on behalf of the property owners. The property owners' association will need to be authorised by the property owners to enter into a property management services contract on behalf of the property owners.

The key terms and arrangements of our typical preliminary property management services contracts and typical property management services contracts for residential communities are substantially identical and are as follows:

	<u>Contracts with property developers</u>	<u>Contracts with property owners' associations on behalf of the property owners</u>
Scope of services	We agree to provide property management services to public areas and facilities, including security services, cleaning, pest control, greening and maintaining services, and repair and maintenance services. We may also agree to provide services in relation to the usage of car parks.	We agree to provide general property management services including security services, cleaning, pest control, greening and maintaining services, and repair and maintenance services. We may also agree to provide services in relation to the usage of car parks.
Performance scope and standards	The preliminary property management services contract would set out the scope and expected standards for our property management services. The property developer would set out the areas to which our services relate, as well as the frequency of performance of services such as cleaning public areas and inspecting facilities such as power supply and distribution systems, water supply and drainage systems and fire extinguishing systems.	The property management services contract would set out the scope and expected standards for our property management services, including the areas to which our services relate, as well as the frequency of performance of services such as cleaning public areas and inspecting facilities such as power supply and distribution systems, water supply and drainage systems and fire extinguishing systems.

	<u>Contracts with property developers</u>	<u>Contracts with property owners' associations on behalf of the property owners</u>
Property management fees	The preliminary property management services contract would generally set out the amount of property management fees payable on a lump sum basis. The property developer is responsible for paying the property management fees for units that remain unsold. For overdue property management fees of sold units, property owners pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount. If we have agreed to manage the car parks, the preliminary property management services contract would also specify the fees payable for such services.	The property management fees would generally be payable on a lump sum basis by property owners. When payable on a lump sum basis, our property management fees are generally charged by GFA. For overdue property management fees, property owners pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount. If we have agreed to manage and lease car parks, the property management services contract would also specify the fees payable for such services.
Rights and/or obligations of property developers, property owners' associations or property owners	The property developer is primarily responsible for providing us with support necessary for carrying out our contractual obligations in relation to our services.	The property owners' association is primarily responsible for ensuring that property owners understand and commit to their obligations in relation to the payment of property management fees, providing us with support necessary for carrying out our contractual obligations.
Term of services	It is common for our preliminary property management services contracts to have a fixed term, while some of our preliminary property management services contracts do not have a fixed term but specify that they will automatically terminate when a property owners' association is established and a new property management services contract is entered into. Preliminary property management services contracts without fixed term will generally expire once a property owners' association is established and a new property management services contract is entered into with property owners. The total number of our current preliminary property management services contracts as at 30 June 2020 was 96. Among these contracts, 67 of them were with a fixed term and the average term of such contracts was four years.	In respect of property management services contracts with property owners' associations, we generally have a fixed term of one to five years.

Property management services contracts for non-residential properties

For the provision of our property management services for non-residential properties, we generally enter into (i) property management services contracts with property owners or property developers; or (ii) property management services contracts with property owners' associations (on behalf of the property owners), which would be formed in the circumstance that there are more than one property owners and such property owners decide to form property owners' associations. The major types of non-residential properties managed by our Group which are developed by the Remaining Xiamen C&D Group are office and industrial park, while the major types of non-residential properties managed by our Group which are developed by Independent Third Parties are office, school, hospital and industrial park. Our Group did not provide any property management services to non-residential properties developed by the Remaining CDI Group (if any). The key terms and arrangements of our typical property management services contracts for non-residential properties are as follows:

- **Scope of services.** We generally provide property management services including security services, cleaning, pest control, greening and maintaining services and repair and maintenance services of the common areas and related equipment and facilities.
- **Performance standards.** The contracts set 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.
- **Customers' obligations.** The customers of our property management services contracts for non-residential properties are primarily responsible for, among other things, (i) payment of property management fee in the agreed manner, (ii) providing a readily available office space for us to use, and (iii) ensuring the quality of the common area equipment and facilities.
- **Property management fees.** The contracts set out the property management fees generally payable on a monthly or quarterly basis. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the property owners or property developers to collect the fees.
- **Renewal.** The renewal process for our property management services contracts for non-residential properties is determined by the termination and renewal clauses as set out in the relevant contracts. The renewal of such contracts is generally not subject to automatic renewal.
- **Term of service.** Our property management services contracts for non-residential properties generally have a fixed contract term of one to three years.

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Expiration schedule of property management services contracts

The table below sets out the expiration schedule of our property management services contracts of residential communities and non-residential properties which were effective as at 30 June 2020:

	<u>Contracted GFA</u>		<u>Number of contracts</u>	
	<i>'000 sq.m.</i>	<i>%</i>		<i>%</i>
Property management services contracts where no fixed term is stated and will be effective until the formation of the property owners' association ^(Note 1)	8,697	22.0	54	18.5
Property management services contracts where the original fixed term has expired, and the services contracts contain provisions that automatically extend the term of services contracts until the formation of the property owners' association ^(Note 2)	1,348	3.4	6	2.1
Property management services contracts with fixed term expiring in				
Year ending 31 December 2020	3,224	8.1	30	10.3
Year ending 31 December 2021	6,397	16.2	48	16.4
Year ending 31 December 2022	8,668	21.9	89	30.5
Year ending 31 December 2023	4,248	10.7	29	9.9
Beyond 31 December 2023	7,008	17.7	36	12.3
Sub-total	29,545	74.6	232	79.4
Total	39,590	100.0	292	100.0

Notes:

- Property management services contracts without fixed term mainly refer to the preliminary property management services contracts entered into with property developers. Such contracts do not have fixed term and may be terminated upon the establishment of property owners' associations and new property management services contracts being entered into and becoming effective.
- Generally, for our property management services contracts with a fixed term, the term of these services contracts will automatically be extended until the formation of the property owners' association. We continued to provide services under these property management services contracts despite of their expired contract term as at 30 June 2020. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened to renew our property management services contracts or to select a replacement property management services provider. As advised by our PRC Legal Advisers, we are entitled to receive the property management fees for the continued services we provide for such property management services contracts beyond contract expiration. During the Track Record Period, we successfully renewed 100.0%, 100.0%, 100.0% and N/A of the property management services contracts with the newly formed property owners' associations, in which the relevant property owners' associations were newly formed during the relevant year and, as a result, such contracts were subject to renewal during the Track Record Period. The number of renewed property management services contracts was two, two, two and nil, respectively, during the Track Record Period. According to our past renewed property management services contracts, if the property management services contracts are renewed with the newly formed property owners' associations, the level of fees charged would not be lower than the original fee level and the scope of services would not be substantially changed.

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Renewal rates

The table below sets out the renewal rates of our property management services contracts determined irrespective of whether property owners' associations have subsequently been formed and calculated in terms of (i) revenue; (ii) GFA under management; (iii) number of contracts effective at the relevant time; and number of property management services contracts renewed for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Overall property management services				
contracts renewal rates:				
— In terms of revenue ^(Note 1)	98.3%	96.1%	84.2%	96.6%
— In terms of GFA under management ^(Note 2)	98.7%	96.8%	82.4%	91.1%
— In terms of number of contracts effective at the relevant time ^(Note 3)	95.0%	92.7%	86.7%	85.7%
— Number of property management services contracts renewed	19	38	26	12
Residential property management services				
contracts renewal rates:				
— In terms of revenue ^(Note 1)	100.0%	98.3%	90.8%	100.0%
— In terms of GFA under management ^(Note 2)	100.0%	95.6%	88.8%	100.0%
— In terms of number of contracts effective at the relevant time ^(Note 3)	100.0%	96.0%	94.4%	100.0%
— Number of property management services contracts renewed ^(Note 6)	14	24	17	1
Non-residential property management services				
contracts renewal rates:				
— In terms of revenue ^(Note 1)	94.0%	93.0%	73.2%	96.5%
— In terms of revenue for non-residential properties developed by Independent Third Parties ^(Note 1)	82.9%	72.3% ^(Note 5)	93.3%	92.5%
— In terms of GFA under management ^(Note 2)	91.3%	98.6%	47.1%	90.8%
— In terms of GFA under management for non-residential properties developed by Independent Third Parties ^(Note 2)	83.6%	81.7%	55.3% ^(Note 4)	74.2%
— In terms of number of contracts effective at the relevant time ^(Note 3)	83.3%	87.5%	75.0%	84.6%
— Number of property management services contracts renewed	5	14	9	11

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Notes:

1. Our property management services contracts renewal rate in terms of revenue was calculated with reference to the revenue of the relevant property management services contracts effective as at the relevant year-end/period-end divided by the revenue of the property management services contracts subject to renewal during the same year/period.
2. Our property management services contracts renewal rate in terms of GFA under management was calculated with reference to the GFA under management of the relevant property management services contracts effective as at the relevant year-end/period-end divided by the GFA under management of the property management services contracts subject to renewal during the same year/period.
3. Our property management services contracts renewal rate in terms of number of contracts effective at the relevant time was calculated with reference to the number of property management services contracts effective as at the relevant year-end/period-end divided by the number of property management services contracts subject to renewal during the same year/period.
4. The non-residential property management services contracts renewal rate in terms of GFA under management for the year ended 31 December 2019 was lower than those for the two years ended 31 December 2018 mainly because we voluntarily opted out for certain contracts of offices and commercial buildings with large GFA under management due to their low profit margin.
5. The non-residential property management services contracts renewal rate in terms of revenue for the year ended 31 December 2018 was lower than those for the year ended 31 December 2017 and for the year ended 31 December 2019, mainly due to the termination of a contract with a large revenue contribution.
6. The property management services contracts renewed included (i) contracts renewed upon formation of the property owners' associations; (ii) contracts renewed before the formation of the property owners' associations where (a) fixed term with automatic renewal until formation of property owners' associations; or (b) fixed term subject to renewal on expiration by negotiation with the property developers; and (iii) contracts which had property owners' associations formed for more than one year (i.e. not newly formed). Automatic renewals of contracts have been counted as renewals and contributed towards the calculation of renewal rate. If the contract is with an initial fixed term and subject to automatic renewal upon expiration, (i) the expiration date is the date when the initial fixed term ends if such date has not been reached; (ii) the expiration date is the date when the automatically renewed term ends if the initial fixed term has ended and the automatically renewed term (generally being three years) has started; and (iii) the contract is deemed with no fixed term if the initial fixed term has ended and the automatically renewed term is extended till the establishment of the property owners' association where new contract shall be made.

During the Track Record Period, our overall property management services contracts renewal rates in terms of revenue and GFA under management were lower than 100%, mainly because we voluntarily opted out for certain contracts due to their low profit margin. The non-residential property management services contracts renewal rates for the year ended 31 December 2019 were lower than those for the two years ended 31 December 2018 mainly because we voluntarily opted out for certain contracts of offices and commercial buildings with large GFA under management due to their low profit margin.

Under the PRC laws, the property owners' general meeting of a residential community has the right to change property management companies pursuant to certain procedures as specified in the section headed "Regulatory Overview" in this listing document. In the event of termination or non-renewal of property management services contracts, we may be adversely affected. Please refer to the paragraph headed "Risk Factors — Risks Relating to our Business and Industry — Termination or non-renewal of a significant number of property management services contracts could have a material adverse effect on our business, financial position and results of operations" in this listing document.

Among the property management services contracts of our GFA under management as at 30 June 2020, our average number of years of servicing the relevant properties for contracts that commenced prior to the Track Record Period was seven and, as at 30 June 2020, we were still managing substantially all of the projects under our property management services contracts which commenced during the Track Record Period.

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Growth of our Property Management Services Portfolio

We had been expanding our property management services business during the Track Record Period primarily through obtaining new service engagements from property developers, property owners' associations and government departments. In the future, we also plan to expand our coverage by acquiring regional property management companies with complementary business profile and industry experience. For details, please refer to the paragraph headed “— Business Strategies — Further expand the scale of our property management services business through multiple channels” in this section above. The table below sets out the movement of our (i) contracted GFA and (ii) GFA under our management for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.	'000 sq.m.
As at beginning of the period										
— Properties developed by the Remaining CDI Group	983	174	2,563	234	5,890	1,077	5,890	1,077	9,633	2,403
— Properties developed by the Remaining Xiamen C&D Group	8,455	6,986	11,399	10,394	11,973	10,462	11,973	10,462	9,945	8,837
— Properties developed by Independent Third Parties	5,102	3,848	6,370	5,177	10,534	7,221	10,534	7,221	15,109	9,432
	<u>14,540</u>	<u>11,008</u>	<u>20,332</u>	<u>15,805</u>	<u>28,397</u>	<u>18,760</u>	<u>28,397</u>	<u>18,760</u>	<u>34,687</u>	<u>20,672</u>
New engagement ^(Note 1)										
— Properties developed by the Remaining CDI Group	1,580	60	3,326	842	3,743	1,326	1,663	733	2,715	473
— Properties developed by the Remaining Xiamen C&D Group	2,944	3,408	768	260	345	748	345	201	1,014	420
— Properties developed by Independent Third Parties	1,300	1,361	4,164	2,045	4,829	2,465	1,754	839	1,678	590
	<u>5,824</u>	<u>4,829</u>	<u>8,258</u>	<u>3,147</u>	<u>8,917</u>	<u>4,539</u>	<u>3,762</u>	<u>1,773</u>	<u>5,407</u>	<u>1,483</u>
Termination ^(Note 2)										
— Properties developed by the Remaining CDI Group	—	—	—	—	—	—	—	—	—	—
— Properties developed by the Remaining Xiamen C&D Group	—	—	(193)	(192)	(2,373)	(2,373)	(2,373)	(2,373)	(88)	(88)
— Properties developed by Independent Third Parties	(32)	(32)	—	—	(254)	(254)	(254)	(253)	(416)	(416)
	<u>(32)</u>	<u>(32)</u>	<u>(193)</u>	<u>(192)</u>	<u>(2,627)</u>	<u>(2,627)</u>	<u>(2,627)</u>	<u>(2,626)</u>	<u>(504)</u>	<u>(504)</u>
As at end of the period										
— Properties developed by the Remaining CDI Group	2,563	234	5,889	1,076	9,633	2,403	7,553	1,810	12,348	2,876
— Properties developed by the Remaining Xiamen C&D Group	11,399	10,394	11,974	10,462	9,945	8,837	9,945	8,290	10,871	9,169
— Properties developed by Independent Third Parties	6,370	5,177	10,534	7,222	15,109	9,432	12,034	7,807	16,371	9,606
	<u>20,332</u>	<u>15,805</u>	<u>28,397</u>	<u>18,760</u>	<u>34,687</u>	<u>20,672</u>	<u>29,532</u>	<u>17,907</u>	<u>39,590</u>	<u>21,651</u>

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Notes:

1. In relation to residential communities we manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies.
2. These terminations mainly included our voluntary non-renewal of certain property management services contracts as we reallocated our resources to more profitable engagements to optimise our property management portfolio.

For the year ended 31 December 2019, property management services with 2.6 million sq.m. of the GFA under our management were terminated. The properties with GFA under management in the sum of 2.4 million sq.m. were certain parks located in Xiamen. The property management services contract in relation to these parks expired on 31 March 2019 and was not renewed.

Our market development department performs our market research and business development functions. For organic growth, we select our customers based on their property portfolio, background and development timetable of the target properties. 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, such as value-added services.

Under the PRC laws, property developers are typically required to select property management services providers and enter into preliminary property management services 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 the PRC laws to select property management services providers without conducting any tender and bidding process, subject to approval by the competent PRC property administration authorities.

A typical tender and bidding process primarily involves the following stages:

- **Invitation.** Property developers, property owners' associations or government departments may instruct a tender agent to execute the whole tender process. An announcement may be published to invite potential bidders or private invitations are issued to at least three qualified bidders setting out the specifications and requirements for the tendered property management project.
- **Tender submission.** Bidders submit tender documents to tender agent 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.** A tender evaluation committee will be established 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, proposed fee levels and service scheme when it evaluates the proposals.

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- **Selection.** Based on its evaluation, the tender evaluation committee recommends to the property developers, property owners' associations or government departments and ranks the top three bidders. The property developers, property owners' associations or government departments will generally confirm the top one bidder as the winner and proceed to arrange for necessary notification.
- **Award and contract signing.** The tender agent shall publish a notice of tender result for seven days. If there are no objections as to the tender result, the tender agent shall assist the property developers, property owners' associations or government departments to file the result of the tender with the relevant local authorities within 15 days upon confirmation of the award. The property management services 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 the PRC laws and regulations for PRC government, public institutions and bodies with public fiscal funds to engage property management services providers for properties, such as government buildings and public facilities.

The table below sets out our tender success rates for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June	From 1 July 2020 to the Latest Practicable Date
	2017	2018	2019	2020	Date
For properties developed by the Remaining CDI Group					
Tender submitted	2	3	4	7	12
Successful tender	2	3	4	7	12
Relevant contracted GFA ('000 sq.m.)	342	505	632	1,632	2,431
Tender success rates	100%	100%	100%	100%	100%
For properties developed by the Remaining Xiamen C&D Group					
Tender submitted	3	2	0	1	0
Successful tender	3	2	0	1	0
Relevant contracted GFA ('000 sq.m.)	495	337	N/A	221	N/A
Tender success rates	100%	100%	N/A	100%	N/A
For properties developed by the Independent Third Parties					
Tender submitted	32	30	44	20	23
Successful tender	10	15	28	11	9
Relevant contracted GFA ('000 sq.m.)	617	2,940	2,733	1,328	1,674
Tender success rates	31.3%	50.0%	63.6%	55.0%	39.1%

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Our Directors believe that our Group was able to maintain a tender success rate of 100% for properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group during the Track Record Period and will maintain a high tender success rate for properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group in the future, mainly due to (i) our Group's ability to understand and satisfy the business needs of the Remaining Xiamen C&D Group, and the Remaining CDI Group; and (ii) the satisfactory services provided by us in relation to the properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. From 1 January 2020 to the Latest Practicable Date, there were 31 new property management projects with an aggregate of contracted GFA of 5,600,000 sq.m. located in Xiamen, Fuzhou, Zhangzhou and other 11 cities that were awarded by the Remaining CDI Group through tender or negotiation. Assuming that we will have the same progress in acquiring new property management projects throughout the year ending 31 December 2020, it is expected that there would be 32 new property management projects awarded by the Remaining CDI Group with an aggregate of contracted GFA of 5,844,000 sq.m. for the year ending 31 December 2020. From 1 January 2020 to the Latest Practicable Date, there were two new property management projects with an aggregate of contracted GFA of 386,000 sq.m. located in Fuzhou and Shanghai that were awarded by the Remaining Xiamen C&D Group through tender or negotiation. Assuming that we will have the same progress in acquiring new property management projects throughout the year ending 31 December 2020, we expected that there would be two new property management projects awarded by the Remaining Xiamen C&D Group with an aggregate of contracted GFA of 386,000 sq.m. for the year ending 31 December 2020. Due to the expansion of our business scale, we progressively increased our participation in tender bids for property management projects initiated by Independent Third Party property developers. The increase of our tender success rate from 2017 to 2019 was mainly because we participated in more tender and bidding processes in an effort to obtain more engagements for the management of properties developed by Independent Third Party property developers. From 1 January 2020 to the Latest Practicable Date, there were 29 new property management projects with an aggregate of contracted GFA of 3,890,000 sq.m. located in Xiamen, Zhangzhou, Ningbo and other nine cities that were awarded by the Independent Third Parties through tender or negotiation. Assuming that we will have the same progress in acquiring new property management projects throughout the year ending 31 December 2020, it is expected that there would be an aggregate of 30 new property management projects awarded by the Independent Third Parties with an aggregate of contracted GFA of 4,060,000 sq.m. for the year ending 31 December 2020.

During the Track Record Period, we procured our property management services contracts from property developers mainly through (i) tender and bidding procedures regulated by the applicable PRC laws or (ii) commercial negotiation pursuant to approvals obtained from relevant local authorities or otherwise not compulsorily required by the relevant local authorities. Apart from these, we had a portion of our preliminary property management services contracts as at 30 June 2020 from property developers which did not conduct the tender and bidding process as required under the PRC laws and regulations and the compulsory requirement of relevant local authorities (the “**Relevant Property Management Projects**”). The Relevant Property Management Projects accounted for 34.3% of our total contracted GFA as at 30 June 2020 and 15.3% of our total revenue for the six months ended 30 June 2020, respectively. The Relevant Property Management Projects related to properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group accounted for 21.2% of our total contracted GFA as at 30 June 2020 and 11.3% of our total revenue for the six months ended 30 June 2020. The Relevant Property Management Projects related to properties developed by the Independent Third Party property developers accounted for 13.1% of our total contracted GFA as at 30 June 2020

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and 4.0% of our total revenue for the six months ended 30 June 2020. The table below sets out the corresponding contracted GFA, number and revenue contribution of the Relevant Property Management Projects for the year/period or as at the dates indicated:

	As at/For the year ended 31 December			As at/ For the six months ended 30 June
	2017	2018	2019	2020
Contracted GFA of the Relevant Property Management Projects ('000 sq.m.)	6,010	8,586	11,291	13,560
— The Remaining CDI Group	993	2,232	3,694	4,931
— The Remaining Xiamen C&D Group	3,171	3,125	3,317	3,465
— Independent Third Parties	1,846	3,229	4,281	5,164
Total contracted GFA	20,332	28,397	34,687	39,590
Percentage	29.6%	30.2%	32.6%	34.3%
Number of the Relevant Property Management Projects	37	54	70	80
Total number of projects	127	179	268	292
Percentage	29.1%	30.2%	26.1%	27.4%
Number of the Relevant Property Management Projects awarded	5	19	16	11
Total number of projects awarded	26	53	93	31
Percentage	19.2%	35.8%	17.2%	35.5%
Revenue of the Relevant Property Management Projects (RMB'000)	98,828	108,236	119,501	69,280
— The Remaining CDI Group	—	50	9,418	9,327
— The Remaining Xiamen C&D Group	65,883	73,899	76,069	41,655
— Independent Third Parties	32,945	34,287	34,014	18,298
Total revenue	447,051	608,618	801,330	452,165
Percentage	22.1%	17.8%	14.9%	15.3%

As confirmed by our Directors, the lack of the required tender and bidding process for the selection of property management services providers for the Relevant Property Management Projects was not caused by us but the relevant property developers because the relevant property developers did not conduct any tender and bidding process. According to the relevant PRC laws and regulations, the property developers shall engage the property management service providers to provide preliminary property management services by going through the tender process. According to such laws and regulations, a residential property developer may be required to take rectification measures within a prescribed time limit and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement. For details, please refer to the paragraph headed “Regulatory Overview — Legal Supervision over Property Management Services — Appointment of property management enterprises” in this listing document. As advised by our PRC Legal Advisers, there are no specific laws and

regulations in the PRC which set out administrative penalties upon property management companies for failing to entering into preliminary property management services contracts through a tender and bidding process. As further advised by our PRC Legal Advisers, the lack of tender and bidding process for entering into the preliminary property management services contracts of the Relevant Property Management Projects shall not affect the validity of the services provided under these contracts under Article 52 of the PRC Contract Law, where circumstances that contracts shall be null and void are stipulated notwithstanding the fact that the local government may require the relevant property developers to rectify within a prescribed time limit, and thus, based on the above, the income generated from the Relevant Property Management Projects is not non-compliant income. As further advised by our PRC Legal Advisers, one of our subsidiaries in the PRC, Changsha Yisheng, obtained a judgement handed down by the Changsha Intermediate People's Court which was effective on 18 May 2020, in which the court held that the provisions of tender and bidding process required for residential properties are not mandatory provisions which govern the validity of contracts and do not fall under the list of circumstances which legally invalidate contracts as stipulated in Article 52 of the PRC Contract Law. Our PRC Legal Advisers also retrieved similar judicial precedents in the provinces (including Fujian, Sichuan, Guangxi, Guangdong, Hubei, Zhejiang, Jiangsu and Anhui) and Shanghai where our Group carries out our operations of property management services. As confirmed by our PRC Legal Advisers, the similar judicial precedents can be used as references for the people's courts in the process of handing down judgements. In addition, our PRC Legal Advisers visited the Xiamen Construction Bureau and interviewed a government officer, whose position is the division director of the Property Management Office of Xiamen Construction Bureau. The government officer confirmed that in circumstances where a residential property developer fails to engage property management enterprises by going through a tender and bidding process, (i) the engaged property management enterprises would not be subject to administrative penalties; (ii) the written preliminary property management services contracts already entered into by property developers and property management enterprises would not be deemed invalid; and (iii) an engaged property management enterprise may still provide property services under the preliminary property management services contract already entered into and charge the property management fees according to the services provided by it. Our PRC Legal Advisers confirmed that Xiamen Construction Bureau is the competent authority to give the relevant confirmation and the interviewee is of the appropriate ranking to provide such confirmation. Our Directors also confirm that, based on the opinion given by our PRC Legal Advisers, the fact that the Relevant Property Management Projects did not go through the required tender and bidding process will not have any material and adverse impact on our business, financial position or results of operations. Please refer to the paragraph headed "Risk Factors — Risks Relating to our Business and Industry — We generally procured new property management services contracts through a tender and bidding process and we may not be able to procure new contracts as planned and some of our property management services contracts may have been obtained without going through the required tender and bidding process" in this listing document.

Though the majority of the Relevant Property Management Projects were from the Remaining Xiamen C&D Group and the Remaining CDI Group during the Track Record Period, after consulting with the Remaining Xiamen C&D Group and the Remaining CDI Group, the Remaining Xiamen C&D Group and the Remaining CDI Group have been and will keep taking measures to ensure the compliance with the relevant PRC laws and regulations.

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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 the relevant property developers in relation to any required tender and bidding process for our preliminary property management services contracts.

COMMUNITY VALUE-ADDED AND SYNERGY SERVICES

As an extension of our property management services business, we provide community value-added and synergy services mainly to property owners and residents of our managed properties, either by ourselves or third-party sub-contractors or service companies, mainly to address their lifestyle and daily needs, enhance customer experience, satisfaction and loyalty, and to create a healthier and more convenient living community for property owners and residents. 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 such as our mobile application “Huishenghuo* (慧生活)”.

Our community value-added and synergy services mainly include: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of the Yibai Centre; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application “Huishenghuo* (慧生活)”.

The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for the year/period 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>									
Smart community services	21,173	40.6	15,566	27.5	21,245	26.5	4,943	16.4	8,167	19.3
Home living services	12,643	24.2	14,782	26.1	22,865	28.5	7,084	23.5	13,408	31.6
Home beauty services	468	0.9	1,716	3.0	3,984	5.0	1,962	6.5	5,071	12.0
Real estate brokerage and asset management services	2,868	5.5	2,913	5.1	5,056	6.3	2,753	9.1	3,871	9.1
Value-added services for public areas	15,063	28.8	21,637	38.3	27,071	33.7	13,412	44.5	11,886	28.0
Total	52,215	100.0	56,614	100.0	80,221	100.0	30,154	100.0	42,403	100.0

Note: As Xiamen Bairui, the operating subsidiary responsible for operation of the Yibai Centre, became our subsidiary on 29 June 2020, the revenue generated under elderly-care & health value-added services from the commencement of the Track Record Period up to the completion date of acquisition was not included in the table above. Such revenue was included in the section headed “Accountant’s Report” in Appendix I to this listing document as interests in associates.

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For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, revenue generated from our community value-added and synergy services amounted to RMB52.2 million, RMB56.6 million, RMB80.2 million, and RMB42.4 million, respectively, representing 11.7%, 9.3%, 10.0% and 9.4% of our total revenue for the respective year/period. Revenue from community value-added and synergy services increased by 8.4% from RMB52.2 million for the year ended 31 December 2017 to RMB56.6 million for the year ended 31 December 2018, and further by 41.7% to RMB80.2 million for the year ended 31 December 2019. Revenue from community value-added and synergy services increased by 40.4% from RMB30.2 million for the six months ended 30 June 2019 to RMB42.4 million for the six months ended 30 June 2020. The increases were primarily resulted from our continuous effort to enhance our service capability and diversify the service scope of our community value-added and synergy services.

The table below sets out the breakdown of our revenue of community value-added and synergy services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
	(Unaudited)									
Revenue of community value-added and synergy services generated from:										
— The Remaining CDI Group	431	0.8	1,765	3.1	1,196	1.5	442	1.4	1,162	2.7
— The Remaining Xiamen C&D Group	5,903	11.3	4,182	7.4	2,982	3.7	443	1.5	1,244	2.9
— Independent Third Parties	45,881	87.9	50,667	89.5	76,043	94.8	29,269	97.1	39,997	94.4
Total	52,215	100.0	56,614	100.0	80,221	100.0	30,154	100.0	42,403	100.0

During the Track Record Period, the majority of our customers for the community value-added and synergy services were Independent Third Parties, which constituted 87.9%, 89.5%, 94.8% and 94.4% of total revenue of our community value-added and synergy services for the respective year/period.

Home Living Services

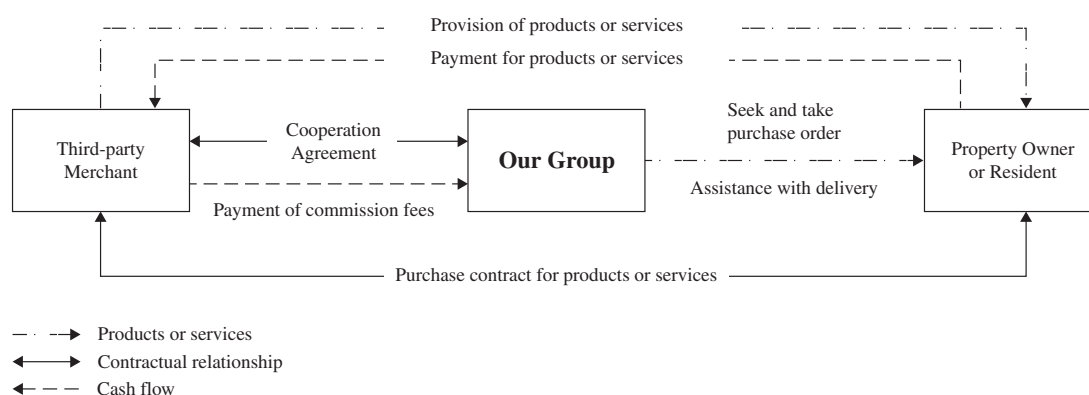
Leveraging our long-term experience and professional teams for property management services, we provide home living services to property owners and residents for their property units, such as housekeeping and cleaning services and repair and maintenance services. We provide housekeeping and cleaning services and repair and maintenance services either by ourselves or through sub-contractors. We also cooperate with housekeeping service companies and refer the request from property owners or residents to them, where we receive from housekeeping service companies commission fee based on a fixed percentage of the service amount payable by the property owners or residents. The average percentage for commission charged by us to the housekeeping service companies was 10% during the Track Record Period.

We also collaborate with third-party merchants to provide community group-purchasing services for groceries and seasonal products to property owners and residents. We enter into cooperation agreements with third-party merchants and make their products information available to property owners

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and residents primarily through our daily interaction in providing property management services and through our butlers. The residents may place orders through our property management offices. Based on the orders we receive from the property owners and residents, the merchants will make deliveries directly to them. Payments for the products are normally settled upon delivery between the merchants and property owners or residents. We may offer delivery assistance to the residents' property units for certain of the products delivered by the merchants to the communities. We charge the third-party merchants a commission fee based on a fixed percentage of the sales amount payable by the property owners or residents. Depending on the products offered to the property owners or residents, the general range of percentage for commission charged by us to the third-party merchants was around 10%–20% during the Track Record Period. The diagram below illustrates our relationship with relevant parties for providing home living services in collaboration with third-party merchants:

Home Living Services in Collaboration with Service Companies and Third-party Merchants



We screen and select suitable merchants based on a number of factors including price competitiveness, quality of products and responsiveness to demands of customers. We may select one third-party merchant to provide certain products to our managed communities within the same region, considering the nature of the products in question and the operating scale and capability of the merchant to cater the different needs and preferences of the property owners and residents in such communities. We typically enter into written cooperation agreements with the merchants, setting out, among other things, details and duration of collaboration, commission fee rates, rights and obligations of the parties, settlement mechanisms and logistics for deliveries of products. We may replace a third-party merchant in the event of sub-standard performances.

Home Beauty Services

We provide turn-key move-in services (拎包入住服務) with one-stop home beauty solutions to property owners and residents for their property units, including overall design, interior home furnishing and appliances installation, etc.. Once we receive request from property owners or residents for such services, we will refer the request to construction companies, where we receive from construction companies commission fee based on a fixed percentage of the service amount payable by the property owners and residents. Depending on the services provided to the property owners and residents by the construction companies, the general range of percentage for commission charged by us to the construction companies was around 5%–10% during the Track Record Period.

Real Estate Brokerage and Asset Management Services

We provide real estate brokerage and asset management services to property owners and residents for secondary sales or rental transactions of properties and/or car parking spaces owned by these property owners and residents, where we act as agent to facilitate the transaction and we receive commission. We provide real estate brokerage and asset management services which primarily include property listing, advertising of property listings at our managed properties and assistance in the negotiations of leases and sales agreements. Upon the closing of a successful secondary sale, we charge a commission equal to a pre-determined percentage of the purchase price, which is determined based on market commission rate for similar services and typically borne by both the purchaser and seller. Upon the closing of a successful rental transaction, we typically charge a commission from either the landlord or the tenant of an amount equal to one month's rent. As at 30 June 2020, we had the real estate brokerage qualification issued by the relevant local authorities and provided real estate brokerage services during the Track Record Period and up to the Latest Practicable Date.

Value-added Services for Public Areas

Public areas are the property of all property owners as a whole. Generally, we are authorised under the property management services contracts or under property owners' consents of a certain scale as required by the PRC laws to lease out the public areas on behalf of the property owners. For instance, we provide rental assistance to property owners to lease out common area and advertising spaces of the residential properties and temporary parking spaces. Our income generated from such services is shared between us and the property owners in the proportion as agreed in the property management services contracts or otherwise consented by the property owners.

Elderly-care & Health Value-added Services

We uphold our service philosophy at the Yibai Centre that all elderly we serve shall “have a dignified elderly life (有尊嚴的老人生活)”. We provide community elderly-care services such as provision of meals, sanitation, assistance of daily living activities, health management, social and recreational activities for the elderly residents at the Yibai Centre. The Yibai Centre commenced business in December 2019 and is located within the Haotou Community* (濠頭社區) adjacent to Dongdu Road East* (東渡路東), Huli District* (湖里區), Xiamen, the PRC, with a site area of 12,400 sq.m., the plot ratio floor area of 39,600 sq.m.. Our Group was entrusted by the local government department to operate the Yibai Centre on the land owned by the local government for 20 years. As at 30 June 2020, there were 700 beds in the Yibai Centre. We charge the residents at the Yibai Centre a fixed fee for such services at a pre-negotiated fixed amount on a per-transaction basis.

Smart Community Services

Design and construction of smart property management system

In addition to setting up our own smart property management systems as mentioned in the paragraph headed “— Service Specialisation, Procedure Standardisation and Operation Automation” in this section below, we utilise our relevant experiences to provide a one-stop service for design, construction, operation and maintenance of smart property management systems to property developers. As part of our design and construction services of smart property management system, we also sell intelligent equipment and software to our customers.

Mobile application “Huishenghuo* (慧生活)”

As a part of our community value-added and synergy services, we utilise our mobile application “Huishenghuo* (慧生活)” as the online gateway to a variety of our community products and services to enhance customer experience, satisfaction and loyalty of property owners and residents of the residential communities we manage. The mobile application “Huishenghuo* (慧生活)” was first adopted for our community value-added and synergy services in 2016 when it was at the time operated by a related party.

The mobile application “Huishenghuo* (慧生活)” can be used on both Android and iOS based mobile devices. Registered users for “Huishenghuo* (慧生活)” are primarily property owners and residents of our managed residential properties. To register user accounts, property owners and residents must provide genuine identity information, including names, addresses and telephone numbers, and we will corroborate the information submitted against our records. Only verified registration applications will be granted user accounts.

Registered users can access our services through the mobile application “Huishenghuo* (慧生活)”, primarily including: (i) reporting repair requests and arranging repair logistics; (ii) contacting our butler for assistance; and (iii) paying property management fees, reviewing and tracking monthly fee statements and receiving payment reminders from us. The mobile application “Huishenghuo* (慧生活)” provides remote-controlled access system to the residential properties, such as contactless door opening services and access control via blue-tooth, QR code or facial recognition. Latest news or information of the residential communities, such as notice of maintenance of facilities in the public areas, government notices and greening and landscaping of the residential communities, will be posted. Through the mobile application “Huishenghuo* (慧生活)”, property owners and residents can communicate with each other.

We operate the mobile application “Huishenghuo* (慧生活)” through our subsidiary, Xiamen Zhaohui. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), which was promulgated by the State Council on 25 September 2000, became effective on the same day and was amended on 8 January 2011, Internet information service refers to the provision of information to web users through the Internet, and includes two categories: commercial and non-commercial. Commercial Internet information service refers to the service activities of compensated provision for online subscribers through the Internet of information or website production. Non-commercial Internet service refers to the provision free of charge of public, commonly-shared information through the Internet to web users. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or to be charged. For details, please refer to the paragraph headed “Regulatory Overview — Legal Supervision over the Internet Information Services — Supervision on Internet information services” in this listing document.

Given that (i) the functions of the mobile application “Huishenghuo* (慧生活)” mainly include remote-controlled access system, payment of property management fees, and reporting repair requests which bring convenience to the property owners or residents; (ii) we do not charge the users any fee for using the mobile application “Huishenghuo* (慧生活)”, as advised by our PRC Legal Advisers, (i) the business conducted by Xiamen Zhaohui is regarded as “non-commercial Internet service”; (ii) a licence

for value-added telecommunication services is not necessary for us to conduct our current business through the mobile application “Huishenghuo* (慧生活)”; and (iii) Xiamen Zhaohui’s business is not subject to foreign ownership restrictions under the relevant PRC laws and regulations.

Pricing and credit terms

For community value-added and synergy services provided by us, we generally charge a fixed fee which depends on the type of services rendered. As for the services provided by third-party service companies, we charge such third-party service companies fee generally in the form of commission. The prices for specific services, such as home living services and home beauty services, are on display at the customer service centre of each property we manage and our mobile application “Huishenghuo* (慧生活)”.

We normally grant credit period from five days to 60 days to our customers for our smart community services. For the rest of our community value-added and synergy services, we do not grant credit term and the fees are due and payable by the customers upon the issuance of the payment notice.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

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

- **Consultancy services.** During the Track Record Period, based on our experiences in property management services, we provided consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners. During the Track Record Period, we had selectively entered into consultancy services contracts to provide consultation and advice to properties managed primarily by other property management companies leveraging our experience and platform to improve their operation standard and control their operational costs.
- **Reception, order maintenance and cleaning services.** During the Track Record Period, we provided pre-sales management services to property developers and other non-property owners, such as visitor reception, customer enquiries, security and order maintenance, daily utilities and maintenance services, and assistance on the pre-sales activities at the pre-sales centres either by ourselves or sub-contractors. We also provided on-site reception, order maintenance and cleaning services to property units to be delivered. While our cleaning services under the property management services mainly involve cleaning of the properties under our management for the properties delivered to owners and residents, our reception, order maintenance and cleaning services under the value-added services to non-property owners mainly involve visitor reception, customer enquiries, security and order maintenance, daily utilities and maintenance services at the pre-sales centres to the property developers before delivery. During the Track Record Period, we provided both of the above services to the same property projects for each of the Remaining Xiamen C&D Group, the Remaining CDI Group and Independent Third Parties.

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The table below sets out the breakdown of our revenue derived from the provision of different types of value-added services to non-property owners for the year/period 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	%
	(Unaudited)									
Consultancy services	455	0.5	—	—	1,790	0.8	690	0.8	1,170	0.9
Reception, order maintenance and cleaning services	91,605	99.5	151,955	100.0	233,005	99.2	87,797	99.2	126,657	99.1
Total	92,060	100.0	151,955	100.0	234,795	100.0	88,487	100.0	127,827	100.0

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our revenue from value-added services to non-property owners amounted to RMB92.1 million, RMB152.0 million, RMB234.8 million and RMB127.8 million, respectively, representing 20.6%, 25.0%, 29.3% and 28.3% of our total revenue for the respective year/period. Revenue from value-added services to non-property owners increased by 65.0% from RMB92.1 million for the year ended 31 December 2017 to RMB152.0 million for the year ended 31 December 2018, and further by 54.5% to RMB234.8 million for the year ended 31 December 2019. Revenue from value-added services to non-property owners increased by 44.4% from RMB88.5 million for the six months ended 30 June 2019 to RMB127.8 million in the six months ended 30 June 2020. The increases in amount were resulted from the increase in number of projects we managed and our continued efforts to diversify our revenue source by exploring cross-sale opportunities arising from the increases in the number of projects under management.

The table below sets out the breakdown of our revenue of value-added services to non-property owners generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
	(Unaudited)									
Revenue of value-added services to non-property owners generated from:										
— The Remaining CDI Group	26,109	28.4	70,975	46.7	124,919	53.2	47,911	54.1	90,099	70.5
— The Remaining Xiamen C&D Group	57,783	62.7	58,678	38.6	74,873	31.9	32,542	36.8	23,425	18.3
— Independent Third Parties	8,168	8.9	22,302	14.7	35,003	14.9	8,034	9.1	14,303	11.2
Total	92,060	100.0	151,955	100.0	234,795	100.0	88,487	100.0	127,827	100.0

During the Track Record Period, the revenue generated from the Remaining CDI Group increased from RMB26.1 million for the year ended 31 December 2017 to RMB124.9 million for the year ended 31 December 2019 and the revenue for the six months ended 30 June 2020 was RMB90.1 million. The increase of the revenue generated from the Remaining CDI Group was mainly due to the continuous expansion of the Remaining CDI Group. During the Track Record Period, the revenue generated from Independent Third Parties increased from RMB8.2 million for the year ended 31 December 2017 to RMB35.0 million for the year ended 31 December 2019 and the revenue for the six months ended 30 June 2020 was RMB14.3 million.

As we further promoted our brand and industry presence over the years with a view to diversifying our customer base for this business, we also began to serve an increasing number of Independent Third Parties for our value-added services to non-property owners during the Track Record Period. We believe the provision of such services to Independent Third Parties would cultivate our relationship with these customers at an early stage of property development so as to enable us to obtain subsequent property management engagements from them. For details of measures taken to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group and diversify services provided to properties developed by Independent Third Party property developers and other Independent Third Party customers, please refer to the paragraph headed “— Our Customers” in this section below.

Pricing and credit terms

We generally charge a pre-determined fee for the provision of value-added services to non-property owners on a per-transaction and commission basis. We determine the fees for our value-added services to non-property owners by taking into account a number of factors. We adopt a market-oriented pricing approach and generally take into account factors, such as (i) the type of property; (ii) the scope of services; (iii) the location of the property; (iv) our budgeted expenses and our profit margin; and (v) prevailing market rates charged by our competitors. We determine the fee amount generally based on our estimates of the expenses that we expect to incur in performing such services by taking into account the headcount and positions of the staff we deploy and the size, location and positioning of the properties developed by our customers. The term of our contracts for value-added services to non-property owners is generally set to expire when the property developers notify us that our services are no longer required based on the progress of their property development projects. We do not grant any credit term and the fees are due and payable by the customers upon the issuance of the payment notice.

SERVICE SPECIALISATION, PROCEDURE STANDARDISATION AND OPERATION AUTOMATION

To strengthen our competitiveness, reduce our reliance on manual labour and reduce costs, we focus on service specialisation, procedure standardisation and operation automation through our smart property management systems. We evaluate our property management services and formulate processes to render such services in a manner that is intended to improve operational efficiency, ensure consistent service quality, help develop a scalable business model and alleviate the pressure of increasing staff cost.

- **Smart building system.** Through the smart building system, which was jointly developed by our Group and external parties in 2018, we can provide a one-stop operation and maintenance service platform for the whole life cycle of building facilities and equipment by applying the Internet of Things. Our EBA system can monitor the access control to our managed non-residential properties. During the Track Record Period, the system can also realise the smart management of fire extinguishing system, car parking system and remote video surveillance in our managed non-residential properties, to reduce the frequency of the on-site inspections of our staff and lower operational costs. For example, we utilise smart sensors to collect real-time operating data of water pumps and electric power facilities and our staff could monitor through our EBA system and obtain information on any operational abnormality in time. It

can effectively reduce staff costs and improve utility facilities safety. By analysing data integrated in our EBA system, we could also take appropriate measures to maintain facilities and equipment without delay and thus extend their service life.

- **Smart property system.** Through the smart property platform, which was developed by external parties and acquired by us in 2017 and has been continuously improved and used by our employees, we have solidified our service management standards, standardised our staff management actions where the steps and standard of the management actions will be provided and the employees shall follow such steps and standard when performing the management actions accordingly, reduced human errors to a minimum, and ensured the consistency of services. We can receive feedback of on-site problems and property owners' demands or requests through the system and our EBA system. Depending on the nature of the enquiry or demands, for example, maintenance request, cleaning request, etc., our smart property system can then assign these enquiries or demands to our on-site employees responsible for different types of work. By reducing the intermediate manual steps, the timeliness and quality of the on-site employees' handling of feedbacks and demands can be ensured. The flattening of management structure brings more effective management, more efficient service delivery, higher service quality and higher customer satisfaction. Further, with the use of the smart property system which standardises part of the daily quality control work tasks of each property management office, our employees can conduct quality inspections to ensure our service quality standard and the timely completion of daily quality control work.
- **Smart community system.** As our smart community services under our community value-added and synergy services, we utilise our mobile application "Huishenghuo* (慧生活)", which was developed by Xiamen Zhaohui and first adopted in 2016, as the online gateway to a variety of our community value-added and synergy services. For details regarding our mobile application, please refer to paragraph headed "— Community Value-added and Synergy Services — Smart community services" in this section above.

During the Track Record Period, there were no development costs recognised separately for the smart property management systems in the consolidated financial statements of our Group. The costs of the relevant personnel and other inputs had been recorded as administrative expenses for the relevant year/period.

Internal control measures with respect to data security and privacy protection

We have adopted various internal control measures to ensure data security and privacy protection in relation to our internal operational data, as well as external data, such as user data obtained through our mobile application "Huishenghuo* (慧生活)".

We have formulated internal rules to strictly limit access right to content in our information 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 identify system users, and thus only necessary staff could access certain confidential information. We strengthen access management for important operational data to avoid granting process rights of incompatible responsibilities to the same person. We regularly check our system logs, in which system users' behaviours are recorded, to further ensure information security. We also have access and control system to our computer rooms and

electronic equipment, under which any unauthorised entry is not allowed. Meanwhile, we regularly implement both local and remote back up of data and conduct recovery test to ensure the effectiveness of the stored information. We also assign staff to be responsible for daily maintenance of information related hardware. In addition, we organise yearly comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management. We also have an emergency response mechanism for information security. We carry out emergency drills on a regular basis and accordingly improve our information management system.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included sub-contractors providing security services, cleaning, pest control, greening and maintaining services. During the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers were Independent Third Parties and we did not experience any delay, supply shortages or disruptions in our operations relating to our suppliers, or any product claims attributable to our suppliers which may have a material adverse effect on our business.

We do not have any long-term agreements with our suppliers, and we typically enter into contracts with our suppliers for a term of one to 12 months with monthly settlement. The contract with our suppliers usually contains fixed rate chargeable on a per person, per service or per project basis for services or costs of items/materials to be supplied, as the case may be. In general, our suppliers issue invoices to us on a monthly basis. Our suppliers usually grant us a credit term ranging from zero to 120 days, subject to the payment terms agreed. We typically reserve the right to terminate the contracts with our suppliers if our suppliers breach the contracts or if our suppliers cannot meet the quality of service required by us.

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 annual review in order to ensure consistently high-quality services provided to our customers.

We typically engage our suppliers through competitive biddings, which are administered by internal committees comprising members of relevant departments. Generally, we first select a number of suppliers from the list of qualified suppliers or invite other suppliers for bidding and invite them to submit a fee quote and other bidding documents. The submitted bids will be assessed and a wide range of factors, such as the bidders' price competitiveness, product or service quality, professional qualifications, industry reputation and financial strength, will be considered 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 signed contract. 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 performances or other failures, the supplier will be terminated and removed from our list of qualified suppliers.

Sub-contracting

We delegate certain services to qualified sub-contractors, mainly including security services, cleaning, pest control, greening and maintaining services, and repair and maintenance of elevators system and fire extinguishing and firm alarm systems. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our sub-contracting costs amounted to RMB52.9 million, RMB77.1 million, RMB125.4 million and RMB79.7 million, respectively, representing 16.0%, 16.5%, 20.3% and 23.3% of our total cost of sales, respectively. All of our sub-contractors for the Track Record Period were located in the PRC. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, all of our sub-contractors were Independent Third Parties and we did not have any reliance on any single sub-contractor.

We believe such sub-contracting arrangements allow us to utilise our own workforce more efficiently by leveraging the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, contribute more resources to focus on 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 point-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 agreements

We enter into sub-contracting agreements with sub-contractors on normal commercial terms. The key terms of our typical sub-contracting agreements are as follows:

- **Term of service.** Our sub-contracting agreement typically has a term ranging from one to 12 months.
- **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 agreement 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. If they fail to do so, we shall have the right to unilaterally terminate the sub-contracting agreements.
- **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.

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- **Sub-contracting fees.** Sub-contracting fees are typically payable monthly or quarterly and are generally determined with reference to the costs incurred in connection with the management, staff costs, procurement of raw materials and other miscellaneous costs incurred by the sub-contractors. We may conduct monthly 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 agreements to any other party unless with our prior consent.

Procurement of Materials

During the Track Record Period, we procured materials, mainly including office supplies, food ingredients for pre-sales centres, event planning supplies and tools and materials for providing repairs and maintenance services, from vendors primarily in the PRC. We also procured for the common areas of our managed properties utilities, such as water and electricity, from utility providers in the PRC during the Track Record Period. We typically enter into supply contracts with various terms for the procurement of materials which may be renewed upon the expiry of such term. The supply contracts typically provide for the unit price of the materials and generally do not set out any requirement or binding commitment on the supply quantities.

Major Suppliers

During the Track Record Period, most of our five largest suppliers were sub-contractors of our property management services. All of our five largest suppliers during the Track Record were located in the PRC. During the Track Record Period, purchases from our single largest supplier, which provided cleaning services to the properties we managed, amounted to RMB8.9 million, RMB11.1 million, RMB14.6 million and RMB9.3 million, respectively, representing 8.6%, 7.3%, 6.8% and 8.0% of our total cost of sales (excluding staff costs), respectively. During the Track Record Period, purchases from our five largest suppliers amounted to an aggregate of RMB22.0 million, RMB28.0 million, RMB32.6 million and RMB22.4 million, respectively, representing 21.2%, 18.5%, 15.2% and 19.4% of our total cost of sales (excluding staff costs), respectively. Purchases from our five largest suppliers for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 did not exceed 30% of our total cost of sales (excluding staff costs). We have established on-going business relationships and cooperations with our five largest suppliers during the Track Record Period for more than four years on average.

BUSINESS

The tables below set out our certain details of our five largest suppliers for the Track Record Period:

For the year ended 31 December 2017

<u>Rank</u>	<u>Supplier</u>	<u>Background and principal business</u>	<u>Length of business relationship with us as at the relevant year</u>	<u>Service provided to us</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Supplier A	Property and greening management services provider	4 years	Gardening	8,860	8.6
2	Supplier B	Cleaning company	5 years	Cleaning	5,882	5.7
3	Supplier C	Cleaning company	4 years	Cleaning	2,995	2.9
4	Supplier D	Cleaning company	3 years	Cleaning	2,296	2.2
5	Supplier E	Cleaning company	2 years	Cleaning	1,939	1.8
Total					<u>21,972</u>	<u>21.2</u>

For the year ended 31 December 2018

<u>Rank</u>	<u>Supplier</u>	<u>Background and principal business</u>	<u>Length of business relationship with us as at the relevant year</u>	<u>Service provided to us</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Supplier A	Property and greening management services provider	5 years	Gardening	11,139	7.3
2	Supplier B	Cleaning company	6 years	Cleaning	5,911	4.0
3	Supplier F	Security service provider	1 year	Security	4,779	3.2
4	Supplier D	Cleaning company	4 years	Cleaning	3,131	2.1
5	Supplier C	Cleaning company	5 years	Cleaning	2,975	1.9
Total					<u>27,935</u>	<u>18.5</u>

BUSINESS

For the year ended 31 December 2019

Rank	Supplier	Background and principal business	Length of business relationship with us as at the relevant year	Service provided to us	Purchase amount	Contribution to cost of sales
					<i>RMB'000</i>	<i>%</i>
1	Supplier A	Property and greening management services provider	6 years	Gardening	14,592	6.8
2	Supplier B	Cleaning company	7 years	Cleaning	5,480	2.6
3	Supplier F	Security service provider	2 years	Security	4,678	2.2
4	Supplier G	Communication and network services provider	1 year	Software	4,085	1.9
5	Supplier H	Cleaning company	5 years	Cleaning	3,736	1.7
				Total	32,571	15.2

For the six months ended 30 June 2020

Rank	Supplier	Background and principal business	Length of business relationship with us as at the relevant period	Service provided to us	Purchase amount	Contribution to cost of sales
					<i>RMB'000</i>	<i>%</i>
1	Supplier A	Property and greening management services provider	6 years	Gardening	9,325	8.0
2	Supplier B	Cleaning company	7 years	Cleaning	3,937	3.4
3	Supplier I	Property and greening management services provider	5 years	Gardening	3,428	3.0
4	Supplier F	Security service provider	2 years	Security	2,998	2.6
5	Supplier J	Security service provider	1 year	Security	2,739	2.4
				Total	22,427	19.4

BUSINESS

As at the Latest Practicable Date, none of our Directors, their respective close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued Shares of our Company, had any interest in any of our five largest suppliers during the Track Record Period.

OUR CUSTOMERS

During the Track Record Period, we had a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management services and community value-added and synergy services; and (ii) property developers for our property management services and value-added services to non-property owners. During the Track Record Period and up to the Latest Practicable Date, all of our five largest customers were Independent Third Parties except for Xiamen C&D and its associates and we did not encounter any dispute with our customers which may have a material adverse effect on our business. For details, please refer to the paragraph headed “Financial Information — Related Party Transactions and Balances” and sections headed “Continuing Connected Transactions” and “Relationship with our Controlling Shareholders” in this listing document. We entered into (i) property management services contracts; (ii) community value-added and synergy services contracts; or (iii) value-added services to non-property owners contracts with all of our five largest customers (where applicable to their respective business nature and needs).

Major Customers

All of our five largest customers during the Track Record Period were located in the PRC. During the Track Record Period, our single largest customer was Xiamen C&D and its associates and we provided property management services, community value-added and synergy services and value-added services to non-property owners to Xiamen C&D and its associates. For further details, please refer to the paragraph headed “Continuing Connected Transactions — (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this listing document. During the Track Record Period, the revenue from our single largest customer amounted to RMB141.7 million, RMB187.0 million, RMB254.7 million and RMB137.4 million, respectively, representing 31.7%, 30.7%, 31.8% and 30.4% of our total revenue, respectively. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the revenue from our five largest customers amounted to RMB160.4 million, RMB211.1 million, RMB290.6 million and RMB154.5 million, respectively, representing 35.9%, 34.7%, 36.3% and 34.2% of our total revenue, respectively. We have established ongoing business relationships and co-operations with our five largest customers for the Track Record Period for more than four years on average.

BUSINESS

The tables below set out our certain details of our five largest customers for the year/period indicated:

For the year ended 31 December 2017

Rank	Customer	Background and principal business	Length of business relationship with us at the relevant year	Services provided by us	Revenue <i>RMB'000</i>	Contribution to total revenue %
1	Xiamen C&D and its associates	A large scale conglomerate engaged in supply chain operation, real estate development, tourism & hotels, exhibition and other fields in the PRC	15 years	Property management services, community value-added and synergy services and value-added services to non-property owners	141,687	31.7
2	Customer A	A branch of a PRC bank engaged in financing and credit businesses	1 year	Property management services	7,605	1.7
3	Customer B	A PRC property developer engaged in property development, housing construction engineering and engineering design construction	1 year	Community value-added and synergy services	4,872	1.1
4	Customer C	A PRC property developer engaged in property development, hotel management and property management services	1 year	Community value-added and synergy services	3,585	0.8
5	Customer D	A PRC IT developer engaged in building intelligent system, project management, consulting, design, construction and operation and maintenance of information industry infrastructure construction	1 year	Community value-added and synergy services	2,696	0.6
Total					<u>160,445</u>	<u>35.9</u>

BUSINESS

For the year ended 31 December 2018

<u>Rank</u>	<u>Customer</u>	<u>Background and principal business</u>	<u>Length of business relationship with us at the relevant year</u>	<u>Service provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Contribution to total revenue</u> %
1	Xiamen C&D and its associates	A large scale conglomerate engaged in supply chain operation, real estate development, tourism & hotels, exhibition and other fields in the PRC	16 years	Property management services, community value-added and synergy services and value-added services to non-property owners	187,035	30.7
2	Customer E	A hospital located in Xiamen	1 year	Property management services	9,258	1.5
3	Customer A	A branch of a PRC bank engaged in financing and credit businesses	2 years	Property management services	7,688	1.3
4	Customer F	An education institution in Xiamen	1 year	Property management services	3,996	0.7
5	Customer G	A PRC IT developer engaged in information system integration services, IT consulting services, data processing and storage services integrated circuit design and software development	1 year	Community value-added and synergy services	3,146	0.5
Total					<u><u>211,123</u></u>	<u><u>34.7</u></u>

BUSINESS

For the year ended 31 December 2019

<u>Rank</u>	<u>Customer</u>	<u>Background and principal business</u>	<u>Length of business relationship with us at the relevant year</u>	<u>Service provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Contribution to total revenue</u> %
1	Xiamen C&D and its associates	A large scale conglomerate engaged in supply chain operation, real estate development, tourism & hotels, exhibition and other fields in the PRC	17 years	Property management services, community value-added and synergy services and value-added services to non-property owners	254,743	31.8
2	Customer E	A hospital located in Xiamen	2 years	Property management services	20,937	2.6
3	Customer H	Governmental department in Zhangzhou	1 year	Community value-added and synergy services	5,628	0.7
4	Customer A	A branch of a PRC bank engaged in financing and credit businesses	3 years	Property management services	5,328	0.7
5	Customer F	An education institution in Xiamen	2 years	Property management services	3,996	0.5
Total					<u>290,632</u>	<u>36.3</u>

BUSINESS

For the six months ended 30 June 2020

<u>Rank</u>	<u>Customer</u>	<u>Background and principal business</u>	<u>Length of business relationship with us at the relevant period</u>	<u>Service provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Contribution to total revenue</u> %
1	Xiamen C&D and its associates	A large scale conglomerate engaged in supply chain operation, real estate development, tourism & hotels, exhibition and other fields in the PRC	18 years	Property management services, community value-added and synergy services and value-added services to non-property owners	137,418	30.4
2	Customer E	A hospital located in Xiamen	3 years	Property management services	9,216	2.0
3	Customer I	A PRC IT developer engaged in computer technology development, research and development in computer software and hardware and the provision of technology consulting services	3 years	Property management services	2,710	0.6
4	Customer J	Fujian Branch of a PRC bank engaged in corporate and personal financial services, investment banking services and asset management	1 year	Property management services	2,641	0.6
5	Customer A	A branch of a PRC bank engaged in financing and credit businesses	4 years	Property management services	2,543	0.6
Total					<u>154,528</u>	<u>34.2</u>

As at the Latest Practicable Date, save for otherwise disclosed in this listing document, none of our Directors, their respective close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the number of issued Shares of our Company, had any interest in any of our five largest customers during the Track Record Period.

BUSINESS

We consider that our transactions with the Remaining Xiamen C&D Group and the Remaining CDI Group do not constitute undue reliance and would not affect the overall sustainability of our business for the following reasons:

- **A majority of our revenue was derived from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group.** The table below sets out our revenue derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	29,227	6.6	86,309	14.3	174,855	21.8	125,891	27.8
— The Remaining Xiamen C&D Group ^(Note 2)	297,477	66.5	348,110	57.2	365,269	45.5	177,717	39.4
— Independent Third Parties ^(Note 3)	120,347	26.9	174,199	28.5	261,206	32.7	148,557	32.8
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0

Notes:

1. Refer to properties developed by CDI, its subsidiaries (excluding our Group, its associates and joint ventures), associates and joint ventures of CDI.
2. Refer to properties developed by Xiamen C&D and its subsidiaries and the associates and joint ventures of Xiamen C&D (excluding the Remaining CDI Group, our Group, our associates and joint ventures and the Lianfa Group).
3. Refer to properties solely developed by Independent Third Party property developers.

The table below sets out our gross profit and gross profit margin derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	Gross profit		Gross profit		Gross profit		Gross profit	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
The Remaining CDI Group	3,479	11.9	14,681	17.0	27,912	16.0	25,616	20.3
The Remaining Xiamen C&D Group	64,194	21.6	78,605	22.6	86,805	23.8	43,845	24.7
Independent Third Parties	49,323	41.0 ^(Note)	47,605	27.3	68,680	26.3	40,297	27.1
Total	116,996	26.2	140,891	23.1	183,397	22.9	109,758	24.3

Note: The high gross profit margin for the year ended 31 December 2017 was mainly due to that the contribution to the total revenue from the segment of community value-added and synergy services, which has high gross profit margin, was larger than that for the other years/period during the Track Record Period.

BUSINESS

The table below sets out the breakdown of our revenue derived from property projects developed by (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue of property management services derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	2,164	0.5	9,032	1.5	31,739	4.0	31,760	7.0
— The Remaining Xiamen C&D Group ^(Note 2)	218,208	48.8	255,643	42.0	261,563	32.6	135,236	30.0
— Independent Third Parties ^(Note 3)	82,404	18.4	135,374	22.2	193,012	24.1	114,939	25.3
Sub-total	302,776	67.7	400,049	65.7	486,314	60.7	281,935	62.3
Revenue of community value-added and synergy services derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	394	0.1	1,585	0.3	4,147	0.5	4,993	1.1
— The Remaining Xiamen C&D Group ^(Note 2)	20,032	4.5	25,925	4.3	31,647	3.9	17,304	3.8
— Independent Third Parties ^(Note 3)	31,789	7.1	29,104	4.7	44,427	5.6	20,106	4.5
Sub-total	52,215	11.7	56,614	9.3	80,221	10.0	42,403	9.4
Revenue of value-added services to non-property owners derived from property projects developed by:								
— The Remaining CDI Group ^(Note 1)	26,669	6.0	75,692	12.5	138,969	17.3	89,138	19.7
— The Remaining Xiamen C&D Group ^(Note 2)	59,237	13.2	66,542	10.9	72,059	9.0	25,177	5.6
— Independent Third Parties ^(Note 3)	6,154	1.4	9,721	1.6	23,767	3.0	13,512	3.0
Sub-total	92,060	20.6	151,955	25.0	234,795	29.3	127,827	28.3
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0

Notes:

1. Refer to properties developed by CDI, its subsidiaries (excluding our Group, its associates and joint ventures), associates and joint ventures of CDI.
2. Refer to properties developed by Xiamen C&D and its subsidiaries and the associates and joint ventures of Xiamen C&D (excluding the Remaining CDI Group, our Group, our associates and joint ventures and the Lianfa Group).
3. Refer to properties solely developed by Independent Third Party property developers.

After consulting with the Remaining CDI Group, during the Track Record Period, the Remaining CDI Group newly developed and delivered in total 22 residential properties, among which (i) 19 were under management of our Group; and (ii) three were under management of Independent Third Party property management companies. After consulting with the Remaining Xiamen C&D Group, during the Track Record Period, the Remaining Xiamen C&D Group newly developed and delivered in total 18 residential properties, all of which were under management of our Group. During the Track Record Period, a majority of our revenue was derived from property projects developed by the Remaining Xiamen C&D

Group and the Remaining CDI Group. However, the revenue generated from the Remaining Xiamen C&D Group and the Remaining CDI Group exhibited a general decreasing trend during the Track Record Period. As at the Latest Practicable Date, the Remaining Xiamen C&D Group and the Remaining CDI Group did not have any plan to inject any other business into our Company. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders and their Respective Close Associates — Business and operational independence — General decreasing trend of the potential reliance on our Controlling Shareholders” in this listing document. During the Track Record Period, the revenue for the non-residential properties developed by Independent Third Parties was RMB19.9 million, RMB47.4 million, RMB76.1 million and RMB45.2 million, respectively.

- **Very long-standing and stable relationship with intention to continue.** As Xiamen C&D and C&D Real Estate are our Controlling Shareholders, we have a close relationship with Xiamen C&D and C&D Real Estate. We have been providing our services to the Remaining Xiamen C&D Group for more than 17 years and to the Remaining CDI Group for more than four years. Our Directors confirm that there has not been any significant disagreement, complaint, interruption or material adverse change in our business relationship during this period. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders and their respective Close Associates — Business and operational independence — Independent business operations” in this listing document. Furthermore, Xiamen C&D has also granted us a royalty-free perpetual licence to use several trademarks of Xiamen C&D registered in the PRC for our business operations. We believe this is indicative of our strong relationship with Xiamen C&D. For details, please refer to the paragraph headed “Continuing Connected Transactions — (A) Continuing Connected Transaction Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this listing document.
- **Positive industry outlook.** According to China Index Academy, our industry consultant, the property management industry in the PRC has shown consistent growth in the past few years and is expected to continue to grow in the coming years, being driven by strong support from the PRC government, as well as continued growth in both demand and supply. For details, please refer to the section headed “Industry Overview” in this listing document.
- **Normal commercial terms and arm’s length negotiation.** Our sales to the Remaining Xiamen C&D Group and the Remaining CDI Group have been, and will continue to be, on normal commercial terms based on arm’s length negotiations. As continuing connected transactions, our business relationship is also bound by Chapter 14A of the Listing Rules to safeguard the interests of our Company and our Shareholders. For details, please refer to the paragraph headed “Continuing Connected Transactions — (C) Continuing Connected Transaction subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this listing document.

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- **Independence.** We believe that we are capable of carrying on our business independent of the Remaining Xiamen C&D Group and the Remaining CDI Group from management, operational and financial perspective. For details, please refer to the paragraph headed “Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders and their respective Close Associates” in this listing document.

With the above factors in mind, our Directors are not aware of any red flags indicating that our relationship with the Remaining Xiamen C&D Group and the Remaining CDI Group is likely to be terminated or otherwise materially and adversely changed.

Given that during the Track Record Period, a portion of revenue of our Group was derived from properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group, and that our Group will continue to provide our services to the Remaining Xiamen C&D Group and the Remaining CDI Group in the future, the following measures have been and will be taken by us to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group and diversify services provided to properties developed by Independent Third Parties:

- (i) we continue to enriching the external expansion channels for our property management services, with a focus on market bidding and establishing associates. Our Group will first investigate and analyse the potential targets’ critical characteristics, including but not limited to their history, organisational structure, business scale and scope, geographic locations, operational status and financial positions. Our Group will then assess and analyse the financial and operational impact of such acquisitions to our Group. Our Group will also consider whether our Group shall acquire the companies with other co-investors, taking into account our Group’s overall business strategies through which our Group may achieve, including but not limited to: (a) enhancement of our existing business lines — diversification of service types, improvement of service quality and efficiency, introduction of new business models and management methods, etc.; (b) improvement of financial status — increase in segmental revenue and profit, improvement of profitability, etc.; and (c) access to new business opportunities — expansion to new geographic locations for business operation, establishment of new contacts with local customers, etc..

During the Track Record Period, our Group cooperated with third-parties regarding establishment and/or investment in joint ventures in Zhangzhou (namely, Zhangzhou Yijiayuan Yuegang) and Nanping (namely, Nanping Huihe Property Management Company Limited* (南平市匯禾物業管理有限公司) (“**Nanping Huihe**”)) respectively, through which our Group could gain better access to the respective local markets and engage with more Independent Third Party customers. Zhangzhou Yijiayuan Yuegang was established on 30 April 2019 and held by Yijiayuan and an Independent Third Party as to 50% and 50%, respectively. Each of Yijiayuan and an Independent Third Party contributed RMB1 million to the registered capital of Zhangzhou Yijiayuan Yuegang. Zhangzhou Yijiayuan Yuegang has been our subsidiary since its establishment. Nanping Huihe was established on 16 October 2019 and held by Nanping Huijia Property Management Limited* (南平匯嘉物業管理有限公司) (“**Nanping Huijia**”), a wholly-owned subsidiary of our Company, and an Independent Third Party as to 49% and 51%, respectively. Each of Nanping Huijia and the Independent Third Party shall contribute RMB2.45 million and RMB2.55 million, respectively, to the registered capital of Nanping Huihe. Nanping Huihe has been our associate since its

establishment. Each co-shareholder of Zhangzhou Yijiayuan Yuegang and Nanping Huihe is a local state-owned enterprise which is principally engaged in property development and public construction with much local influence and connection with different parties and local understanding; and has arranged for each of Zhangzhou Yijiayuan Yuegang and Nanping Huihe to provide property management services for its respective property development under fair conditions and has referred to each of Zhangzhou Yijiayuan Yuegang and Nanping Huihe a number of other local public and/or municipal properties. From 30 April 2019 to 30 June 2020, Zhangzhou Yijiayuan Yuegang obtained 10 projects under management from Independent Third Parties. For the six months ended 30 June 2020, the revenue contribution and the GFA under management of these 10 projects managed by Zhangzhou Yijiayuan Yuegang was RMB3.6 million and 375,000 sq.m., respectively. According to the arm's length negotiation with our customers, these 10 projects were charged on a lump sum basis with fixed amounts. As a result, no Average Monthly Property Management Fee can be provided. Zhangzhou Yijiayue Yuegang commenced operation since its establishment in April 2019 with revenue and profit for the year ended 31 December 2019 amounting to RMB3.1 million and RMB0.2 million, respectively, based on its unaudited management account, and it had no significant impact on the Groups' project margin, revenue (average price) or settlement period. From 16 October 2019 to 30 June 2020, Nanping Huihe obtained eight contracted projects to be delivered from Independent Third Parties. The eight contracted projects are expected to start generating revenue in 2021. The expected contracted GFA to be delivered to Nanping Huihe will be 386,000 sq.m. and the expected annual revenue contribution of the eight contracted projects will be RMB15.8 million. The Average Monthly Property Management Fee for non-residential units among the eight contracted projects is expected to be RMB3.5 per sq.m.. The financial results of Nanping Huihe have not been consolidated into our Group's consolidated financial statements and hence it does not affect our Group's project margin, revenue (average price) or settlement period.

Our Group has developed and will continue to actively develop its relationship with Independent Third Party property developers and, through various intermediate parties and/or potential customers, other Independent Third Party customers, such as property sales agency, construction companies, property owners' associations, bidding agency and relevant building authorities, to explore and secure more business opportunities. Our Group will also actively participate in the market bidding of Independent Third Party property developers to improve both the number of tender and the bidding success rate. In addition, our Group has been developing and will develop new business opportunities actively with Independent Third Party customers through a combination of various channels, including but not limited to: (a) entering into strategic cooperation agreements directly with Independent Third Party property developers under which the counterparty developers agree to refer new business opportunities to our Group; (b) co-organising and/or participating in industrial exhibitions where our Group could promote our brand and business; and (c) obtaining memberships from industry associations to gain access to exclusive opportunities;

- (ii) from 1 July 2020 to the Latest Practicable Date, (a) our Group established two new joint ventures, the principal business of which is for the provision of property management services, with Independent Third Parties in Beijing and Zhangjiagang, respectively; and (b) our Group has also been negotiating with Independent Third Parties in relation to establishing

new joint ventures. Our Group may, by and through such newly-established joint ventures, further engage with more Independent Third Party property developers and/or property owners and residents for more business opportunities;

- (iii) during the Track Record Period, we have taken various measures to diversify our community value-added and synergy services and expand our Independent Third Party clientele, including but not limited to: (a) our Group has actively developed our home living services, home beauty services and real estate brokerage and asset management services, etc. to property owners and residents of the properties under management, including cooperation with Independent Third Parties for sales of products and housekeeping and cleaning services, to offer a comprehensive services to address the lifestyle and daily needs of the property owners and residents; and (b) our Group has also actively sought opportunities to develop the community value-added and synergy services for public areas, including leasing out new available public areas and advertising spaces on behalf of property owners to Independent Third Parties for income.

In the future, our Group intends to further develop our community value-added and synergy services with the launch of our online shopping platform “C&D Property Zhenxuan* (建發物業臻選)”, to provide a better customer experience for property owners and residents and enhance their satisfaction and loyalty. Our Group also intends to: (1) commence the property agency business for unsold property units of the property developers; (2) expand our elderly-care & health value-added services by providing institutional elderly-care services and home respite services to elderly who do not live in the Yibai Centre, etc.;

- (iv) during the Track Record Period, we obtained new business opportunities with Independent Third Parties for our value-added services to non-property owners through new engagement with Independent Third Party property developers for our property management services. To the extent that they are satisfied with our property management services, we believed that such property developers would also engage us for our value-added services to non-property owners. During the Track Record Period, there were 15 overlapping customers, which were Independent Third Parties, including property developers with different scales and focuses, for both our property management services and value-added services to non-property owners. These properties were located in Xiamen, Quanzhou, Zhangzhou, Fuzhou, Longyan and Nanping. Specifically, when an Independent Third Party property developer engages us for provision of property management services for a particular property development and that property developer has not engaged any service provider for value-added services for non-property owners (consultancy services), we can utilise our experience in property management services and promote our consultancy services to them. As a result, our Group expanded our Independent Third Party clientele for our value-added services to non-property owners. From 1 January 2020 to the Latest Practicable Date, our Group newly acquired in total 44 contracted projects regarding our value-added services to non-property owners, four out of which were from Independent Third Parties and 40 out of which were from connected persons;
- (v) leveraging our state-owned background, we will endeavour to further expand our Independent Third Party clientele, such as local government departments, education and public healthcare departments, for provision of our services;

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- (vi) we participated in and will continue to participate in marketing events to promote our brand, including but not limited to attending industry forum and exhibition and cooperating with property management industry association;
- (vii) we have implemented an internal policy, which optimises the incentive mechanism for marketing personnel to introduce new Independent Third Party customers and improving the external expansion momentum and capabilities through the introduction and incentives of market-oriented personnel. Marketing personnel shall apply for the incentive mechanism internally for the introduction of new Independent Third Party customers who have engaged our Group for services. After the senior management reviews the relevant application for incentive, such marketing personnel will be awarded bonus for introduction of new Independent Third Party customers in accordance to the scales specified in the incentive mechanism. As a result, it is expected that the motivation of the marketing personnel will be increased, and more Independent Third Party customers can be referred or introduced to our Group for business opportunities; and
- (viii) we have focused and will continuously focus on and strive to improve service quality so as to attract and maintain Independent Third Party customers and build bases for future market expansion.

Given the industry norm that property developers usually prefer their own affiliated property management companies for property management services, our Directors are of the view that the abovementioned measures are realistic and effective under the circumstances because (i) as at 30 June 2020, there were 149 contracted projects (including 114 projects under management and 35 contracted projects to be delivered) which we entered into agreements with Independent Third Party property developers and there were five projects under negotiation with four Independent Third Party property developers/owners. As at the Latest Practicable Date, there were 158 contracted projects (including 111 projects under management with the aggregated contracted GFA being 11.0 million sq.m. and GFA under management being 9.9 million sq.m. and 47 contracted projects to be delivered) which we entered into agreements with Independent Third Party property developers; and (ii) for the six months ended 30 June 2020, we newly acquired 10 contracted projects with contracted GFA of 1.3 million sq.m. (including five projects under management with GFA under management of 169,040 sq.m.) from Independent Third Parties.

Based on our Group's measures to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group and diversify services provided to properties developed by Independent Third Parties as set out above, together with (i) the number of contracted projects entered into with Independent Third Party property developers representing 51.0% of the total contracted projects of our Group as at 30 June 2020 and our Group's newly acquired contracted projects entered into with Independent Third Party property developers for the six months ended 30 June 2020 representing 37.9% of the total contracted projects acquired by our Group for the same period; and (ii) the increasing contribution to our Group's revenue derived from property projects developed by Independent Third Parties for each of property management services and value-added services to non-property owners during the Track Record Period (being 18.4%, 22.2%, 24.1% and 25.3%, respectively for property management services and 1.4%, 1.6%, 3.0% and 3.0%, respectively for value-added services to non-property owners for each of the three years ended 31 December 2019 and the six months ended 30 June 2020), our Directors consider that these measures are realistic and effective under the circumstances.

Taking into account (i) our Directors' view and the basis above; and (ii) the discussions with our Company's management in relation to our Group's relevant measures and the results achieved by our Group during the Track Record Period as disclosed above, the Sole Sponsor concurs with our Directors' view that these measures are realistic and effective.

Customer Service and Customer Relationship Management

Our customer services and customer relationship management aims to build and maintain sustainable customer relationships by focusing on delivering superior customer services to meet or exceed their need, which we believe are critical to the long-term success of our businesses. We have taken a wide range of measures to actively build long-term relationships with our customers, primarily including:

- **Butler-style services.** We have a group of butlers who provide comprehensive, personalised and sophisticated services to the property owners and residents in our managed residential communities. They have frequent communications with property owners and residents through mobile application, telephone calls and visits to gather basic customer background information, listen to and understand their problems and needs so as to better anticipate and timely respond to their requests from time to time and to build trusting and cordial customer relationships. The property owners and residents seek assistance from our butlers whenever needed and almost all of our property management-related issues can be consulted with the butlers who would in turn assess the situation and allocate and coordinate appropriate on-site resources to respond to customer requests and address such issues. Our butlers are also in charge of monitoring the quality of property management services provided by our other employees or third-party service providers. They also play an instrumental role in promoting and facilitating the provision of our community value-added and synergy services.
- **Building community culture.** We endeavour to build a cohesive community culture using the following methods: (i) one-stop service: setting up customer service centres to ensure our prompt response to the service demand; (ii) zero interference service: arranging cleaning services or other services time to stagger the peak period of daily activities of the property owners and residents; (iii) intimate service: keeping handy daily necessities at the customer service centres and regularly organising community convenience service activities, such as arranging knife sharpening services or shoes repairing services; (iv) active service: setting up property manager reception day to actively approach property owners and residents and understand their particular requests or needs; and (v) surprise service: holding birthday party, housewarming party, celebration of life events and festival celebration for property owners and residents, etc. to strengthen our relationships with them and to create a healthy and harmonious atmosphere among the communities we manage.
- **Enhancing customer satisfaction and communications.** At the beginning of each year, we will formulate our return visit plan for the property owners according to their satisfaction level and will pay visit to them regularly. We have developed multiple customer communication channels to better access and address customers' needs and requests and to maximise customer experience and loyalty, including our service personnel, our mobile application "Huishenghuo* (慧生活)" as well as toll-free customer service hotline serving

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property owners and residents on a 24-hour basis. We prepare property management work bulletins, which are accessible to all property owners and residents of the communities we manage.

Market Development

Our management is responsible for, among other things, planning and developing our overall market expansion plan, marketing strategies and coordinating our market development activities to acquire new customers for us to maintain and strengthen relationships with existing customers, as well as to explore and develop further business opportunities. We have taken various marketing measures that are tailored to the characteristics of different customers and business partners.

During the Track Record Period, a large portion of our revenue was derived from properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. In addition to maintaining a long-term and stable business relationship with them, we will endeavour to expand our cooperation with Independent Third Party property developers by providing customised, diversified and quality services. For details of our measures taken to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group and diversify services provided to properties developed by Independent Third Party property developers and other Independent Third Party customers, please refer to the paragraph headed “— Our Customers” in this section above.

In addition, we utilise our various customer communication channels, such as our butlers, toll-free customer service hotlines and our mobile application “Huishenghuo* (慧生活)”, to seek feedback and suggestions from customers which help us have a better understanding of customer needs and explore more opportunities to provide a wider range of community value-added and synergy services. We also continually seek business cooperation opportunities from third-party merchants to enhance the width and depth of our community value-added and synergy services.

COMPETITION

The property management industry in the PRC is fragmented and competitive with 130,000 property management companies operating in the industry in 2019, according to China Index Academy. As a reputable player with a large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC. Our value-added services compete against other property management companies as well as relevant industry participants providing similar services. For instance, our community value-added and synergy services to property owners and residents and property developers may compete with vendors and e-commerce business that provide similar products and services. We are a property management services provider in the PRC with extensive property management scale and state-owned background. We are a property management services provider deeply cultivating in the Fujian Province. Our Company’s market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. We were ranked the 36th by China Index Academy in 2019 among the Top 100 Property Management Companies in the PRC in terms of overall strength. Since 2017, we have been ranked by China Index Academy within the top 50 among the Top 100 Property Management Companies in the PRC in terms of overall strength. We believe that the principal competitive factors include, among other things, operation scale, price and quality of services, reputation, branding and financial resources. For more details about the industry and markets that we operate in, please refer to the section headed “Industry Overview” in this listing document.

QUALITY CONTROL

We have a proven track record in prioritising quality in our services, and we believe quality control is crucial to the long-term success of our business. As at 30 June 2020, we had a professional and dedicated quality control team, who primarily focus on, among other things, maintaining service standards, standardising service procedures, participating in the selection of suppliers and supervising quality of our and suppliers' services at the corporate level. Further, we have also engaged consultancy companies to send secret customers to evaluate the quality of our services rendered.

Quality Control for Property Management Services

We implement a comprehensive set of measures and policies to ensure the quality of the services we provide and we adhere to international standards in various aspects. We have obtained ISO 14001, ISO 9001 and ISO 45001 certifications in recognition of our service quality. ISO 9001 is the international standard for a quality management system. ISO 14001 is a family of standards related to environmental management that exists to help organisations to (i) minimise the negative impact of their operations on the environment; (ii) comply with applicable laws, regulations, and other environmentally oriented requirements; and (iii) demonstrate continuous improvement in the above areas. ISO 45001 is the international standard for an occupational health and safety management system.

The table below sets out the details of the certifications we obtained as at the Latest Practicable Date:

<u>Certification</u>	<u>Granting authority</u>	<u>Issuance date</u>	<u>Expiration date</u>
ISO 14001	China Quality Mark Certification	25 February 2013	29 December 2021
ISO 9001	China Quality Mark Certification	16 September 2009	29 December 2021
ISO 45001	China Quality Mark Certification	17 November 2017	16 November 2023

We require our employees and suppliers to strictly observe our quality standards. We value and seek to proactively address customer complaints on service quality. Our on-site staff, in particular our butlers, actively solicit feedback from property owners and residents and conduct thorough inspection of our managed properties to identify potential issues. We have routine meetings to organise and implement rectifying measures for any issue identified.

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 adopt strict quality supervision measures to ensure that our quality standards are met. We have established a multi-level monitoring system at three levels: headquarters, regional companies and on-site property management offices to achieve full coverage of customers and hierarchical monitoring of service quality. In order to implement our quality control standards and specific operating procedures, the quality control personnel at our headquarters conducts quarterly internal quality inspections on major projects. The quality control personnel of our regional company conducts monthly internal quality inspections on major items and conduct spot checks on other items. Our property management offices conduct self-checks in daily management. At the same time, we use our smart property system to node and standardise part of the daily work tasks of each property management office to ensure the timely completion of daily work.

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During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints from our customers that may have a material adverse impact on our operations or business reputation.

Quality Control of Third-party Sub-contractors

We typically include in the agreements 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 regarding the quality of services provided by our sub-contractors. We have the contractual right to adjust the sub-contracting fees and to terminate the agreements depending on the outcomes of our evaluation. If the sub-contractors do not meet our standards, or fail to rectify any quality issues, they will be excluded from our selected list of qualified sub-contractors.

CASH MANAGEMENT POLICY

We receive payments of our fees for our provisions of services, namely property management services, community value-added and synergy services and value-added services to non-property owners through various means, mostly by means of bank transfers and online transfer via our mobile application “Huishenghuo* (慧生活)”, and a relatively low portion in cash. During the Track Record Period, 6.5%, 4.6%, 2.7% and 1.6% of our total revenue was received in cash, respectively.

We have implemented a cash management system to manage our cash inflows and outflows in ordinary course of our business. The table below sets out the details of our cash management policy:

<u>Cash flow transactions</u>	<u>Cash handling policies and internal control measures</u>
Cash inflow in relation to payments of property management fees, deposits and service fees from our customers	Our customer service staff is specifically responsible for cash collection at the reception desks at our managed properties. The management team stationed at each of our managed properties (i) performs weekly check on the actual amount of cash received against the bills issued; and (ii) deposits the cash received into our bank accounts on a weekly basis.
Cash outflow in relation to payments made to our suppliers and sub-contractors	Before making payments to suppliers and sub-contractors, we have to submit applications setting out the purpose of the payments, amount involved and other relevant information. Our financial management department is responsible for reviewing, and the related managers of our subsidiaries are responsible for approving the payment requests.

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Cash flow transactions

Cash inventory and deposits

Cash handling policies and internal control measures

When the cash on hand exceeds a certain level, we deposit the excess amount into our bank accounts on a weekly basis.

We also put in place security measures, such as surveillance cameras and safety boxes to ensure safe storage of the cash we receive.

Opening of and managing
bank accounts

We have in place internal policies and procedures relating to the opening of bank accounts. Our financial management department at our headquarters is responsible for the overall monitoring and management of the bank accounts we maintain.

EMPLOYEES

We employed 6,978 full-time employees as at 30 June 2020. The table below sets out the number of our employees by function as at 30 June 2020:

<u>Function</u>	<u>Number of employees</u>
Management personnel	183
Administration, human resources and finance personnel	134
Property management services personnel	4,173
Value-added services personnel	2,389
Market development personnel	14
Quality control personnel	71
IT personnel	<u>14</u>
Total	<u><u>6,978</u></u>

The table below sets out the number of our employees by geographic location as at 30 June 2020:

<u>Location</u>	<u>Number of employees</u>
Haixi	3,563
South-eastern China	1,563
Eastern China	973
Central China	627
Southern China	<u>252</u>
Total	<u><u>6,978</u></u>

Employee Relations

As at the Latest Practicable Date, there were 15 labour unions in accordance with the PRC laws and regulations, which represents the interests of our employees and works closely with our management on labour-related issues. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes or other material labour disputes that affect our operations. Our Directors believe that we have maintained a good working relationship with our employees.

Save for the incidents disclosed in the paragraph headed “— Legal Proceedings and Compliance” in this section below, we have made social insurance and housing provident fund contributions for our employees in accordance with the applicable PRC laws and regulations.

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 talents suitable for our Company.

We enter into individual employment contracts with all of our full-time employees. We renew the employment contracts with our employees from time to time subject to their annual performance reviews. All of our employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to our employees based on their annual performance reviews.

Recruitment

Our human resources department is responsible for recruitment. Given the labour-intensive nature of the property management industry, we place great emphasis on recruiting competent employees to provide quality property management services to our customers. To this end, we have established internal policies and procedures relating to our recruitment process. Our recruitment process primarily comprises the following key stages:

- **Recruitment request.** Our human resources department collects job vacancies information from within our Group and issues job postings with detailed position descriptions and requirements.
- **Sourcing candidates.** We source candidates through a variety of channels, including internal transfer and promotion, online recruiting advertisements, employee referrals, campus recruitment and career fairs.
- **Screening and selection.** Our review and screening of candidates take into account a variety of factors, such as the applicant’s education credentials, work experience, professional qualifications and knowledge, personality and interview performance. We value ability as well as morality in choosing the right candidates.
- **Hiring.** For selected candidates who successfully pass our interviews and internal approval procedures, we assign them to the designated positions, set their salary levels and assist them with completing orientation and necessary documentation.

Employee training

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, procuring them to adapt to teamwork and showing them videos to visually demonstrate our service standards and procedures. We also assign our experienced managers to serve as mentors to new employees. The mentors provide the fresh graduates with tailored coaching and guidance. We provide online training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees. We also establish a training online platform to improve and enhance the technical skills business and knowledge of our employees according to their positions and job requirement.

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, please refer to the paragraph headed “Regulatory Overview — Labour and Social Insurance-related Laws and Regulations” in this listing document.

All of our subsidiaries in the PRC have registered with the social insurance authorities and undertaken housing provident fund payment and deposit registrations at the housing provident fund administration centre. As at the Latest Practicable Date, most of our subsidiaries have already opened the social insurance accounts and the housing provident fund accounts.

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) certain employees who chose not to make such contribution, (ii) rural household employees who have already made contributions under their rural accounts, (iii) retired staff who are not required to make such contributions, and (iv) newly enrolled employees not yet started contribution. As our Directors considered the total amount of under-contributions in the sum of RMB0.3 million as at the Latest Practicable Date was immaterial, we did not make provision thereto during the Track Record Period and up to the Latest Practicable Date.

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 if our subsidiaries fail to open housing provident fund accounts for their employees before the prescribed time limit, each subsidiary may be subject to a fine ranging from RMB10,000 to RMB50,000; and 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 the courts in the PRC for compulsory enforcement. During the Track Record Period and up to the Latest Practicable Date, we had not received any order or notice from the regulatory authorities requesting contributions to any social insurance or housing provident fund.

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As at the Latest Practicable Date, all our PRC subsidiaries and branch offices with employees have already opened the social insurance accounts and housing provident funds accounts and a vast majority of our relevant PRC subsidiaries and branch offices had obtained written confirmation from the competent local authorities of social insurance and housing provident funds which acknowledged that we complied with the applicable PRC laws and regulations in relation to social insurance or housing provident funds contributions in all material respects during the Track Record Period, and/or that we would not be subject to penalties, fines and/or orders to enforce such outstanding payments for social insurance and housing provident fund contributions for relevant employees unless they receive verified complaint from relevant employees for any such insufficient contributions by us or they find us in material infringement of relevant laws based on inspection performed. Moreover, our Controlling Shareholder, C&D Real Estate, has agreed to fully indemnify all loss, payments, suits, settlement payment, cost, liability, damages or expenses, penalties and fines arising due to our failure to register for and/or contribute to social insurance and housing provident funds on behalf of our employees, to which we may be subject and payable. In view of the above, our PRC Legal Advisers are of the view that our aforementioned 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 or financial performance. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to our Business and Industry — We may be subject to fines for our failure to register for and/or contribute to social insurance and housing provident funds on behalf of some of our employees” in this listing document. We have adopted certain enhanced internal control measures to prevent recurrence of the non-compliance incident. We have compiled a training programme regarding compliance of social insurance and housing provident funds and will arrange a training to relevant employees. We have designated our manager assistant to monitor and ensure our compliance with, and identify any updates to, such laws and regulations. We have designated our finance manager to review the monthly calculations of social insurance and housing provident funds performed by our administration department, which shall then be approved by our management.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property is a key component to our strong brand recognition, and is an integral part of our business. As at the Latest Practicable Date, there were 24 trademarks, six patents and 34 software copyrights registered in the PRC, which were material to our business. During the Track Record Period, we had been licensed by Xiamen C&D to use several of its trademarks for our operation pursuant to a trademark licensing agreement, under which we are entitled to use such trademarks on a royalty free basis for the valid period stipulated in the agreement. For further details, please refer to paragraph headed “Continuing Connected Transactions — (A) Continuing Connected Transaction Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this listing document.

We have been approached by certain software, server and operating system providers (the “**Software Providers**”) regarding our unauthorised use of their software, servers, operating systems and databases in the specified sum of RMB29.8 million (which represented the aggregate amount claimed by two of the Software Providers). Our PRC Legal Advisers advised that, in the event that the Software Providers initiate court proceedings, the Software Providers are under the obligation to provide evidence to support their claims according to relevant laws and regulations in the PRC, furthermore, the possibility of Software Providers’ claim being upheld in the PRC courts in its entirety without cogent

evidence is relatively low. As at the Latest Practicable Date, there was no material litigation in relation to intellectual property rights infringement and we were under negotiation with the Software Providers and in the progress of working towards a mutual understanding.

Moreover, our Controlling Shareholder, C&D Real Estate, has agreed to fully indemnify any loss, payments, suits, settlement payment, cost, liability, damages or expenses which may arise as a result of the potential litigation(s) (if any) against our subsidiaries in the PRC which may be initiated by the Software Providers. In view of the above, our PRC Legal Advisers are of the view that the claims and potential litigation(s) (if any) to be brought or initiated by the Software Providers would not have a material adverse effect on the operation and financial position of our Group. In view of the above and the nature of our principal business, our Directors are of the view that potential litigation(s) to be brought or initiated by the Software Providers (if any) will not have a material effect on the operation and financial position of our Group. In addition, we have adopted certain enhanced internal control measures to prevent recurrence of the intellectual property rights infringement. On 4 November 2020, we have requested all our employees to uninstall software without proper authorisation, if any, on our Group's computers, and we adopted the policy, which was last revised on 7 November 2020 and pending approval by management, that we will conduct comprehensive checks of all our employees' computers on a quarterly-basis. The internal control adviser is of the view that (i) our Group has implemented several enhanced internal control measures (including requesting all our employees to uninstall unauthorised software on 4 November 2020, conducting two self-examinations on 12 November and 27 November 2020, adopting the policy, which was last revised on 7 November 2020 and pending approval by management, that we will conduct comprehensive checks of all our employees' computers on a quarterly-basis) which have been and will be monitoring our Group's licensed/authorised use of material software, operating systems, servers and databases which are crucial to our Group's daily operation and improving our Group's and our employees' awareness of and actions for compliance in use of, including but not limited to, such material software, operating systems, servers and databases; (ii) as at the Latest Practicable Date, by implementing such enhanced internal control measures, there was a significant reduction of numbers and/or types of unauthorised software, operating systems, servers and databases used by both our Group and our employees as we are still under negotiation with the Software Providers for the purpose of arriving at mutual understanding with regards to settlement of their claims. Thus, the status in relation to our Group's use of such material software, operating systems, servers and databases has been effectively improved towards a higher degree of compliance; (iii) our Group has put in place ongoing monitoring mechanism for the use of software, operating systems, servers and databases by our Group and our employees in order to fully comply with applicable rules and regulations; and (iv) these enhanced internal control measures with continuous improvement could assist our Group in maintaining effective controls to fully comply with applicable rules and regulations going forward.

As at the Latest Practicable Date, save as disclosed above, 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, please refer to paragraph headed "General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group" in Appendix IV to this listing document.

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AWARDS AND RECOGNITIONS

Over the years, we have received various awards from various entities in the PRC in recognition of, among other things, our overall strength and reputation, business scale and service quality in the PRC property management industry. The table below sets out our major industry and business awards and recognitions during the Track Record Period and up to the Latest Practicable Date:

<u>Year</u>	<u>Honour/Award</u>	<u>Awarding Entity</u>
2020	AAA grade credit enterprise of Fujian property service enterprises in 2018* (2018年度福建省物業服務企業AAA級信用企業)	Fujian Housing and Urban-Rural Development Department* (福建省住房和城鄉建設廳辦公室)
2020	36th by China Index Academy among the Top 100 Property Management Companies in the PRC* (2020中國物業服務百強企業第36位)	China Index Academy
2020	2020 Top 100 Blue-Chip Property Enterprise* (2020年藍籌物業百強企業)	The Economic Observer* (經濟觀察報)
2020	2020 Regional Leading Value Enterprise* (2020年區域領先價值企業)	The Economic Observer*
2019	First in 2019 Leading Property Management Companies in terms of Market Status in Fujian* (“2019福建物業服務市場地位領先企業”排名第一)	China Index Academy
2019	2019 Blue-Chip Property Enterprises* (2019年藍籌物業企業50強)	The Economic Observer*
2018	Top 30 property service enterprises by overall strength in Xiamen* (廈門市物業服務企業綜合實力測評30強)	Xiamen Property Management Association* (廈門市物業管理協會)
2017	37th of 2017 Best 50 of Property Management Enterprises Brand by Brand Value in the PRC* (中國物業管理企業品牌價值50強第37位)	China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Centre* (中國房地產協會、上海易居房地產研究院、中國房地產評測中心)

INSURANCE

We maintain certain insurance coverage primarily including property liability insurance and public liability insurance to cover liabilities for damages suffered by third-parties arising out of our business operations, medical insurance and injury insurance. We believe our insurance coverage is in line with industry practice 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, please refer to the paragraph headed “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” in this listing document.

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to the PRC laws and regulations in relation to labour, safety and environment protection matters. In addition, we have obtained ISO 14001, ISO 9001 and ISO 45001 certifications in recognition of our service quality.

During the Track Record Period and up to the Latest Practicable Date, we had complied with the PRC laws in relation to workplace safety in all material respects. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs.

During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance of PRC environmental laws had been imposed on us. Our PRC Legal Advisers are of the view that we were not subject to any material administrative penalties due to any violation of environmental laws in the PRC during the Track Record Period and up to the Latest Practicable Date.

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LICENCES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material approvals, permits, licences and certificates for our operations from the relevant government authorities, all of which are valid and current, and we had been in compliance in all material respects with the applicable PRC laws and regulations. The table below sets out our material licences, permits and approvals relating to our operations as at the Latest Practicable Date:

<u>Licence, permit or approval</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Issuance date</u>	<u>Expiration date</u>
Filing certificate of entity recruiting security guards by itself (Xia Gong Bao Bei Hu No. 2017)* (自行招用保安員單位備案證 (廈公保備湖2017號))	Yijiayuan	Public Security Bureau of Xiamen Municipality, Huli District Branch Bureau* (廈門市公安局湖里分局)	16 June 2017	N/A
Filing certificate of entity recruiting security guards by itself (Xia Gong Bao Bei Si No. 0027)* (自行招用保安員單位備案證 (廈公保備思0027號))	Huijia	Public Security Bureau of Xiamen Municipality, Siming District Branch Bureau* (廈門市公安局思明分局)	17 July 2017	N/A
Fuzhou Real Estate brokerage institution filing certificate (Jin2019147)* (福州市房地產經紀機構備案證 (晉2019147))	Yijiayuan Fuzhou branch company	Housing Security and Management Bureau of Jin'an District, Fuzhou Municipality* (福州市晉安區住房保障和房產管理局)	18 July 2019	18 July 2021
Food Business Operation Licence* (食品經營許可證) (JY13502030407323)	Xiamen Zaijiayiju	Market and Quality Supervision Commission of Siming District, Xiamen Municipality* (廈門市思明區市場監督管理局)	1 July 2020	30 June 2025
Medical Institution Practicing Licence* (醫療機構執業許可證) (PDY00551-535020617D4002)	Xiamen Bairui	Hygiene and Health Bureau of Huli District, Xiamen Municipality* (廈門市湖里區衛生健康局)	24 July 2020	28 November 2022

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<u>Licence, permit or approval</u>	<u>Holder</u>	<u>Granting authority</u>	<u>Issuance date</u>	<u>Expiration date</u>
Elderly care institutions' filing receipt* (養老機構備案回執) (2020005)	Xiamen Bairui	Civil Affairs Bureau of Huli District, Xiamen Municipality* (廈門市湖里區民政局)	7 August 2020	N/A
Food Business Operation Licence* (食品經營許可證) (JY23502060369636)	Xiamen Bairui	Market and Quality Supervision Commission of Huli District, Xiamen Municipality* (廈門市湖里區市場監督管理局)	7 July 2020	20 November 2024
Filing certificate of entity recruiting security guards by itself (Xia Gong Bao Bei Hu No. 5036)* (自行招用保安員單位備案證 (廈公保備湖5036號))	Xiamen Gongjian	Public Security Bureau of Xiamen Municipality, Huli District Branch Bureau* (廈門市公安局湖里分局)	12 August 2020	N/A

Some of our material permits and licences have a limited period of validity. We monitor the validity status of our permits and licences and make timely applications for the renewal of relevant permits and licences prior to their expiration date. We had not experience any material difficulty in obtaining or renewing the required permits and licences for our business operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As at the Latest Practicable Date, we did not own any property. As at the Latest Practicable Date, we leased 236 properties with a total GFA of 67,667.2 sq.m. primarily for the use of our offices, business operation and staff dormitories. In addition, we also leased car parking spaces with a total GFA of 51,334 sq.m. located at the C&D International Building in Xiamen, the PRC.

As at the Latest Practicable Date, 184 properties with a total GFA of 57,349.4 sq.m. were leased from lessors who have provided sufficient and valid ownership certificates or other ownership documents. Our PRC Legal Advisers have advised us that these lease agreements for our leased properties with ownership certificates or other ownership documents in the PRC are valid and binding, and we are lawfully entitled to occupy and use these leased properties in accordance with the terms of the lease agreements. The remaining 52 properties with a total GFA of 10,317.9 sq.m. for the use of staff dormitories were leased from lessors who were unable to provide valid ownership certificates or other sufficient ownership documents. As advised by our PRC Legal Advisers, we are unable to ascertain whether the lessors have the legal right or requisite authority to lease such properties to us.

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As at the Latest Practicable Date, among the 236 properties that we leased for the use of our offices, business operation and staff dormitories, 221 lease agreements for the use of our offices and staff dormitories were not filed with the local housing administration authorities as required under the PRC laws and regulations, primarily due to non-cooperation or the lack of title certificates of the relevant lessors. As advised by our PRC Legal Advisers, we might be ordered to rectify the non-filing by the competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. Accordingly, the amount of maximum potential penalties for non-filing of certain lease agreements are RMB2.21 million. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreements as described above. Moreover, our Controlling Shareholder, C&D Real Estate, has agreed to fully indemnify any costs, expenses, penalties and damages arising due to our failure to file the lease agreements with the local housing administration authorities or relocation of any of such leased properties, to which we may be subject and payable. Our PRC Legal Advisers have advised us that our failure to register the lease agreements would not affect the validity of the lease agreements. In the event that we are required to relocate from such leased properties, given that (i) the nature of such leased properties is mainly our offices and staff dormitories; and (ii) replacement properties are readily available, we do not believe relocation of any of such leased properties would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, operations or financial position. For further details, please refer to the paragraph headed “Risk Factors — Risks Relating to our Business and Industry — Some lessors may not have provided to us relevant ownership certificates with respect to some of our leased properties in the PRC and some of our lease agreements were not registered with the relevant government authorities” in this listing document.

We have established internal control policies on the approval and execution of lease agreements. According to the policy, management personnel and administrative personnel shall obtain the relevant ownership documents of properties to be leased before approval and execution of the lease agreements. The management personnel shall ensure the relevant lease agreements be registered with the relevant government authorities. The relevant personnel shall also report the registration status to its administration manager on a monthly basis.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing, we had engaged in August 2020 an independent internal control adviser to perform a long form internal control review report on our internal control system based on agreed scope. During the course of the internal control review, the internal control adviser identified a number of findings in relation to our internal control policies and procedures, which include but not limited to establishing formal mechanisms for handling and monitoring the Listing Rules requirements and developing and/or enhancing the policies and procedures in relation to operational processes.

We have implemented the following internal control enhancement measures recommended by our internal control adviser, including but not limited to:

- establishing policies and procedures for key operational processes and compliance with Listing Rules;
- enhancing risk assessment and management mechanism; and

- retaining written evidence of reviews and approvals.

The internal control adviser performed a follow-up review in September 2020 on the key enhancement measures taken by us in response to the findings and enhancement recommendations from the internal control adviser. The major results of the follow-up review are as follows:

- corporate-level controls would be further enhanced prior to the Listing to ensure compliance with applicable requirements under the Listing Rules upon listing; and
- personnel with HKFRS knowledge (e.g. a Certified Public Accountant holder) responsible for handling our Group's financial reporting and disclosures would be appointed prior to the Listing.

After considering the implementation of the key enhancement measures and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. 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, please refer to the paragraph headed “Risk Factors — Risks Relating to our Business and Industry” in this listing document. In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. Please refer to the paragraph headed “Financial Information — Quantitative and Qualitative Disclosures about Market Risks” in this listing document for a discussion of these financial risks.

Corporate governance

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Spin-off and 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. Please refer to the paragraph headed “Directors and Senior Management — Board Committees — Audit committee” in this listing document 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 Ms. Luo Yi as our chief financial officer and Ms. Leung Ching Ching as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, please refer to the section headed “Directors and Senior Management” in this listing document;
- the appointment of China Industrial Securities International Capital Limited as our compliance adviser upon the Listing to advise us on compliance with the Listing Rules; and

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- 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.

LEGAL PROCEEDINGS AND COMPLIANCE

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 and suppliers. 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.

THE IMPACT OF COVID-19 ON OUR BUSINESS

On 30 January 2020, the outbreak of COVID-19 was declared by WHO as a Public Health Emergencies of International Concern. In March 2020, WHO declared COVID-19 outbreak a pandemic.

The outbreak of COVID-19 has impacted on China's macroeconomy and certain industries such as property development and catering during early 2020. However, the COVID-19 outbreak has only a short-term impact on China's macroeconomy conditions, the property development and property management industry. According to China Index Academy, both the economic environment and the property development industry in the PRC (including the Fujian Province) has been returning back to normal, without unforeseen circumstances. In addition, despite the impact of the COVID-19, the urban unemployment rate nationwide maintained relatively stable in the first quarter of 2020 as compared with those from 2015 to 2019. In light of the recovering real estate market and the stable employment environment, it is expected that the ability of residential property owners or residents to pay property management fees would not be materially and adversely affected, according to China Index Academy. As the management of residential properties is the major business of the majority of property management companies in the PRC, it is expected that the COVID-19 would not materially and adversely affect the property management industry in the PRC. For details of the impact of the COVID-19 on the macroeconomic conditions and the real estate market in the PRC and the Fujian Province, please refer to the paragraph headed "Industry Overview — Impact of COVID-19 Outbreak on the Property Development and Property Management Industry in the PRC and the Fujian Province" in this listing document.

The COVID-19 pandemic had a short term impact on our business operation. During the period from January 2020 to the Latest Practicable Date, our property management services and community value-added and synergy services were not materially affected by the COVID-19 pandemic. Our Group was able to fulfil our obligation under any of our existing projects. Our property management services and community value-added and synergy services had not been terminated nor suspended and our GFA under management increased by 3.9 million sq.m. under 62 property management services contracts with our total GFA under management reached 23.6 million sq.m. from 1 January 2020 to the Latest Practicable Date. Our key financial indicators in relation to our property management services and community value-added and synergy services, including revenue, gross profit and gross profit margin for

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the six months ended 30 June 2020 remained stable as compared with those for the six months ended 30 June 2019 and our annual collection rate of property management fees for the six months ended 30 June 2020 was higher than the rate for the six months ended 30 June 2019.

During the period from January 2020 to the Latest Practicable Date, most of our value-added services to non-property owners were not materially affected by the COVID-19, though our value-added services to non-property owners in Wuhan, Hubei Province (i.e. consultancy services to property developers) had been temporarily suspended due to the close of property sales venues and the suspension of property development process as required by the government authorities nationwide. However, as the temporary suspension of our reception, order maintenance and cleaning services was caused by the suspension of the property developers' pre-sales activities and our fees are generally paid in accordance with work progress, we were still entitled to collect our service fees for such services for our work done during the temporary suspension period according to the contractual arrangements with our customers. Our value-added services to non-property owners in Wuhan had been resumed normal since May 2020. Our revenue derived from the provision of value-added services to non-property owners for the six months ended 30 June 2020 increased as compared to the six months ended 30 June 2019. Based on the above, we do not expect the COVID-19 would have any material adverse impact on our value-added services to non-property owners.

As at the Latest Practicable Date, we did not have any project located in the Hubei Province under our management while we had provided community value-added and synergy services (reception, order maintenance and cleaning services) to two non-property owners in Wuhan. Our value-added services to non-property owners (i.e. consultancy services to property developers) in Wuhan were resumed normal in May 2020. As at the Latest Practicable Date, we had a total of 35 employees located in the Hubei Province. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, we generated revenue of RMBNil, RMBNil, RMB6.4 million and RMB3.0 million, respectively, from our operations in the Hubei Province, representing N/A, N/A, 0.8% and 0.7% of our total revenue, respectively. We also have operations in Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Hunan Province and Sichuan Province where once had many confirmed cases but we have a significant portion of our operations situated in the Fujian Province where the condition is relatively mild as compared to the Hubei Province and the aforesaid provinces. The number of onsite service staff of our Group as at 30 June 2020 increased as compared to that as in January 2020 before the COVID-19 outbreak. Such increase was mainly due to (i) our Group's geographical coverage covers many cities which were less affected by the COVID-19 pandemic; (ii) the COVID-19 pandemic has been largely contained in the PRC since March 2020; and (iii) since then our Group has been expanding its business.

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Due to the impact of COVID-19, our Group incurred less social insurance contribution in the sum of RMB12.5 million due to exemptions by the PRC government during the Track Record Period. Further, such social insurance exemption granted to our Group amounted to RMB8.8 million for the period from 1 July 2020 to 30 November 2020. Our Group estimated that such social insurance exemption to be granted for December 2020 will amount to RMB1.4 million. Save as disclosed above, our Group did not receive any other exemption or allowance from the PRC government due to the impact of COVID-19. Whether our Group may receive exemption or allowance from the PRC government in the future shall be subject to the relevant applicable policies of the PRC government (if any). Our Directors confirmed that the amount of the social insurance exemption is material.

During the period from January 2020 to the Latest Practicable Date, we had not experienced any labour shortage caused by the COVID-19 or material difficulties in collecting property management fees. During the period from January 2020 to the Latest Practicable Date, we had not encountered any material disruption on the services provided by our suppliers, sub-contractors and utilities service providers and supply of materials from our suppliers. Our Directors do not expect that we will encounter any material disruptions of our supply chain given that we do not rely on any one particular supplier and/or sub-contractor and substitutes of such services or products are easily accessible.

To the best knowledge of our Directors and after consulting C&D Real Estate and the Remaining CDI Group, we do not anticipate there will be any (i) material delay in property development and delivery process and pre-sales activities; and (ii) material termination of sales and purchase agreements by the property purchasers in relation to the property development of the Remaining Xiamen C&D Group, the Remaining CDI Group and Independent Third Party property developers as a result of the outbreak of COVID-19. Given the above, our Group did not experience any delay in the provision of property management services as a result.

Our Group has complied with the relevant regulations and measures implemented by the government in relation to the COVID-19 pandemic, including but not limited to hygienic and precautionary measures in terms of property management.

To prevent the transmission of the COVID-19 within the properties under our management, we have promptly taken enhanced hygienic and precautionary measures against the COVID-19 under our emergency response since late January 2020. These measures include (i) regularly cleaning and disinfecting the public areas in our managed properties; (ii) monitoring the physical conditions of the property owners, residents and visitors at our managed properties by measuring their body temperatures and implementing strict access control; (iii) requiring our staff to wear suitable protective gear, such as gloves and face masks; (iv) promoting personal hygiene among our employees as well as property owners and residents of the properties we manage; and (v) enabling contactless door opening service with the use of our mobile application “Huishenghuo* (慧生活)”. As at 30 June 2020, we incurred an aggregate cost of RMB5.0 million for the implementation of the enhanced hygienic measures, purchase of epidemic prevention supplies and the overtime pay and performance bonus for our employees who worked overtime or performed well in the implementation of preventive measures in response to the COVID-19. Up to the Latest Practicable Date, none of our onsite employees was infected by the COVID-19.

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We may continue to purchase medical and cleaning supplies in the near future to ensure the safety of our employees, the cost of which we believe would not be material to our financial performance. Based on a preliminary assessment, our Directors confirm that the costs associated with the enhanced measures would have no significant impact on our financial position or results of operations for the year ending 31 December 2020.

Our Directors confirm that (i) our operations in the Hubei Province did not constitute a significant portion of our overall business in terms of revenue contribution during the Track Record Period; (ii) we did not experience any labour shortage caused by the COVID-19; (iii) we expect we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this listing document; (iv) our property management services and community value-added and synergy services had not been terminated nor suspended and our results of operations for value-added services to non-property owners had not been materially and adversely affected; (v) even though our annual collection rate of property management fees for the six months ended 30 June 2020 was 63.5%, since our annual collection rate of property management fees for the six months ended 30 June 2020 (63.5%) was even higher than the rate for the six months ended 30 June 2019 (59.7%) and well above the expected annual collection rate of property management fees as at 30 June 2020 of 50% (i.e. the percentage of the expected annual property management fees for the year ending 31 December 2020 ought to be collected as at 30 June 2020), and the current collection rate for the six months ended 30 June 2020 (which was calculated by (a) the property management fees collected as at 30 June 2020 divided by (b) the property management fees receivable as at 30 June 2020) was 82.2%, which well exceeded that for the six months ended 30 June 2019 of 78.9%, we do not expect to experience any material difficulty in collecting property management fees; and (vi) the impact on the PRC's economy and real estate market has gradually recovered since April 2020. As such, we do not expect the outbreak of COVID-19, including its impact on the overall economy of the PRC, would have any material adverse impact on our business operation and results of operations for the year ending 31 December 2020. In addition, although we plan to explore our business operation in Central China, we do not expect the outbreak of COVID-19 would have any material adverse impact on our business strategies as we may also explore business opportunities, acquisition or investment target in other provinces and regions. However, we are still subject to certain risks caused by the COVID-19. For details, please refer to paragraph headed "Risk Factors — Risks Relating to our Business and Industry — We face certain risks associated with the outbreak of COVID-19" in this listing document.

FINANCIAL INFORMATION

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in the section headed “Accountant’s Report” in Appendix I to this listing document. Our Company’s consolidated financial statements have been prepared in accordance with HKFRS. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us 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, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in the section headed “Risk Factors” in this listing document.

OVERVIEW

We are a property management services provider deeply cultivating in the Fujian Province. Our Company’s market share in the Fujian Province in terms of GFA under management in 2019 was 1.9%. During the Track Record Period and up to the Latest Practicable Date, our three main business lines, namely, (i) property management services, (ii) community value-added and synergy services, and (iii) value-added services to non-property owners, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

We provide a range of property management services to property owners and residents of our managed properties, as well as property developers, including, among other things, greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc., with a focus on residential properties. We mainly provide a wide array of community value-added and synergy services, either by ourselves or third-party sub-contractors or service companies, which mainly include: (i) home living services; (ii) home beauty services; (iii) real estate brokerage and asset management services; (iv) value-added services for public areas; (v) elderly-care & health value-added services; and (vi) smart community services. For value-added services to non-property owners, we mainly provide (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

For each of the three years ended 31 December 2019, our total revenue was RMB447.1 million, RMB608.6 million and RMB801.3 million, respectively, representing a CAGR of 33.9% from 2017 to 2019 and recorded profit for the year of RMB32.5 million, RMB48.5 million and RMB68.3 million, respectively, representing a CAGR of 45.0%.

For the six months ended 30 June 2019 and 2020, our total revenue was RMB347.2 million and RMB452.2 million, respectively, representing a growth rate of 30.2% and recorded profit of RMB30.2 million and RMB61.5 million, respectively, representing a growth rate of 103.6%.

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BASIS OF PREPARATION

Pursuant to the Reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” in this listing document, the companies now comprising our Group, engaging in the property management services, community value-added and synergy services and value-added services to non-property owners, were under common control of Xiamen C&D, the ultimate holding company, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of the Accountant’s Report in Appendix I to this listing document and this section, the historical financial information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants as if the current group structure had been in existence throughout the Track Record Period presented, or since the date when the combining companies first came under the control of Xiamen C&D, whichever is a shorter period.

For the purpose of the Accountant’s Report in Appendix I to this listing document and this section, the historical financial information has been prepared as if the transfer of the business conducted by the Excluded Companies (details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this listing document) had taken place on 1 January 2017 (i.e. at the beginning of the Track Record Period). Accordingly, the results of the business conducted by the Excluded Companies during the Track Record Period and all assets and liabilities directly related to the business conducted by the Excluded Companies have been excluded in the historical financial information.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period and the six months ended 30 June 2019 include the results and cash flows of all companies now comprising our Group but excluding the results of the business conducted by the Excluded Companies from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of Xiamen C&D, where this is a shorter period.

The consolidated statements of financial position of our Group as at 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the combining companies using the existing book values from the Xiamen C&D’s perspective. No amount is recognised in consideration for goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party’s interest.

For companies acquired from a third-party during each of the three years ended 31 December 2019 and the six months ended 30 June 2020, they are included in the historical financial information from the date of the acquisition.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

Early adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have significant impacts on our Group’s historical financial information during the Track Record Period.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in the section headed “Risk Factors” in this listing document and those discussed below:

GFA under our management

We generated a majority of our revenue from our property management services, which accounted for 67.7%, 65.7%, 60.7%, 65.8% and 62.3% of our total revenue for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. Our revenue from property management services depends on the GFA under our management. Accordingly, our financial position and results of operations are affected by the GFA under management for our property management services business and our revenue growth depends on our ability to maintain and grow the GFA under our management, which in turn is affected by our ability to renew existing property management services contracts and secure new services contracts.

GFA under our management amounted to 15.8 million sq.m., 18.8 million sq.m., 20.7 million sq.m. and 21.7 million sq.m. as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, among which 67.3%, 61.5%, 54.4% and 55.7% was attributable to property developed by the Remaining Xiamen C&D Group and the Remaining CDI Group.

If we are unable to maintain or grow our property management portfolio, either from properties developed by the Remaining Xiamen C&D Group and the Remaining CDI Group or Independent Third Parties or both, our business, financial condition and results of operations may be adversely affected.

Branding and pricing ability

We generally price our property management services based on a number of factors, including (i) the types of the properties, such as residential or non-residential, and locations of the properties, such as the tier of city; (ii) the scope and quality of the services proposed; (iii) the expected operational costs (including, among other things, staff costs, material costs, sub-contracting costs and operational administrative expenses); (iv) our target profit margin; (v) profiles of the property owners and residents; (vi) the local government’s guidance price on property management fees (where applicable); and (vii) the property management fees for similar services and similar types of projects in the market.

In addition, the fees that property management companies may charge in connection with property management services for properties, such as residential communities, are regulated and supervised by the relevant PRC authorities in the PRC.

Accordingly, in determining our pricing, we have to strike a balance between pricing our projects sufficiently competitive while ensuring an attractive profit margin. Failure to balance various factors in determining our pricing could materially and adversely affect our financial condition and results of operations.

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The table below sets out a sensitivity analysis of our profit for the year/period indicated with reference to the fluctuations of property management fees during the Track Record Period, assuming all other factors remain unchanged, for illustrative purpose only:

	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
				(Unaudited)	
Revenue from our property management services	302,776	400,049	486,314	228,596	281,935
Profit for the year/period	32,459	48,483	68,285	30,232	61,471
Assuming 5% increase/decrease in our property management fee					
Increase/decrease in our total revenue	15,139	20,002	24,316	11,430	14,097
Increase/decrease in the profit for the year/period ^(Note)	11,354	15,002	18,237	8,573	10,573
Assuming 10% increase/decrease in our property management fee					
Increase/decrease in our total revenue	30,278	40,005	48,631	22,860	28,194
Increase/decrease in the profit for the year/period ^(Note)	22,709	30,004	36,473	17,145	21,146

Note: Based on the PRC enterprise income tax ("EIT") of 25%

Ability to manage staff costs and sub-contracting costs

For each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, the majority of our cost of sales was staff cost, which was salaries and compensations paid to our staff that provided services to customers and accounted for 68.7%, 67.7%, 65.3%, 70.5% and 66.1% of our total cost of sales, respectively. During the Track Record Period, the increases in our staff cost were largely in line with the increases in our business scale. We also incurred sub-contracting cost when we outsourced a portion of our services to third-party service providers, and common area facility cost which incurred in the maintenance of common areas in connection with our property management services. Accordingly, our ability to manage staff costs and sub-contracting costs will affect our results of operations.

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The table below sets out a sensitivity analysis of our profit for the year/period indicated with reference to the fluctuations of staff costs and sub-contracting costs during the Track Record Period, assuming all other factors remain unchanged, for illustrative purpose only:

	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>	
Cost of sales	330,055	467,727	617,933	263,151	342,407
Profit for the year/period	32,459	48,483	68,285	30,232	61,471
Assuming 5% increase/decrease in our staff costs and sub-contracting costs					
Increase/decrease in our cost of					
sales	13,977	19,684	26,449	11,755	15,310
Decrease/increase in the profit					
for the year/period <i>(Note)</i>	10,483	14,763	19,837	8,816	11,482
Assuming 10% increase/decrease in our staff costs and sub-contracting costs					
Increase/decrease in our cost of					
sales	27,955	39,368	52,898	23,510	30,620
Decrease/increase in the profit					
for the year/period <i>(Note)</i>	20,966	29,526	39,673	17,632	22,965

Note: Based on EIT of 25%

Competition

According to China Index Academy, the property management industry in the PRC is fragmented and competitive with 130,000 property management companies operating in the industry in 2019. We have to compete with industry players based on a number of factors, including operation scale, pricing, reputation, branding, financial resources and service quality. Our ability to compete effectively with our competitors and maintain or improve our market position will affect our ability to source new property management projects and renew existing property management projects which in turn will affect GFA under our management, the price that we can charge our customer, as well as our other main business lines. If we are unable to source new property management services contracts, renew existing property management services contracts or charge our property management fee at a profitable rate, our financial position and results of operations may be adversely affected.

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Business mix

Our results of operations are affected by our business mix. During the Track Record Period, we generated our revenue from (i) provision of property management services; (ii) provision of community value-added and synergy services; and (iii) provision of value-added services to non-property owners, which were of different profit margin. The table below sets out the breakdown of our gross profit and gross profit margin by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin	Gross profit profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Property management services	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5
Community value-added and synergy services	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3
Value-added services to non-property owners	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8
Total	116,996	26.2	140,891	23.1	183,397	22.9	84,086	24.2	109,758	24.3

During the Track Record Period, our gross profit margin for our community value-added and synergy services were significantly higher than the gross profit margin of other business lines, because property management services and value-added services to non-property owners are generally labour-intensive and typically incur higher labour related costs. As a result, any change in the structure of revenue contribution from our three business lines or change in gross profit margin of any of such business lines may have an impact on our overall gross profit margin which may in turn affect our results of operations. Please refer to the paragraph headed “— Description of Selected Consolidated Statements of Profit or Loss and other Comprehensive Income — Gross profit and gross profit margin” in this section below for further details of our gross profit margin during the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

Revenue recognition

Property management services

For property management services, our Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which our Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed on a lump-sum basis, our Group acts as a principal and is primarily responsible for providing the property management services to the property owners, and our Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as our cost of sales. For property management services income from properties managed on a commission basis, our Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable

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from the property owners, or total property management cost incurred or accrual by the property owners, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added and synergy services

Community value-added and synergy services mainly include (i) home living services to property owners and residents, such as housekeeping and cleaning services and repair and maintenance services and group-purchasing services, which are charged for each service provided and recognised when the relevant services are rendered; (ii) commission income from real estate brokerage and asset management services for secondary sales and rental transactions of properties and/or car parking spaces, which is billed to property owners and residents immediately upon the services are provided and is recognised on a net basis at point in time; (iii) revenue from value-added services for public areas, such as leasing out public area and advertising spots and temporary parking management, which is recognised over the time when such services are rendered; (iv) revenue from elderly-care & health value-added services through operation of the Yibai Centre, which is recognised over time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties; (v) smart community services mainly include design, construction, operation and maintenance of smart property management systems and sales of intelligent equipment and software as part of our design and construction services of smart property management system. Revenue from smart community services is recognised over time as our Group's performance creates or enhances an asset that the customer controls. The progress towards complete satisfaction of performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining service promised under the contract, that best depict our Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the engineering works certified by the customers or their agents). 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. Revenue from the sale of intelligent hardware devices and software for a fixed fee is recognised at point in time when (or as) our Group transfers control of the assets to the customer.

Value-added services to non-property owners

Value-added services to non-property owners mainly include (i) reception, order maintenance and cleaning services to property developers and other non-property owners, such as visitor reception, customer enquiries, security and order maintenance, daily utilities and maintenance services, and assistance on the pre-sales activities at the pre-sales centre, which are billed on a monthly basis and revenue is recognised over time as the customers simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs; and (ii) consultancy services to property developers and other non-property owners during the property development and construction stages, which are billed based on the pre-determined price calculated under estimated cost plus method and revenue is recognised over time when the services are provided.

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Subsequent measurement and impairment of financial assets

Non-equity investments held by our Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in “Net finance income” in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Our Group’s cash and cash equivalents, restricted bank deposits, amounts due from related parties and trade and other receivables (excluding prepayments and value-added tax recoverable) fall into this category of financial assets. Our Company’s financial assets include amount due from an immediate holding company which are shown on the face of the statements of financial position of our Company.

For trade receivable, our Group applies a simplified approach in calculating expected credit losses (“ECL”) and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, our Group has established a provision matrix that is based on its historical credit loss experience and external indicators of the trade receivables with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment.

Our Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, our Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

Financial assets measured at fair value through profit or loss (“FVTPL”)

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. Our Group’s subordinated tranche securities fall into this category of financial assets.

Financial liabilities

Our Group’s financial liabilities include trade and other payables, amount due to related parties, lease liabilities and receipts under securitisation arrangements. They are separately shown on the face of the consolidated statements of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless our Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

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All interest related charges are recognised in accordance with our Group's accounting policy for borrowing costs.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to related parties, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method. Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

Current and deferred income taxes

Our Group is subject to corporate income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income 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. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of deferred tax assets were RMB1.9 million, RMB4.2 million, RMB5.9 million and RMB5.4 million, respectively.

Deferred tax liabilities have not been recognised as at 31 December 2017, 2018 and 2019 and 30 June 2020 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of RMB71.6 million, RMB120.8 million, RMB181.7 million and RMB209.8 million, respectively as our Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Control over Zhangzhou Yijiayuan Yuegang

Although our Group only holds 50% equity interests in Zhangzhou Yijiayuan Yuegang, our Group has the power to appoint and remove the majority members of the board of directors of Zhangzhou Yijiayuan Yuegang and holds more than half of the voting rights by virtue of an agreement with other investors. The management of our Group concluded that our Group has sufficiently dominant voting interest to direct the relevant activities of Zhangzhou Yijiayuan Yuegang and therefore has control over Zhangzhou Yijiayuan Yuegang. As a result, Zhangzhou Yijiayuan Yuegang is classified as our subsidiary.

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out our selected consolidated statements of profit or loss and other comprehensive income for the year/period 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
				(Unaudited)	
Revenue	447,051	608,618	801,330	347,237	452,165
Cost of sales	(330,055)	(467,727)	(617,933)	(263,151)	(342,407)
Gross profit	116,996	140,891	183,397	84,086	109,758
Other income	2,918	6,126	7,943	3,450	20,422
Selling and marketing expenses	(144)	(781)	(552)	(90)	(936)
Administrative and other operating expenses	(78,075)	(90,375)	(114,040)	(50,866)	(54,044)
Provision for expected credit losses allowance on trade and other receivable, net	(1,136)	(1,380)	(1,663)	(2,616)	(3,180)
Finance income, net	3,714	11,970	20,835	8,023	15,653
Share of results of associates	—	—	(2,257)	(50)	(1,262)
Profit before income tax	44,273	66,451	93,663	41,937	86,411
Income tax expense	(11,814)	(17,968)	(25,378)	(11,705)	(24,940)
Profit for the year/period	<u>32,459</u>	<u>48,483</u>	<u>68,285</u>	<u>30,232</u>	<u>61,471</u>
Profit for the year/period attributable to:					
— Equity holders of the Company	30,750	47,835	68,181	30,233	61,011
— Non-controlling interests	<u>1,709</u>	<u>648</u>	<u>104</u>	<u>(1)</u>	<u>460</u>
	<u>32,459</u>	<u>48,483</u>	<u>68,285</u>	<u>30,232</u>	<u>61,471</u>
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	(23)
Total comprehensive income for the year/period	<u>32,459</u>	<u>48,483</u>	<u>68,285</u>	<u>30,232</u>	<u>61,448</u>

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Revenue

During the Track Record Period, we generated our revenue from three business lines, namely (i) property management services, (ii) community value-added and synergy services, and (iii) value-added services to non-property owners. The table below sets out the breakdown of our revenue by business lines for the year/period 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	302,776	67.7	400,049	65.7	486,314	60.7	228,596	65.8	281,935	62.3
Community value-added and synergy services	52,215	11.7	56,614	9.3	80,221	10.0	30,154	8.7	42,403	9.4
Value-added services to non-property owners	<u>92,060</u>	<u>20.6</u>	<u>151,955</u>	<u>25.0</u>	<u>234,795</u>	<u>29.3</u>	<u>88,487</u>	<u>25.5</u>	<u>127,827</u>	<u>28.3</u>
Total	<u>447,051</u>	<u>100.0</u>	<u>608,618</u>	<u>100.0</u>	<u>801,330</u>	<u>100.0</u>	<u>347,237</u>	<u>100.0</u>	<u>452,165</u>	<u>100.0</u>

- Property management services.** Our revenue from property management services primarily consists of property management fees we charge property owners and residents with respect to properties under our management. The basic property management services we provide can be grouped into (i) security services, (ii) cleaning, pest control, greening and maintaining services; and (iii) repair and maintenance services. We generated majority of our revenue from provision of property management services, which accounted for 67.7%, 65.7% and 60.7% of our total revenue for each of the three years ended 31 December 2019, and 65.8% and 62.3% of our total revenue for the six months ended 30 June 2019 and 2020, respectively. We recorded growth in the amount of revenue generated from provision of property management services during the Track Record Period. At the same time, as a result of our efforts to diversify our revenue sources, the percentage of revenue generated from provision of property management services of our total revenue decreased each year during the Track Record Period mainly due to a more significant increase in revenue generated from provision of value-added services to non-property owners, which in turn was mainly due to the fact that our non-property owner customers, mainly being property developers, increased the sales of property resulting in increase in demand for our value-added services to non-property owners.
- Community value-added and synergy services.** Our community value-added and synergy services mainly include: (i) home living services; (ii) home beauty services; (iii) real estate brokerage and asset management services; (iv) value-added services for public areas; (v) elderly-care & health value-added services; and (vi) smart community services. Revenue from community value-added and synergy services accounted for 11.7%, 9.3% and 10.0% of our total revenue for each of the three years ended 31 December 2019, and 8.7% and 9.4% of our total revenue for the six months ended 30 June 2019 and 2020, respectively.
- Value-added services to non-property owners.** Our revenue from value-added services to non-property owners primarily consists of (i) consultancy services; and (ii) reception, order maintenance and cleaning services. Revenue from value-added services to non-property

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owners accounted for 20.6%, 25.0% and 29.3% of our total revenue for each of the three years ended 31 December 2019, and 25.5% and 28.3% of our total revenue for the six months ended 30 June 2019 and 2020, respectively.

The table below sets out the breakdown of our revenue generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period 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	%
	(Unaudited)									
Revenue of property management services generated from:										
— The Remaining CDI Group	— ^(Note)	—	797	0.1	3,301	0.4	1,174	0.3	3,503	0.7
— The Remaining Xiamen C&D Group	51,461	11.5	50,638	8.3	47,472	5.9	21,237	6.1	17,985	4.0
— Independent Third Parties	251,315	56.2	348,614	57.3	435,541	54.4	206,185	59.4	260,447	57.6
Sub-total	302,776	67.7	400,049	65.7	486,314	60.7	228,596	65.8	281,935	62.3
Revenue of community value-added and synergy services generated from:										
— The Remaining CDI Group	431	0.1	1,765	0.3	1,196	0.1	442	0.1	1,162	0.3
— The Remaining Xiamen C&D Group	5,903	1.3	4,182	0.7	2,982	0.4	443	0.1	1,244	0.3
— Independent Third Parties	45,881	10.3	50,667	8.3	76,043	9.5	29,269	8.5	39,997	8.8
Sub-total	52,215	11.7	56,614	9.3	80,221	10.0	30,154	8.7	42,403	9.4
Revenue of value-added services to non-property owners generated from:										
— The Remaining CDI Group	26,109	5.9	70,975	11.7	124,919	15.6	47,911	13.8	90,099	19.9
— The Remaining Xiamen C&D Group	57,783	12.9	58,678	9.6	74,873	9.3	32,542	9.4	23,425	5.2
— Independent Third Parties	8,168	1.8	22,302	3.7	35,003	4.4	8,034	2.3	14,303	3.2
Sub-total	92,060	20.6	151,955	25.0	234,795	29.3	88,487	25.5	127,827	28.3
Total	447,051	100.0	608,618	100.0	801,330	100.0	347,237	100.0	452,165	100.0

Note: As at 31 December 2017, the GFA under management of the properties developed by the Remaining CDI Group was 234,000 sq.m.. As we charged the relevant property management fees for the above properties with the Independent Third Party owners, the source of revenue we generated was from the Independent Third Parties. As such, our Group did not generate any property management services revenue from the Remaining CDI Group for the year ended 31 December 2017. For the revenue of property management services derived from property projects developed by the Remaining CDI Group for the year ended 31 December 2017, please refer to the paragraph headed “Business — Our Customers — Major customers” in this listing document.

Please see the paragraph headed “Business — Property Management Services — Source of revenue/projects” in this listing document for details of our relationship with the Remaining Xiamen C&D Group and the Remaining CDI Group.

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Revenue from property management services

Revenue generated from property management services mainly included property management fees we charge for provision of property management services to property owners and residents of properties managed by us and amounted to RMB302.8 million, RMB400.0 million, RMB486.3 million, RMB228.6 million and RMB281.9 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. The increases were primarily driven by the increase in number of residential and non-residential properties we managed and GFA under management as a result of our continuous business expansion. As at 31 December 2017, 2018 and 2019 and 30 June 2019 and 2020, the number of properties we provided property management services was 108, 132, 195, 140 and 203, respectively, and the GFA under management was 15.8 million sq.m., 18.8 million sq.m., 20.7 million sq.m., 17.9 million sq.m. and 21.7 million sq.m., respectively.

The table below sets out the breakdown of the revenue from our property management services by type of property for the year/period 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	%
	(Unaudited)									
Residential properties	229,170	75.7	289,356	72.3	348,203	71.6	165,214	72.3	209,044	74.1
Non-residential properties	73,606	24.3	110,693	27.7	138,111	28.4	63,382	27.7	72,891	25.9
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

In terms of property types, we manage both residential properties and non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals, schools and parks, etc.. We generated the majority of our revenue from provision of property management services from residential properties, which accounted for 75.7%, 72.3%, 71.6%, 72.3% and 74.1% of revenue from provision of property management services for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. Revenue generated from non-residential properties increased in percentages, from 24.3% for the year ended 31 December 2017 to 27.7% for the year ended 31 December 2018 and further to 28.4% for the year ended 31 December 2019, primarily due to the increase in GFA of non-residential property projects we secured in an effort to strike a better balance at revenue sources. Revenue generated from non-residential properties decreased in percentage to 25.9% for the six months ended 30 June 2020 as compared to that for the six months ended 30 June 2019, primarily due to the increase in completion and delivery of residential properties to the property owners by the property developers in the second half of 2019 which caused the increase in revenue generated from property management services in relation to residential properties for the six months ended 30 June 2020.

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The table below sets out the breakdown of our revenue from our property management services by geographic region for the year/period 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>									
Haixi										
Xiamen (tier-two city)	137,640	45.5	179,727	44.9	226,217	46.5	108,175	47.3	121,743	43.2
Quanzhou (tier-three city and below)	9,361	3.1	10,571	2.6	14,212	2.9	7,041	3.1	10,800	3.8
Zhangzhou (tier-three city and below)	17,006	5.6	23,152	5.8	32,791	6.7	14,702	6.4	22,513	8.0
Putian (tier-three city and below)	—	0.0	1,621	0.4	1,710	0.4	845	0.4	952	0.3
Longyan (tier-three city and below)	8,351	2.8	10,946	2.7	13,059	2.7	6,190	2.7	9,187	3.3
Sub-total	172,358	57.0	226,017	56.4	287,989	59.2	136,953	59.9	165,195	58.6
South-eastern China										
Fuzhou (tier-two city)	36,141	11.9	51,096	12.8	50,446	10.4	23,815	10.4	28,180	10.0
Nanping (tier-three city and below)	9,447	3.1	9,844	2.5	20,069	4.1	6,500	2.9	12,081	4.3
Sanming (tier-three city and below)	2,418	0.8	5,117	1.3	5,383	1.1	2,561	1.1	3,894	1.4
Sub-total	48,006	15.8	66,057	16.6	75,898	15.6	32,876	14.4	44,155	15.7
Eastern China										
Shanghai (tier-one city)	34,573	11.4	41,382	10.4	40,350	8.3	21,212	9.3	21,443	7.6
Huzhou (tier-three city and below)	—	0.0	—	0.0	1,553	0.3	—	—	—	0.0
Hefei (tier-two city)	—	0.0	—	0.0	—	0.0	—	—	1,738	0.6
Suzhou (tier-three city and below)	2,164	0.7	7,779	1.9	14,546	3.0	6,066	2.7	12,836	4.6
Wuxi (tier-three city and below)	—	0.0	—	0.0	—	0.0	—	0.0	1,807	0.6
Sub-total	36,737	12.1	49,161	12.3	56,449	11.6	27,278	12.0	37,824	13.4
Central China										
Chengdu (tier-two city)	34,864	11.5	47,327	11.8	51,323	10.6	24,752	10.8	23,708	8.4
Changsha (tier-two city)	10,811	3.6	11,487	2.9	14,655	3.0	6,737	2.9	11,053	3.9
Sub-total	45,675	15.1	58,814	14.7	65,978	13.6	31,489	13.7	34,761	12.3
Total	<u>302,776</u>	<u>100.0</u>	<u>400,049</u>	<u>100.0</u>	<u>486,314</u>	<u>100.0</u>	<u>228,596</u>	<u>100.0</u>	<u>281,935</u>	<u>100.0</u>

As a property management services provider deeply cultivating in the Fujian Province, during the Track Record Period, we generated the majority of our revenue from provision of property management services in the Fujian Province (i.e. Haixi and South-eastern China), which accounted for 72.8%, 73.0%, 74.8%, 74.3% and 74.3% of revenue from provision of property management services for each of the

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three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. Revenue contributions from various geographic regions in terms of percentage remained relatively stable during the Track Record Period.

The table below sets out the breakdown of the revenue from our property management services by revenue model for the year/period 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	%
	(Unaudited)									
Lump sum basis	274,025	90.5	367,719	91.9	456,286	93.8	214,070	93.6	266,530	94.5
Commission basis	28,751	9.5	32,330	8.1	30,028	6.2	14,526	6.4	15,405	5.5
Total	302,776	100.0	400,049	100.0	486,314	100.0	228,596	100.0	281,935	100.0

We charge property management fees for property management services primarily on a lump sum basis, with a comparatively lesser amount of total revenue charged on a commission basis. During the Track Record Period, our property management revenue generated from services charged on a lump sum basis accounted for 90.5%, 91.9%, 93.8%, 93.6% and 94.5%, respectively, of revenue from provision of property management services for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively.

Revenue from community value-added and synergy services

Revenue from community value-added and synergy services mainly included revenue generated from the provision of community value-added and synergy services to property owners and residents of properties managed by us and property developers. The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for the year/period 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	%
	(Unaudited)									
Smart community services	21,173	40.6	15,566	27.5	21,245	26.5	4,943	16.4	8,167	19.3
Home living services	12,643	24.2	14,782	26.1	22,865	28.5	7,084	23.5	13,408	31.6
Home beauty services	468	0.9	1,716	3.0	3,984	5.0	1,962	6.5	5,071	12.0
Real estate brokerage and asset management services	2,868	5.5	2,913	5.1	5,056	6.3	2,753	9.1	3,871	9.1
Value-added services for public areas	15,063	28.8	21,637	38.3	27,071	33.7	13,412	44.5	11,886	28.0
Total	52,215	100.0	56,614	100.0	80,221	100.0	30,154	100.0	42,403	100.0

Note: As Xiamen Bairui, the operating subsidiary responsible for operation of the Yibai Centre, became our subsidiary on 29 June 2020, the revenue generated under elderly-care & health value-added services from the commencement of the Track Record Period up to the completion date of acquisition was not included in the table above. Such revenue was included in the section headed “Accountant’s Report” in Appendix I to this listing document as interests in associates.

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Revenue from community value-added and synergy services increased by 8.4% from RMB52.2 million for the year ended 31 December 2017 to RMB56.6 million for the year ended 31 December 2018, and further increased by 41.7% to RMB80.2 million for the year ended 31 December 2019. Revenue from community value-added and synergy services increased by 40.4% from RMB30.2 million for the six months ended 30 June 2019 to RMB42.4 million for the six months ended 30 June 2020. The increases were primarily resulted from our continuous effort to enhance our service capability and diversify our service scope and the increased GFA under our management.

Our revenue from community value-added and synergy services primarily consists of the following:

- **Home living services.** We provide home living services to property owners and residents for their property units, such as housekeeping and cleaning services and repair and maintenance services. We also collaborate with third-party merchants to provide community group-purchasing services for groceries and seasonal products to property owners and residents. During the Track Record Period, revenue from our home living services amounted to RMB12.6 million, RMB14.8 million, RMB22.9 million and RMB13.4 million, which accounted for 24.2%, 26.1%, 28.5% and 31.6% of revenue from provision of community value-added and synergy services, respectively.
- **Home beauty services.** We provide turn-key move-in services (拎包入住服務) with one-stop home beauty solutions to property owners and residents for their property units, including overall design, interior home furnishing and appliances installation, etc.. During the Track Record Period, revenue from our home beauty services amounted to RMB0.5 million, RMB1.7 million, RMB4.0 million and RMB5.1 million, which accounted for 0.9%, 3.0%, 5.0% and 12.0% of revenue from provision of community value-added and synergy services, respectively.
- **Real estate brokerage and asset management services.** We provide real estate brokerage and asset management services to property owners and residents for secondary sales or rental transactions of properties and/or car parking spaces owned by these property owners and residents, where we act as agent to facilitate the transaction and we receive commission. During the Track Record Period, revenue from our real estate brokerage and asset management services amounted to RMB2.9 million, RMB2.9 million, RMB5.1 million and RMB3.9 million, which accounted for 5.5%, 5.1%, 6.3% and 9.1% of revenue from provision of community value-added and synergy services, respectively.
- **Value-added services for public areas.** we provide rental assistance to property owners to lease out common area and advertising spaces of the residential properties and temporary parking spaces. During the Track Record Period, revenue from our value-added services for public areas amounted to RMB15.1 million, RMB21.6 million, RMB27.1 million and RMB11.9 million, which accounted for 28.8%, 38.3%, 33.7% and 28.0% of revenue from provision of community value-added and synergy services, respectively.

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- Smart community services.** We utilise our relevant experiences to provide a one-stop service for design, construction, operation and maintenance of smart property management systems to property developers. During the Track Record Period, revenue from our smart community services amounted to RMB21.2 million, RMB15.6 million, RMB21.2 million and RMB8.2 million, which accounted for 40.6%, 27.5%, 26.5% and 19.3% of revenue from provision of community value-added and synergy services, respectively.

Revenue from value-added services to non-property owners

Revenue from value-added services to non-property owners mainly included the revenue generated from the provision of (i) consultancy services to property developers and other non-property owners during the property development and construction stages, and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres. The table below sets out the breakdown of our revenue derived from the provision of different types of value-added services to non-property owners for the year/period 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	%
	(Unaudited)									
Consultancy services	455	0.5	—	—	1,790	0.8	690	0.8	1,170	0.9
Reception, order maintenance and cleaning services	91,605	99.5	151,955	100.0	233,005	99.2	87,797	99.2	126,657	99.1
Total	92,060	100.0	151,955	100.0	234,795	100.0	88,487	100.0	127,827	100.0

Revenue from value-added services to non-property owners increased by 65.0% from RMB92.1 million for the year ended 31 December 2017 to RMB152.0 million for the year ended 31 December 2018, and further increased by 54.5% to RMB234.8 million for the year ended 31 December 2019. Revenue from value-added services to non-property owners increased by 44.4% from RMB88.5 million for the six months ended 30 June 2019 to RMB127.8 million for the six months ended 30 June 2020. Revenue from value-added services to non-property owners accounted for 20.6%, 25.0% and 29.3% of our total revenue for each of the three years ended 31 December 2019, respectively. Revenue from value-added services to non-property owners accounted for 25.5% and 28.3% of our total revenue for the six months ended 30 June 2019 and 2020, respectively. The increases in amount and percentage were mainly resulted from the increase in number of projects we managed and our continued efforts to diversify our revenue source by exploring cross-sale opportunities arising from the increases in the number of projects under our management.

The majority of our revenue from value-added services to non-property owners was reception, order maintenance and cleaning services, which accounted for 99.5%, 100.0%, 99.2%, 99.2% and 99.1% of revenue from provision of value-added services to non-property owners for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively.

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Cost of sales

Our cost of sales represents cost directly attributable to the provision of our services and comprises (i) staff cost of our on-site staff directly providing property management services, community value-added and synergy services and value-added services to non-property owners; (ii) sub-contracting cost for outsourced services, such as security services, cleaning, pest control, greening and maintaining services and repair and maintenance services; (iii) common area facility cost; and (iv) other cost. The table below sets out the breakdown of our cost of sales for the year/period 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	%
	(Unaudited)									
Staff cost	226,612	68.7	316,596	67.7	403,599	65.3	185,472	70.5	226,474	66.1
Sub-contracting cost	52,935	16.0	77,081	16.5	125,379	20.3	49,624	18.9	79,725	23.3
Common area facility cost	18,813	5.7	28,743	6.1	41,787	6.8	13,469	5.1	17,041	4.9
Other cost ^(Note)	31,695	9.6	45,307	9.7	47,168	7.6	14,586	5.5	19,167	5.7
Total	330,055	100.0	467,727	100.0	617,933	100.0	263,151	100.0	342,407	100.0

Note: Other cost mainly included: (i) raw material cost for community value-added and synergy services, repair and maintenance materials and consumables; and (ii) taxes and surcharges.

The majority of our cost of sales was staff cost, which was salaries and compensations paid to our staff that provided services to customers and accounted for 68.7%, 67.7%, 65.3%, 70.5% and 66.1% of our total cost of sales for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. The increases in our staff cost were largely in line with the increases in our business scale. We also incurred sub-contracting cost when we delegated certain services to sub-contractors. Common area facility cost was cost incurred in the maintenance of common areas in connection with our property management services. The reasons for such increases were mainly due to our business expansion and the increase in the GFA under our management for the relevant year/period.

During the Track Record Period, staff cost and sub-contracting cost accounted for the majority of our cost of sales, representing 84.7%, 84.2%, 85.6%, 89.4% and 89.4% of our total cost of sales for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively.

During the Track Record Period, we did not incur significant fixed costs in relation to the provision of our services. Accordingly, we consider substantially all of our cost of sales during the Track Record Period was direct and variable costs and would generally increase with the increase in our total GFA under management and number of property management projects.

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The table below sets out the breakdown of our cost of sales by business lines for the year/period 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	%
	(Unaudited)									
Property management services	224,518	68.0	309,185	66.1	367,018	59.4	172,329	65.5	212,871	62.2
Community value-added and synergy services	24,594	7.5	29,008	6.2	44,397	7.2	15,273	5.8	20,669	6.0
Value-added services to non-property owners	80,943	24.5	129,534	27.7	206,518	33.4	75,549	28.7	108,867	31.8
Total	330,055	100.0	467,727	100.0	617,933	100.0	263,151	100.0	342,407	100.0

Gross profit and gross profit margin

The table below sets out our gross profit and gross profit margin by business lines for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
	(Unaudited)									
Property management services	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5
Community value-added and synergy services	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3
Value-added services to non-property owners	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8
Total	116,996	26.2	140,891	23.1	183,397	22.9	84,086	24.2	109,758	24.3

Our gross profit margin was mainly affected by our staff cost. During the Track Record Period, our community value-added and synergy services had the highest gross profit margin among our three business lines, mainly due to its relatively lesser needs of staff resources.

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Gross profit and gross profit margin from property management services

The table below sets out the gross profit and gross profit margin of our property management services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
(Unaudited)										
The Remaining CDI Group	—	—	230	28.9	967	29.3	344	29.3	1,262	36.0
The Remaining Xiamen C&D Group	10,906	21.2	10,700	21.1	11,276	23.8	5,044	23.8	4,739	26.3
Independent Third Parties	67,352	26.8	79,934	22.9	107,053	24.6	50,879	24.7	63,063	24.2 ^(Note)
Total	78,258	25.8	90,864	22.7	119,296	24.5	56,267	24.6	69,064	24.5

Note: During the Track Record Period, the gross profit margin of our property management services provided to Independent Third Parties decreased in general mainly because (i) the property developments of Independent Third Parties were in general smaller in scale than those of the Remaining CDI Group; and (ii) such property developments were generally existing and dated properties and often included public and government facilities, including parks and schools and we usually charge a lower property management fee for these customers.

Our gross profit generated from our property management services increased, amounting to RMB78.3 million, RMB90.9 million and RMB119.3 million for each of the three years ended 31 December 2019 and amounting to RMB56.3 million and RMB69.1 million for the six months ended 30 June 2019 and 2020, respectively, generally in line with the increase in our revenue as a result of our continuous business expansion during the respective year/period. The gross profit margin of our property management services was 25.8%, 22.7% and 24.5% for each of the three years ended 31 December 2019, and 24.6% and 24.5% for the six months ended 30 June 2019 and 2020, respectively. The gross profit margin of our property management services decreased from 25.8% for the year ended 31 December 2017 to 22.7% for the year ended 31 December 2018, primarily due to the increase of our managed properties developed by Independent Third Parties, which were generally existing or dated properties and had a lower property management fee, and certain of our new managed properties for the year ended 31 December 2018, including hospital, required extra initial staff costs. The gross profit margin of our property management services increased from 22.7% for the year ended 31 December 2018 to 24.5% for the year ended 31 December 2019, mainly attributable to the increase of property management services projects with high gross profit margin. The gross profit margin of our property management services remained stable for the six months ended 30 June 2019 and 2020, amounting to 24.6% and 24.5%, respectively.

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The gross profit margin of our property management services remained relatively stable during the Track Record Period mainly due to the fact that the increase in our revenue generated from our property management services was generally in line with the increase in our cost of sales. For the two years ended 31 December 2019, the gross profit margin of the Remaining CDI Group was higher than those of the Remaining Xiamen C&D Group and the Independent Third Parties because the properties developed by the Remaining CDI Group were mainly large scale property development. For the three years ended 31 December 2019, the gross profit margin of the Remaining Xiamen C&D Group was lower than those of the Remaining CDI Group and the Independent Third Parties mainly because revenue generated from the Remaining Xiamen C&D Group involved different types of properties, including but not limited to residential properties, offices and commercial buildings and the gross profit margin of our services rendered to the offices and commercial buildings was comparatively lower, which dragged the overall gross profit margin for the Remaining Xiamen C&D Group down. For each of the three years ended 31 December 2019, the gross profit margin of the Independent Third Parties was 26.8%, 22.9% and 24.6%, respectively, which involved properties developed by the Remaining Xiamen C&D Group, the Remaining CDI Group and the Independent Third Parties.

For the year ended 31 December 2019 and the six months ended 30 June 2020, the gross profit margin of property management services from the Remaining Xiamen C&D Group was 23.8% and 26.3%, respectively, and the gross profit margin of property management services from the Remaining CDI Group was 29.3% and 36.0%, respectively. The increase of the gross profit margin from the year ended 31 December 2019 to the six months ended 30 June 2020 was mainly because the new GFA under management in relation to the property developments of the Remaining Xiamen C&D Group and the Remaining CDI Group mainly involved large scale property developments, for example, residential property developments and villas of the Remaining CDI Group in Suzhou and Longyan with GFA under management ranging from 254,000 sq.m. to 387,000 sq.m. and the large scale residential property developments of the Remaining Xiamen C&D Group in Quanzhou and Sanming with GFA under management ranging from 174,000 sq.m. to 228,000 sq.m.. The gross profit margin of property management services for large scale property development was usually higher because for large scale property development with high GFA under management, we were able to achieve economies of scale and costs advantages. As a result, the gross profit margin of property management services from each of the Remaining Xiamen C&D Group and the Remaining CDI Group for the six months ended 30 June 2020 was higher than that for the year ended 31 December 2019.

The table below sets out the profit margin and gross profit margin of our property management services by type of property for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Residential properties	57,300	25.0	69,270	23.9	84,203	24.2	53,977	25.8
Non-residential properties	20,958	28.5	21,594	19.5	35,093	25.4	15,087	20.7
Total	78,258	25.8	90,864	22.7	119,296	24.5	69,064	24.5

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The gross profit margin of the residential properties decreased from 25.0% for the year ended 31 December 2017 to 23.9% for the year ended 31 December 2018 because our managed residential properties were generally existing or dated properties and had a lower property management fee. The gross profit margin of the residential properties increased from 23.9% for the year ended 31 December 2018 to 24.2% for the year ended 31 December 2019 because of the increase of our property management services projects of residential properties with high gross profit margin. The gross profit margin of the residential properties increased from 24.2% for the year ended 31 December 2019 to 25.8% for the six months ended 30 June 2020 because of the increase of the large scale residential property development with high GFA under management and the gross profit margin of property management services for these large scale residential property development was usually higher.

The gross profit margin of the non-residential properties decreased from 28.5% for the year ended 31 December 2017 to 19.5% for the year ended 31 December 2018 because our new managed hospital in Xiamen for the year ended 31 December 2018 required extra initial staff costs. The gross profit margin of the non-residential properties increased from 19.5% for the year ended 31 December 2018 to 25.4% the year ended 31 December 2019 because the gross profit margin of our property management for the hospital in Xiamen increased. The gross profit margin of the non-residential properties decreased from 25.4% for the year ended 31 December 2019 to 20.7% for the six months ended 30 June 2020 because one of our property management projects of commercial properties terminated.

Gross profit and gross profit margin from community value-added and synergy services

The table below sets out the gross profit and gross profit margin of our community value-added and synergy services generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
(Unaudited)										
The Remaining CDI Group	199	46.2	424	24.0 ^(Note)	402	33.6	100	22.6	448	38.6
The Remaining Xiamen C&D Group	2,906	49.2	1,838	44.0	1,431	48.0	156	35.2	509	40.9
Independent Third Parties	24,516	53.4	25,344	50.0	33,991	44.7	14,625	50.0	20,777	51.9
Total	27,621	52.9	27,606	48.8	35,824	44.7	14,881	49.4	21,734	51.3

Note: Given the base of the revenue derived from the community value-added and synergy services was relatively small, the gross profit was relatively sensitive to the fluctuation of the cost, and thus the fluctuation was relatively large.

Our gross profit generated from community value-added and synergy services increased generally, amounting to RMB27.6 million, RMB27.6 million and RMB35.8 million for each of the three years ended 31 December 2019 and amounting to RMB14.9 million and RMB21.7 million for the six months ended 30 June 2019 and 2020, respectively, generally in line with the increase in our revenue as a result of our continuous business expansion during the respective year/period. The gross profit margin of our community value-added and synergy services was 52.9%, 48.8% and 44.7% for each of the three years

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ended 31 December 2019, and 49.4% and 51.3% for the six months ended 30 June 2019 and 2020, respectively. The gross profit margin of our community value-added and synergy services decreased from 2017 to 2019 mainly because the gross profit margin of our smart community services and value-added services for public areas decreased which carried relatively higher gross profit margin than those of other community value-added and synergy services. The gross profit margin of our community value-added and synergy services increased for the six months ended 30 June 2019 and 2020 mainly because of the increase in the gross profit margin for our smart community services during the relevant period as a result of the increase of revenue for our smart community services from RMB4.9 million to RMB8.2 million for the six months ended 30 June 2019 and 2020, respectively, with our costs for such services being relatively stable, which led to the increase of the gross profit margin for our smart community services.

Most of our community value-added and synergy services were provided to Independent Third Parties and the prices charged in relation to our community value-added and synergy services to (i) the Remaining Xiamen C&D Group; (ii) the Remaining CDI Group; and (iii) Independent Third Parties were determined based on market price principle. There was no preferential treatment to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group over Independent Third Parties. Having said that, for each of the two years ended 31 December 2018, and the six months ended 30 June 2019 and 2020, the gross profit margin for our community value-added and synergy services to the Independent Third Parties was higher than that of the Remaining Xiamen C&D Group and the Remaining CDI Group. It is mainly because the gross profit margin of our home beauty services and value-added services for public areas, which were mainly provided to the Independent Third Parties, was comparatively higher as the labour requirement and costs for these services were relatively low. For the year ended 31 December 2019 and the six months ended 30 June 2020, the gross profit margin of our community value-added and synergy services from the Remaining Xiamen C&D Group was 48.0% and 40.9%, respectively, and that from the Remaining CDI Group was 33.6% and 38.6%, respectively. The decrease of the gross profit margin of the Remaining Xiamen C&D Group from the year ended 31 December 2019 to the six months ended 30 June 2020 was mainly because that our services provided to the Remaining Xiamen C&D Group mainly consisted of home living services with a relatively higher gross profit margin and the proportion and contribution of revenue generated from home living services for the six months ended 30 June 2020 decreased when compared to that for the year ended 31 December 2019, resulting in a decrease in the overall gross profit margin of the Remaining Xiamen C&D Group for the six months ended 30 June 2020. The increase of the gross profit margin of the Remaining CDI Group from the year ended 31 December 2019 to the six months ended 30 June 2020 was mainly because that our services provided to the Remaining CDI Group were mainly smart community services with a relatively higher gross profit margin and the revenue percentage and gross profit margin of smart community services provided to the Remaining CDI Group for the six months ended 30 June 2020 increased when compared to that for 2019, resulting in an increase in the overall gross profit margin of the Remaining CDI Group for the six months ended 30 June 2020.

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Gross profit and gross profit margin from value-added services to non-property owners

The table below sets out the gross profit and gross profit margin of our value-added services to non-property owners generated from (i) the Remaining CDI Group; (ii) the Remaining Xiamen C&D Group; and (iii) Independent Third Parties, respectively for the year/period indicated:

	For the year ended 31 December						For the six months ended 30 June			
	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	%
	(Unaudited)									
The Remaining CDI Group	3,192	12.2	10,398	14.7	14,577	11.7	7,147	14.9	13,570	15.1
The Remaining Xiamen C&D Group	6,768	11.7	8,949	15.3	9,189	12.3	4,738	14.6	3,427	14.6
Independent Third Parties	1,157	14.2	3,074	13.8	4,511	12.9	1,053	13.1	1,963	13.7
Total	11,117	12.1	22,421	14.8	28,277	12.0	12,938	14.6	18,960	14.8

Our gross profit generated from value-added services to non-property owners increased, amounting to RMB11.1 million, RMB22.4 million and RMB28.3 million for each of the three years ended 31 December 2019 and amounting to RMB12.9 million and RMB19.0 million for the six months ended 30 June 2019 and 2020, respectively, generally in line with the increase in our revenue as a result of our continuous business expansion during the respective year/period. The gross profit margin of our value-added services to non-property owners was 12.1%, 14.8% and 12.0% for each of the three years ended 31 December 2019, and 14.6% and 14.8% for the six months ended 30 June 2019 and 2020, respectively.

As (i) all the value-added services to non-property owners of our Group were calculated and assessed independently, and (ii) the price in relation to the projects from (a) the Remaining Xiamen C&D Group; (b) the Remaining CDI Group; and (c) Independent Third Parties was determined based on the market price principle, our Directors considered that there was no material difference in the gross profit margin of our value-added services to non-property owners serving (i) the Remaining Xiamen C&D Group; (ii) the Remaining CDI Group; and (iii) Independent Third Parties during the Track Record Period.

Other income

Other income mainly represented unconditional government subsidy income, gain on changes in fair value of financial assets measured at fair value through profit or loss and sundry income.

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The table below sets out our other income for the year/period 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
				(Unaudited)	
Unconditional government subsidy income ^(Note)	1,418	1,822	3,085	873	2,444
Gain on re-measurement of previously held interest in an associate	—	—	—	—	2,993
Gain on changes in fair value of financial assets measured at FVTPL	—	2,150	3,220	2,290	14,660
Sundry income	1,500	2,154	1,638	287	325
	<u>2,918</u>	<u>6,126</u>	<u>7,943</u>	<u>3,450</u>	<u>20,422</u>

Note: The amounts represented the subsidies received from the local government bureau in the PRC regarding value-added tax refund and social welfare refund. There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

Our other income represented 0.7%, 1.0%, 1.0%, 1.0% and 4.5% of our total revenue for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively, which consisted primarily of gain on changes in fair value of financial assets measured at fair value through profit or loss and unconditional government subsidies. Other income for the six months ended 30 June 2020 included RMB14.7 million gain on changes in fair value of financial assets measured at fair value through profit or loss, which was related to the subordinated tranche securities of the ABS. For more details, please refer to the paragraph headed “— Description of Certain Items of Consolidated Statements of Financial Position — Receipts under securitisation arrangements” in this section below.

Selling and marketing expenses

We incurred selling and marketing expenses for each of the three years ended 31 December 2019 and the six months ended 2019 and 2020 of RMB0.1 million, RMB0.8 million, RMB0.6 million, RMB0.1 million and RMB0.9 million, respectively, substantially all of which was in connection with advertisement.

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Administrative and other operating expenses

Our administrative and other operating expenses mainly represented overheads in our operations, such as staff costs, traveling and entertainment expenses and office expenses of our headquarters and regional office. The table below sets out the breakdown of our administrative and other operating expenses for the year/period 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	%
							(Unaudited)			
Staff costs	54,182	69.4	63,533	70.3	78,246	68.6	35,749	70.3	37,802	69.9
Traveling and entertainment expenses	6,159	7.9	5,049	5.6	6,270	5.5	2,287	4.5	2,121	3.9
Consultancy fee	2,183	2.8	1,643	1.8	3,967	3.5	1,355	2.7	1,341	2.5
Telecommunication and utilities	1,702	2.2	1,809	2.0	2,099	1.8	830	1.6	962	1.8
Depreciation	2,642	3.4	2,879	3.2	3,457	3.0	1,628	3.2	1,880	3.5
Office expenses ^(Note)	7,278	9.3	9,088	10.1	13,501	11.8	4,505	8.9	5,635	10.4
Other expenses	3,929	5.0	6,374	7.0	6,500	5.8	4,512	8.8	4,303	8.0
Total	78,075	100.0	90,375	100.0	114,040	100.0	50,866	100.0	54,044	100.0

Note: Other expenses mainly included: (i) bank charge; (ii) written off of property, plant and equipment; and (iii) insurance.

Administrative and other operating expenses represented 17.5%, 14.8%, 14.2%, 14.6% and 12.0% of our revenue for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively. The decreases in percentage reflected our effort to improve operational efficiency and our economies of scale.

Net provision for ECL allowance on trade and other receivables

Impairment losses on trade and other receivables were represented as net provision for ECL allowance on trade and other receivables. Subsequent recoveries of amounts previously written off are credited against the same line item. The table below sets out our net provision for ECL allowance on trade and other receivables for the year/period 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
				(Unaudited)	
Provision for ECL allowance on trade and other receivables					
Movement in loss allowance for trade and other receivables	1,294	1,380	1,737	2,616	3,440
Reversal of previous impairment losses	(158)	—	(74)	—	(260)
Net provision for ECL allowance on trade and other receivables	1,136	1,380	1,663	2,616	3,180

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The table below sets out the movements of our Group's loss allowance on trade receivables in relation to the property management services on commission basis as at the dates indicated:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period	158	138	156	82
(Reversal of)/Provision for ECL allowance	<u>(20)</u>	<u>18</u>	<u>(74)</u>	<u>133</u>
Balance at the end of the year/period	<u>138</u>	<u>156</u>	<u>82</u>	<u>215</u>

The table below sets out the movements of our Group's loss allowance on trade receivables other than property management services on commission basis as at the dates indicated:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period	3,206	4,500	5,823	7,401
Provision for ECL allowance	<u>1,294</u>	<u>1,323</u>	<u>1,578</u>	<u>3,307</u>
Balance at the end of the year/period	<u>4,500</u>	<u>5,823</u>	<u>7,401</u>	<u>10,708</u>

The table below sets out the movements of our Group's loss allowance on other receivables based on 12-month ECL as at the dates indicated:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period	1,148	1,010	1,049	1,208
(Reversal of)/Provision for ECL allowance	<u>(138)</u>	<u>39</u>	<u>159</u>	<u>(260)</u>
Balance at the end of the year/period	<u>1,010</u>	<u>1,049</u>	<u>1,208</u>	<u>948</u>

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our net provision for ECL allowance for trade and other receivables amounted to RMB1.1 million, RMB1.4 million, RMB1.7 million and RMB3.2 million, respectively.

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Net finance income

Our net finance income mainly represented our interest income on bank deposit and amounts due from related parties, net of interest charges on receipts under securitisation arrangements and lease liabilities. The table below sets out the breakdown of our net finance income for the year/period 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	%
	(Unaudited)									
Interest income on bank deposit	47	0.5	74	0.1	83	0.1	40	0.1	47	0.1
Interest income on amounts due from related parties	9,716	99.5	75,839	99.9	76,500	99.9	36,545	99.9	43,405	99.9
Finance income	9,763	100.0	75,913	100.0	76,583	100.0	36,585	100.0	43,452	100.0
Interest charges on:										
Receipts under securitisation arrangements	(5,906)	97.6	(63,738)	99.7	(55,504)	99.6	(28,442)	99.6	(27,593)	99.3
Lease liabilities	(143)	2.4	(205)	0.3	(244)	0.4	(120)	0.4	(206)	0.7
Finance costs	(6,049)	100.0	(63,943)	100.0	(55,748)	100.0	(28,562)	100.0	(27,799)	100.0
Net finance income	3,714		11,970		20,835		8,023		15,653	

During the Track Record Period, interest income on amounts due from related parties and interest charges on receipts under securitisation arrangements were the largest component of our finance income and finance costs, respectively, representing 99.5%, 99.9%, 99.9%, 99.9% and 99.9% of our finance income and 97.6%, 99.7%, 99.6%, 99.6% and 99.3% of our finance costs for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively.

Interest income on amounts due from related parties during the Track Record Period mainly represented interest we charged on amounts due from related parties. For details, please refer to the paragraph headed “— Related Party Transactions and Balances” in this section below.

Interest charges on receipts under securitisation arrangements during the Track Record Period mainly represented our interest expenses incurred on the ABS. For details, please refer to the paragraph headed “— Description of Certain Items of Consolidated Statements of Financial Position — Receipts under securitisation arrangements” in this section below.

Share of results of associates

Share of results of associates was RMBNil, RMBNil, RMB(2.3) million, RMB(0.1) million and RMB(1.3) million for each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, respectively, which consisted primarily of share of results from our associated companies during the Track Record Period, including Nanping Huihe Property Management Company Limited* (南平市匯禾物業管理有限公司) (“**Nanping Huihe**”) and Xiamen Bairui.

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On 29 June 2020, we acquired 51% additional equity interests of Xiamen Bairui which became a wholly-owned subsidiary of our Group. On 18 November 2020, Xiamen Yirui entered into an equity transfer agreement with Shanghai Leqin Health Management Company Limited* (“**Shanghai Leqin**”, 上海樂親健康管理有限公司, a company established in the PRC with limited liability whose ultimate beneficial owner was a director of Xiamen Bairui during the past 12 months since 18 November 2020), pursuant to which Xiamen Yirui agreed to sell and Shanghai Leqin agreed to purchase 20% equity interest in Xiamen Bairui at a cash consideration of RMB10.0 million.

Income tax expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdiction in which members of our Group domicile and operate. Pursuant to rules and regulations of the BVI, our Group was not subject to any income tax in the BVI during the Track Record Period.

During the Track Record Period, our income tax expense referred to PRC enterprises income tax at a tax rate of 25% on taxable profits of our subsidiaries incorporated in the PRC. Pursuant to the relevant laws and regulations in the PRC, certain of our Group’s PRC entities which were qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the year ended 31 December 2019 and the six months ended 30 June 2020. In addition, in accordance with the “Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises”, the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for the year ended 31 December 2019 and the six months ended 30 June 2020, were also entitled a tax concession for 20% of its taxable income.

The table below sets out the breakdown of our income tax expense for the year/period 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 (“EIT”)	12,561	19,760	26,260	12,245	16,177
Deferred tax	<u>(747)</u>	<u>(1,792)</u>	<u>(882)</u>	<u>(540)</u>	<u>8,763</u>
Total income tax expense	<u>11,814</u>	<u>17,968</u>	<u>25,378</u>	<u>11,705</u>	<u>24,940</u>

For each of the three years ended 31 December 2019 and the six months ended 30 June 2019 and 2020, our effective income tax rate was 26.7%, 27.0%, 27.1%, 27.9% and 28.9%, respectively. Our effective income tax rates were higher than the EIT rate of 25% primarily due to certain non-deductible expenses, unrecognised tax losses and withholding tax on distributable profits of a subsidiary.

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Profit for the year/period

During the Track Record Period, we recorded profit of RMB32.5 million, RMB48.5 million, RMB68.3 million and RMB61.5 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively, with a net profit margin of 7.3%, 8.0%, 8.5% and 13.6% for the respective year/period. Resulting from the issuance of the ABS and the loans to Yi Yue, we incurred interest expense of RMB5.9 million, RMB63.7 million, RMB55.5 million and RMB27.6 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively, and recorded interest income of RMBNil, RMB62.7 million, RMB54.3 million and RMB29.0 million for the respective year/period. All of these interest expenses and interest income are non-recurring in nature and, as at the Latest Practicable Date, our Group did not have any intention to carry out similar financing arrangement going forward. For details, please see the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry — The interest income related to the ABS during the Track Record Period was non-recurring in nature” in this listing document. As at the Latest Practicable Date, Yi Yue repaid all loans to us and all the ABS and guarantees have been redeemed and released.

During the Track Record Period, we recorded significant amount of interest expenses and interest income in relation to the ABS and loans to Yi Yue and our adjusted profit would have been RMB36.9 million, RMB49.3 million, RMB69.2 million and RMB60.4 million for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. For details, please refer to the paragraph headed “— Non-HKFRS Measures” in this section below.

NON-HKFRS MEASURES

The non-HKFRS measures used by us has been adjusted for interest income and interest expenses in relation to the ABS, which may be considered as non-recurring in nature and neither considered by us as related to our ordinary course of business as a service provider nor indicative of our ongoing core operating performance. Therefore, we believe that these items should be adjusted for when calculating our adjusted profit, adjusted total equity and adjusted gearing ratios in order to provide potential investors with a complete and fair understanding of our adjusted operating results and financial performance, so that potential investors can assess our underlying adjusted performance undistorted by items unrelated to our ordinary course of business operations, especially in assessing and making period-to-period comparisons of our operating and financial performance.

During the Track Record Period, we recorded interest income on amounts due from related parties of RMB9.7 million, RMB75.8 million, RMB76.5 million and RMB43.4 million, respectively, of which (i) RMBNil, RMB62.7 million, RMB54.3 million and RMB29.0 million, respectively, was derived from the loans to Yi Yue in relation to the ABS; and (ii) RMB9.7 million, RMB13.1 million, RMB22.2 million and RMB14.4 million, respectively, was derived from the loans to Yi Yue and other related parties by internal resources.

On 30 June 2020, we received loan repayment of RMB870.0 million from Yi Yue in relation to the ABS and interest income of RMB29.0 million derived from the loans to Yi Yue for the period from 1 January 2020 to 30 June 2020, representing the interest income derived for the entire period as indicated. Accordingly, there is no significant difference between “ABS related interest income” and “ABS related interest expenses” for the six months ended 30 June 2020 as disclosed below. The

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Reporting Accountant confirmed that the ABS related interest income is recognised on a time-proportion basis using the effective interest method and the ABS related interest expenses of our Group are recognised in the period in which they are incurred.

The table below sets out the reconciliations of our adjusted profit for the year/period indicated:

	For the year ended 31 December			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>
Profit for the year/period	32,459	48,483	68,285	61,471
Adjusted for:				
ABS related interest income	—	(62,691)	(54,305)	(29,046)
ABS related interest expenses	5,906	63,738	55,504	27,593
Net income tax effect in relation to ABS related interest income and interest expenses	<u>(1,477)</u>	<u>(262)</u>	<u>(300)</u>	<u>363</u>
	<u>4,429</u>	<u>785</u>	<u>899</u>	<u>(1,090)</u>
Adjusted profit for the year/period	<u><u>36,888</u></u>	<u><u>49,268</u></u>	<u><u>69,184</u></u>	<u><u>60,381</u></u>

The table below sets out the reconciliations of our adjusted total equity 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>
Total equity	50,880	59,077	177,424	348,596
Adjusted for:				
ABS related interest income during the year/period	—	(62,691)	(54,305)	(29,046)
ABS related interest expenses during the year/period	5,906	63,738	55,504	27,593
Net income tax effect in relation to ABS related interest income and interest expenses	<u>(1,477)</u>	<u>(262)</u>	<u>(300)</u>	<u>363</u>
Effect on opening adjustment in relation to ABS for the previous years	<u>—</u>	<u>4,429</u>	<u>5,214</u>	<u>6,113</u>
	<u>4,429</u>	<u>5,214</u>	<u>6,113</u>	<u>5,023</u>
Adjusted total equity	<u><u>55,309</u></u>	<u><u>64,291</u></u>	<u><u>183,537</u></u>	<u><u>353,619</u></u>

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The table below sets out the reconciliations of our adjusted gearing ratio as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Receipts under securitisation arrangements	1,228,820	1,025,639	902,774	902,774
Add: lease liabilities	2,142	3,731	7,639	12,075
Less: cash and cash equivalents	(28,345)	(32,370)	(57,121)	(1,388,624)
Net debt	1,202,617	997,000	853,292	Net cash position
Gearing ratio <i>(Note 1)</i>	2,363.6%	1,687.6%	480.9%	Net cash position
Adjusted gearing ratio <i>(Note 2)</i>	2,174.4%	1,550.8%	464.9%	Net cash position

Notes:

1. Gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by total equity as at the date indicated and multiplied by 100%.
2. Adjusted gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by adjusted total equity as at the date indicated and multiplied by 100%.

PERIOD TO PERIOD COMPARISON

Six months ended 30 June 2020 compared to six months ended 30 June 2019

Revenue

Our revenue increased by 30.2% to RMB452.2 million for the six months ended 30 June 2020 from RMB347.2 million for the six months ended 30 June 2019 which was mainly attributable to the increases of revenue in all three business lines.

Revenue from provision of property management services increased by 23.3% to RMB281.9 million for the six months ended 30 June 2020 from RMB228.6 million for the six months ended 30 June 2019. This increase was mainly attributable to (i) an increase in our GFA under management, which increased to 21.7 million sq.m. as at 30 June 2020 from 17.9 million sq.m. as at 30 June 2019, and (ii) an increase in the number of properties under management to 203 as at 30 June 2020 from 140 as at 30 June 2019, as we expanded our business.

Revenue from provision of community value-added and synergy services increased by 40.4% to RMB42.4 million for the six months ended 30 June 2020 from RMB30.2 million for the six months ended 30 June 2019 which was mainly attributable to (i) a significant increase in our revenue from home living services from RMB7.1 million for the six months ended 30 June 2019 to RMB13.4 million for the six months ended 30 June 2020; (ii) an increase in our revenue from smart community services from RMB4.9 million for the six months ended 30 June 2019 to RMB8.2 million for the six months ended 30 June 2020; and (iii) an increase in our revenue from home beauty services from RMB2.0 million for the

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six months ended 30 June 2019 to RMB5.1 million for the six months ended 30 June 2020, which were primarily driven by increase in GFA under management which in turn increased our customer base and the expansion of our scope of community value-added and synergy services we offered.

Revenue from provision of value-added services to non-property owners increased by 44.4% to RMB127.8 million for the six months ended 30 June 2020 from RMB88.5 million for the six months ended 30 June 2019 which was mainly attributable to the increases in our revenue from reception, order maintenance and cleaning services from RMB87.8 million for the six months ended 30 June 2019 to RMB126.7 million for the six months ended 30 June 2020.

Cost of sales

Our cost of sales increased by 30.1% to RMB342.4 million for the six months ended 30 June 2020 from RMB263.2 million for the six months ended 30 June 2019, which was mainly attributable to (i) a significant increase in staff cost from RMB185.5 million for the six months ended 30 June 2019 to RMB226.5 million for the six months ended 30 June 2020; and (ii) an increase in sub-contracting cost from RMB49.6 million for the six months ended 30 June 2019 to RMB79.7 million for the six months ended 30 June 2020, which were in turn primarily due to the increase of the size of our on-site staff and our sub-contractors and the increase in number of properties we managed.

Gross profit and gross profit margin

The gross profit margin of property management services remained relatively stable and was 24.6% and 24.5% for the six months ended 30 June 2019 and 2020, respectively.

The gross profit margin of community value-added and synergy services increased from 49.4% for the six months ended 30 June 2019 to 51.3% for the six months ended 30 June 2020, mainly because of the increase in the gross profit margin for our services to the Independent Third Parties during the relevant period as a result of the increase of the gross profit margin of our home living services and value-added services for public areas during the relevant period.

The gross profit margin of value-added services to non-property owners remained relatively stable and was 14.6% and 14.8% for the six months ended 30 June 2019 and 2020, respectively.

As a result of the foregoing, our gross profit increased by 30.6% to RMB109.8 million for the six months ended 30 June 2020 from RMB84.1 million for the six months ended 30 June 2019. Our gross profit margin remained stable at 24.2% and 24.3% for the six months ended 30 June 2019 and 2020, respectively.

Other income

Our other income increased to RMB20.4 million for the six months ended 30 June 2020 from RMB3.5 million for the six months ended 30 June 2019, mainly due to RMB14.7 million of gain on changes in fair value of financial assets measured at FVTPL, which was attributable to the ABS.

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Selling and marketing expenses

Our selling and marketing expenses increased to RMB0.9 million for the six months ended 30 June 2020 from RMB0.1 million for the six months ended 30 June 2019, which was mainly attributable to increase in expense on advertisement.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 6.1% to RMB54.0 million for the six months ended 30 June 2020 from RMB50.9 million for the six months ended 30 June 2019, which was mainly attributable to the increase in the size of management and administrative staff to support the increase in our business scale.

Net finance income

Our net finance income increased by 95.0% to RMB15.6 million for the six months ended 30 June 2020 from RMB8.0 million for the six months ended 30 June 2019 mainly attributable to interest income from loans to related parties, primarily due to the increase in the loan amount granted to related parties during the six months ended 30 June 2020.

Share of results of associates

Our share of results of associates was RMB(0.1) million and RMB(1.3) million for the six months ended 30 June 2019 and 2020, respectively, which was primarily attributable to our equity interests in Nanping Huihe and Xiamen Bairui which were injected capital in the second half of 2019.

Income tax expense

Our income tax expense increased by 112.8% to RMB24.9 million for the six months ended 30 June 2020 from RMB11.7 million for the six months ended 30 June 2019 which was mainly due to the increase in profit before income tax and the withholding tax on distributable profits of a subsidiary.

Profit for the period

As a result of the foregoing, profit for the period increased by 103.6% to RMB61.5 million for the six months ended 30 June 2020 from RMB30.2 million for the six months ended 30 June 2019.

Year ended 31 December 2019 compared to year ended 31 December 2018

Revenue

Our revenue increased by 31.7% to RMB801.3 million for the year ended 31 December 2019 from RMB608.6 million for the year ended 31 December 2018 mainly due to the increase in revenue from our all of our three line of businesses as set out below.

Revenue from provision of property management services increased by 21.6% to RMB486.3 million for the year ended 31 December 2019 from RMB400.0 million for the year ended 31 December 2018. This increase was mainly attributable to (i) an increase in our GFA under management, which

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increased to 20.7 million sq.m. as at 31 December 2019 from 18.8 million sq.m. as at 31 December 2018, and (ii) an increase in the number of properties under management to 195 as at 31 December 2019 from 132 as at 31 December 2018, as we expanded our business.

Revenue from provision of community value-added and synergy services increased by 41.7% to RMB80.2 million for the year ended 31 December 2019 from RMB56.6 million for the year ended 31 December 2018 which was mainly attributable to (i) a significant increase in our revenue from smart community services from RMB15.6 million for the year ended 31 December 2018 to RMB21.2 million for the year ended 31 December 2019; (ii) an increase in our revenue from home living services from RMB14.8 million for the year ended 31 December 2018 to RMB22.9 million for the year ended 31 December 2019; and (iii) an increase in our revenue from value-added services for public areas from RMB21.6 million for the year ended 31 December 2018 to RMB27.1 million for the year ended 31 December 2019.

Revenue from provision of value-added services to non-property owners increased by 54.5% to RMB234.8 million for the year ended 31 December 2019 from RMB152.0 million for the year ended 31 December 2018 which was mainly attributable to the increase in our revenue from reception, order maintenance and cleaning services from RMB152.0 million for the year ended 31 December 2018 to RMB233.0 million for the year ended 31 December 2019.

Cost of sales

Our cost of sales increased by 32.1% to RMB617.9 million for the year ended 31 December 2019 from RMB467.7 million for the year ended 31 December 2018 which was mainly attributable to the increase in staff cost, which was mainly attributable to (i) a significant increase in staff cost from RMB316.6 million for the year ended 31 December 2018 to RMB403.6 million for the year ended 31 December 2019; and (ii) an increase in sub-contracting cost from RMB77.1 million for the year ended 31 December 2018 to RMB125.4 million for the year ended 31 December 2019, which were in turn due to the increase of the size of our on-site staff in our property management services, community value-added and synergy services and value-added services to non-property owners to support the expansion of our business.

Gross profit and gross profit margin

The gross profit margin of property management services increased from 22.7% for the year ended 31 December 2018 to 24.5% for the year ended 31 December 2019, mainly attributable to the increase of property management services projects with high gross profit margin.

The gross profit margin of community value-added and synergy services decreased from 48.8% in the year ended 31 December 2018 to 44.7% in the year ended 31 December 2019, mainly attributable to the increase in staff cost and sub-contracting cost as we expanded our service coverage.

The gross profit margin of value-added services to non-property owners decreased from 14.8% for the year ended 31 December 2018 to 12.0% for the year ended 31 December 2019, mainly attributable to the increase in staff cost and sub-contracting cost.

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As a result of the foregoing, our gross profit increased by 30.2% to RMB183.4 million for the year ended 31 December 2019 from RMB140.9 million for the year ended 31 December 2018 and our gross profit margin decreased from 23.1% for the year ended 31 December 2018 to 22.9% for the year ended 31 December 2019.

Other income

Our other income increased by 29.5% to RMB7.9 million for the year ended 31 December 2019 from RMB6.1 million for the year ended 31 December 2018 mainly as a result of the increase of unconditional government subsidy income and gain on changes in fair value of financial assets measured at fair value through profit or loss, which was attributable to the ABS.

Selling and marketing expenses

Our selling and marketing expenses were RMB0.6 million and RMB0.8 million for the years ended 31 December 2019 and 2018, respectively, which was mainly attributable to decrease in expenses on advertisement.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 26.1% to RMB114.0 million for the year ended 31 December 2019 from RMB90.4 million for the year ended 31 December 2018 which was mainly attributable to expansion of our business which caused an increase in the size of management and administrative staff to support the increase in our business scale.

Net finance income

Our net finance income increased by 73.3% to RMB20.8 million for the year ended 31 December 2019 from RMB12.0 million for the year ended 31 December 2018 which was mainly attributable to reduction of interest charges on receipts under securitisation arrangements as a result of redemption of RMB124.9 million of the total outstanding amount of the ABS as at 31 December 2018.

Share of results of associates

Our share of results of associates was RMB(2.3) million for the year ended 31 December 2019 as compared to RMBNil for the year ended 31 December 2018. The share of results of associates arose mainly as a result of the commencement of operation of Xiamen Bairui which incurred loss during the relevant year as its business was in its development stage.

Income tax expense

Our income tax expense increased by 41.1% to RMB25.4 million for the year ended 31 December 2019 from RMB18.0 million for the year ended 31 December 2018 which was generally in line with our increase in profit before income tax.

Profit for the year

As a result of the foregoing, profit for the year increased by 40.8% to RMB68.3 million for the year ended 31 December 2019 from RMB48.5 million for the year ended 31 December 2018.

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Year ended 31 December 2018 compared to year ended 31 December 2017

Revenue

Our revenue increased by 36.1% to RMB608.6 million for the year ended 31 December 2018 from RMB447.1 million for the year ended 31 December 2017 mainly due to the increase in revenue from all of our three line of businesses as set out below.

Revenue from provision of property management services increased by 32.1% to RMB400.0 million for the year ended 31 December 2018 from RMB302.8 million for the year ended 31 December 2017. This increase was mainly attributable to (i) an increase in our GFA under management, which increased to 18.8 million sq.m. as at 31 December 2018 from 15.8 million sq.m. as at 31 December 2017; and (ii) an increase in the number of properties under our management to 132 as at 31 December 2018 from 108 as at 31 December 2017, as we expanded our business.

Revenue from provision of community value-added and synergy services increased by 8.4% to RMB56.6 million for the year ended 31 December 2018 from RMB52.2 million for the year ended 31 December 2017 which was mainly attributable to (i) a significant increase in our revenue from value-added services for public areas from RMB15.1 million for the year ended 31 December 2017 to RMB21.6 million for the year ended 31 December 2018; and (ii) an increase in our revenue from home living services from RMB12.6 million for the year ended 31 December 2017 to RMB14.8 million for the year ended 31 December 2018; which was partially offset by (iii) a decrease in our revenue from smart community services from RMB21.2 million for the year ended 31 December 2017 to RMB15.6 million for the year ended 31 December 2018. Such an overall increase in our revenue from community value-added and synergy services was mainly due to increase in GFA under our management which in turn increased our customer base and expansion of our scope of community value-added and synergy services we provided.

Revenue from provision of value-added services to non-property owners increased by 65.0% to RMB152.0 million for the year ended 31 December 2018 from RMB92.1 million for the year ended 31 December 2017 which was mainly attributable to the increase of our reception, order maintenance and cleaning services from RMB91.6 million for the year ended 31 December 2017 to RMB152.0 million for the year ended 31 December 2018.

Cost of sales

Our cost of sales increased by 41.7% to RMB467.7 million for the year ended 31 December 2018 from RMB330.1 million for the year ended 31 December 2017 which was mainly attributable to (i) a significant increase in staff cost from RMB226.6 million for the year ended 31 December 2017 to RMB316.6 million for the year ended 31 December 2018; and (ii) an increase in sub-contracting cost from RMB52.9 million for the year ended 31 December 2017 to RMB77.1 million for the year ended 31 December 2018, which were mainly due to the increase of the size of on-site staff in our property management services, community value-added and synergy services and value-added services to non-property owners to support the expansion of our business.

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Gross profit and gross profit margin

The gross profit margin of property management services decreased from 25.8% for the year ended 31 December 2017 to 22.7% for the year ended 31 December 2018, primarily due to the increase of our managed properties developed by Independent Third Parties, which were generally existing or dated properties charged at a relatively lower property management fee, and certain of our newly managed properties for the year ended 31 December 2018, including hospital, required extra initial staff costs.

The gross profit margin of community value-added and synergy services decreased from 52.9% for the year ended 31 December 2017 to 48.8% in the year ended 31 December 2018, primarily attributable to the decrease of revenue of smart community services which had a relatively higher gross profit margin.

The gross profit margin of value-added services to non-property owners increased from 12.1% for the year ended 31 December 2017 to 14.8% for the year ended 31 December 2018, mainly attributable to the fact that the increase in revenue generated was larger than the increase of the staff costs and sub-contracting cost for the relevant year.

As a result of the foregoing, our gross profit increased by 20.4% to RMB140.9 million for the year ended 31 December 2018 from RMB117.0 million for the year ended 31 December 2017 and our gross profit margin decreased from 26.2% for the year ended 31 December 2017 to 23.1% for the year ended 31 December 2018.

Other income

Our other income increased by 110.3% to RMB6.1 million for the year ended 31 December 2018 from RMB2.9 million for the year ended 31 December 2017 which was mainly attributable to the recognition of RMB2.2 million of gain on changes in fair value of financial assets measured at FVTPL attributable to the issuance of the ABS in December 2017.

Selling and marketing expenses

Our selling and marketing expenses were RMB0.1 million and RMB0.8 million for the year ended 31 December 2017 and 2018, respectively, which was mainly attributable to increase in expense an advertisement.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 15.7% to RMB90.4 million for the year ended 31 December 2018 from RMB78.1 million for the year ended 31 December 2017 which was mainly attributable to expansion of our business resulting in an increase in the size of management and administrative staff to support the increase in our business scale.

Net finance income

Our net finance income increased by 224.3% to RMB12.0 million for the year ended 31 December 2018 from RMB3.7 million for the year ended 31 December 2017, which was mainly attributable to the increase in interest income on amounts due from related parties, primarily due to the increase in the amounts granted to related parties during the relevant year, which was partially offset by the increase of finance costs in relation to the ABS during the relevant year.

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Income tax expense

Our income tax expense increased by 52.5% to RMB18.0 million for the year ended 31 December 2018 from RMB11.8 million for the year ended 31 December 2017 which was generally in line with the increase in our profit before tax.

Profit for the year

As a result of the foregoing, profit for the year increased by 49.2% to RMB48.5 million for the year ended 31 December 2018 from RMB32.5 million for the year ended 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal cash requirements were to pay for working capital needs and were funded through our cash at banks and net cash flows from operating activities. We currently do not expect any material change in the sources and uses of cash of our Group in the foreseeable future following the completion of the Spin-off.

The table below sets out our consolidated statements of cash flows for the year/period indicated:

	For the year ended 31 December			For the six months ended	
	2017	2018	2019	30 June	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash from operating activities	26,462	99,594	155,315	4,823	1,183
Net cash (used in)/from investing activities	(1,301,327)	213,757	51,357	91,275	1,105,173
Net cash from/(used in) financing activities	1,281,230	(309,326)	(181,921)	(92,358)	225,147
Net increase in cash and cash equivalents	6,365	4,025	24,751	3,740	1,331,503
Cash and cash equivalents at beginning of year/period	21,980	28,345	32,370	32,370	57,121
Cash and cash equivalents at end of year/period, represented by bank balances and cash	28,345	32,370	57,121	36,110	1,388,624

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Cash flows from operating activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our services, while our cash used in operating activities was principally for payment of staff costs, sub-contracting costs and purchase of materials.

For the six months ended 30 June 2020, our Group generated net cash from operating activities of RMB1.2 million which primarily reflected our profit before income tax of RMB86.4 million as mainly positively adjusted for interest expense in the amount of RMB27.8 million incurred on the ABS and negatively adjusted for interest income incurred mainly on amounts due from related parties in the amount of RMB43.5 million, gain on changes in fair value of financial assets measured at FVTPL in the amount of RMB14.7 million, changes in working capital in the amount of RMB34.7 million and income tax payment of RMB24.8 million. Such changes in working capital mainly consisted of RMB54.4 million in increase in contract liabilities primarily due to increase in prepayment for our property management services by our customers as a result of increase in the number of properties under management, which was partially offset by RMB86.4 million in increase in trade and other receivables which reflected the expansion of our business.

For the year ended 31 December 2019, our Group generated net cash from operating activities of RMB155.3 million which primarily reflected our profit before income tax of RMB93.7 million, as mainly positively adjusted for interest expense incurred mainly on the ABS in the amount of RMB55.7 million and changes in working capital in the amount of RMB97.4 million and negatively adjusted for interest income incurred on amounts due from related parties in the amount of RMB76.6 million, and income tax payment of RMB21.3 million. Such changes in working capital mainly consisted of RMB54.8 million in increase in contract liabilities primarily due to increase in prepayment for our property management services by our customers as a result of increase in the number of properties under management and RMB54.6 million in increase in trade and other payables which was generally in line with our business expansion, which was partially offset by RMB10.1 million in increase in trade and other receivables which reflected the expansion of our business.

For the year ended 31 December 2018, our Group generated net cash from operating activities of RMB99.6 million which primarily reflected our profit before income tax of RMB66.5 million, as mainly positively adjusted for interest expense incurred on the ABS in the amount of RMB63.9 million and changes in working capital in the amount of RMB51.4 million and negatively adjusted for interest income incurred on amounts due from related parties in the amount of RMB75.9 million, and income tax payment of RMB9.8 million. Such changes in working capital mainly consisted of RMB12.2 million in increase in contract liabilities primarily due to increase in prepayment for our property management services by our customers as a result of increase in the number of properties under management and RMB53.9 million in increase in trade and other payables which was generally in line with our business expansion, which was partially offset by RMB13.3 million in increase in trade and other receivables which reflected the expansion of our business.

For the year ended 31 December 2017, our Group had net cash from operating activities of RMB26.5 million which primarily reflected our profit before income tax of RMB44.3 million, as mainly positively adjusted for interest expense incurred on the ABS in the amount of RMB6.0 million, depreciation of property, plant and equipment in the amount of RMB2.1 million and negatively adjusted for interest income of RMB9.8 million mainly on amounts due from related parties, changes in working

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capital in the amount of RMB8.2 million and income tax payment of RMB10.0 million. Such changes in working capital mainly consisted of RMB5.5 million in increase in contract liabilities primarily due to increase in prepayment for our property management services by our customers as a result of increase in the number of properties under management and RMB57.2 million in increase in trade and other payables which was partially offset by RMB20.1 million in increase in trade and other receivables which reflected the expansion of our business and RMB50.0 million in increase in other financial assets resulting from subscription of subordinated tranche of the ABS.

Compared to the net cash from operating activities for each of the three years ended 31 December 2019 in the sum of RMB26.5 million, RMB99.6 million and RMB155.3 million, respectively, the net cash from operating activities for the six months ended 30 June 2019 and 2020 in the sum of RMB4.8 million and RMB1.2 million, respectively, was comparatively lower. The main reasons were that (i) most of the payment of value-added services to non-property owners was settled by year-end; and (ii) bonus payment to employees was settled in January or February each year, which caused the lower net cash from operating activities at the first half of each year.

Net cash (used in)/from investing activities

For the six months ended 30 June 2020, our Group had net cash from investing activities of RMB1,105.2 million which was primarily as a result of (i) loan repayment of RMB956.5 million from related parties; (ii) RMB291.3 million of proceeds from disposal of the Excluded Companies; (iii) RMB48.7 million of dividends received from the Excluded Companies and regarded as deemed contribution arising from the Reorganisation; and partially offset by (iv) RMB227.2 million of consideration paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from the Reorganisation.

For the year ended 31 December 2019, our Group had net cash from investing activities of RMB51.4 million which was primarily as a result of (i) RMB76.6 million of interest received from our loans to related parties; and (ii) RMB49.1 million of dividends received from the Excluded Companies and regarded as deemed contribution arising from the Reorganisation, partially offset by RMB54.6 million increase in amount due from related parties, primarily attributable to our loans to the related parties; and (iii) RMB15.7 million of investment in our associates, including Nanping Huihe and Xiamen Bairui.

For the year ended 31 December 2018, our Group had net cash from investing activities of RMB213.8 million which was primarily as a result of (i) RMB182.4 million of repayment of outstanding loans from related parties; (ii) RMB75.9 million of interest received primarily attributable to amount due from related parties; and (iii) RMB123.7 million of dividends received from the Excluded Companies and regarded as deemed contribution arising from the Reorganisation, partially offset by (iv) RMB114.0 million of considerations paid for acquisitions of subsidiaries under common control, including Huijia, Yijiayuan and Xiamen Zaijiayiju; and (v) RMB50.0 million of considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from the Reorganisation.

For the year ended 31 December 2017, our Group had net cash used in investing activities of RMB1,301.3 million which was primarily as a result of RMB1,265.4 million increase in amounts due from related parties.

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Net cash from/(used in) financing activities

For the six months ended 30 June 2020, our Group had net cash from financing activities of RMB225.1 million which was primarily as a result of (i) RMB254.5 million advances from related parties, partially offset by (ii) RMB27.4 million in interest we paid on the ABS.

For the year ended 31 December 2019, our Group had net cash used in financing activities of RMB181.9 million which was primarily as a result of (i) RMB124.9 million repayments for receipts under securitisation arrangements; and (ii) RMB55.4 million in interest paid on the ABS.

For the year ended 31 December 2018, our Group had net cash used in financing activities of RMB309.3 million which was primarily as a result of (i) RMB205.1 million repayments for receipts under securitisation arrangements; (ii) RMB57.3 million in interest paid on the ABS; and (iii) RMB45.1 million in repayment of loans from related parties.

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For the year ended 31 December 2017, our Group had net cash from financing activities of RMB1,281.2 million which was primarily as a result of RMB1,250.0 million proceeds from receipts under securitisation arrangements primarily attributable to proceeds received from the issuance of the ABS.

Net Current Assets

We recorded net current assets of RMB1,242.2 million, RMB1,039.4 million, RMB1,016.0 million, RMB1,172.1 million and RMB332.1 million as at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, respectively. The table below sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	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>
Current assets					
Inventories	755	1,528	3,415	1,518	1,579
Trade and other receivables	56,780	68,746	77,217	161,672	167,772
Amounts due from related parties	1,472,050	1,289,653	1,344,229	387,727	836,004
Restricted bank deposits	131	710	726	26,146	—
Cash and cash equivalents	<u>28,345</u>	<u>32,370</u>	<u>57,121</u>	<u>1,388,624</u>	<u>66,950</u>
	<u>1,558,061</u>	<u>1,393,007</u>	<u>1,482,708</u>	<u>1,965,687</u>	<u>1,072,305</u>
Current liabilities					
Trade and other payables	202,026	260,584	313,488	340,096	330,290
Contract liabilities	52,288	64,525	119,353	173,795	123,376
Amounts due to related parties	45,140	11	322	254,806	255,602
Income tax payables	15,817	25,799	30,717	22,115	28,317
Lease liabilities	<u>545</u>	<u>2,708</u>	<u>2,787</u>	<u>2,752</u>	<u>2,615</u>
	<u>315,816</u>	<u>353,627</u>	<u>466,667</u>	<u>793,564</u>	<u>740,200</u>
Net current assets	<u>1,242,245</u>	<u>1,039,380</u>	<u>1,016,041</u>	<u>1,172,123</u>	<u>332,105</u>

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Our net current assets decreased from RMB1,242.2 million as at 31 December 2017 to RMB1,039.4 million as at 31 December 2018 primarily due to (i) decrease in amounts due from related parties of RMB182.4 million as a result of loan repayment by related parties; (ii) increase in trade and other payables of RMB58.6 million which was in line with our business expansion; and (iii) increase in income tax payables of RMB10.0 million as a result of the increase in profit before income tax.

Our net current assets slightly decreased from RMB1,039.4 million as at 31 December 2018 to RMB1,016.0 million as at 31 December 2019 primarily due to (i) increase in trade and other payables of RMB52.9 million which was in line with our business expansion; and (ii) increase in contract liabilities of RMB54.8 million which was in line with our business expansion and increase in revenue, partially offset by (i) increase in loan amount due from related parties of RMB54.6 million; and (ii) increase in cash and cash equivalents of RMB24.8 million.

Our net current assets increased from RMB1,016.0 million as at 31 December 2019 to RMB1,172.1 million as at 30 June 2020 primarily due to (i) increase in cash and cash equivalents of RMB1,331.5 million which was primarily as a result of loan repayment of RMB956.5 million from related parties, partially offset by (ii) increase in advances from related parties of RMB254.5 million.

Our net current assets decreased from RMB1,172.1 million as at 30 June 2020 to RMB332.1 million as at 31 October 2020 primarily due to increase in amounts due from related parties of RMB448.3 million as a result of loan advancement to related parties and the repayment of the ABS in the sum of RMB870.0 million.

Working Capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including our internally generated funds, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this listing document.

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DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out selected items of our consolidated statements of financial position as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	6,086	7,761	9,063	24,711
Right-of-use assets	2,271	3,961	7,784	18,954
Interests in associates	—	—	13,423	—
Goodwill	—	—	—	578
Other financial assets	28,820	30,970	34,190	48,850
Deferred tax assets	1,875	4,205	5,892	5,420
	<u>39,052</u>	<u>46,897</u>	<u>70,352</u>	<u>98,513</u>
Current assets				
Inventories	755	1,528	3,415	1,518
Trade and other receivables	56,780	68,746	77,217	161,672
Amounts due from related parties	1,472,050	1,289,653	1,344,229	387,727
Restricted bank deposits	131	710	726	26,146
Cash and cash equivalents	28,345	32,370	57,121	1,388,624
	<u>1,558,061</u>	<u>1,393,007</u>	<u>1,482,708</u>	<u>1,965,687</u>
Current liabilities				
Trade and other payables	202,026	260,584	313,488	340,096
Contract liabilities	52,288	64,525	119,353	173,795
Amounts due to related parties	45,140	11	322	254,806
Income tax payables	15,817	25,799	30,717	22,115
Lease liabilities	545	2,708	2,787	2,752
	<u>315,816</u>	<u>353,627</u>	<u>466,667</u>	<u>793,564</u>
Non-current liabilities				
Lease liabilities	1,597	1,023	4,852	9,323
Receipts under securitisation arrangements	1,228,820	1,025,639	902,774	902,774
Deferred tax liabilities	—	538	1,343	9,943
	<u>1,230,417</u>	<u>1,027,200</u>	<u>908,969</u>	<u>922,040</u>
Net assets	<u>50,880</u>	<u>59,077</u>	<u>177,424</u>	<u>348,596</u>
Total equity	<u>50,880</u>	<u>59,077</u>	<u>177,424</u>	<u>348,596</u>

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Trade and other receivables

Trade receivables mainly arose from property management services managed on a lump sum basis, community value-added and synergy services and value-added services to non-property owners. Property management services income on a lump sum basis and income from our community value-added and synergy services and value-added services to non-property owners were received in accordance with the terms of the relevant services contracts. We generally issue payment notice to the property owners or residents for the property management services provided and property management fees are due and payable by the property owners upon the issuance of the payment notice. We generally do not grant credit term of fees of property management services, community value-added and synergy services and value-added services to non-property owners other than smart community services. Smart community services are received in accordance with the terms of the relevant service agreements, and we normally allow credit period ranged from five days to 60 days to our customers.

Other receivables mainly included payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

The table below sets out the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables				
— Third parties	37,797	45,343	52,751	99,172
— Related parties	2,277	1,067	779	39,693
Less: Provision for ECL allowance of trade receivables	(4,638)	(5,979)	(7,483)	(10,923)
	35,436	40,431	46,047	127,942
Bill receivables	—	—	—	3,541
	35,436	40,431	46,047	131,483
Other receivables				
Deposits	3,048	4,299	5,795	7,809
Prepayments	1,737	2,752	3,558	3,026
Other receivables	5,016	6,416	4,659	4,502
Payment on behalf of property owners ^(Note)	11,576	12,647	17,081	13,276
Value-added tax receivables	977	3,250	1,285	2,524
	22,354	29,364	32,378	31,137
Less: Provision for ECL allowance of other receivables	(1,010)	(1,049)	(1,208)	(948)
	21,344	28,315	31,170	30,189
	56,780	68,746	77,217	161,672

Note: The nature of payment on behalf of property owners was mainly payment for utility expenses on behalf of the property owners.

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Our trade receivables before provision for expected credit losses allowance increased from RMB40.1 million as at 31 December 2017 to RMB46.4 million as at 31 December 2018 and further to RMB53.5 million as at 31 December 2019 and RMB138.9 million as at 30 June 2020, which was mainly due to (i) the continuous expansion of our property management services business; and (ii) the settlement patterns of certain property owners and/or residents by which they are inclined to concentrate their payments at near year-end.

As at the Latest Practicable Date, RMB100.3 million, or 70.4% of our trade receivables as at 30 June 2020 had been subsequently settled, among which RMB39.5 million, or 27.7% of our trade receivables as at 30 June 2020, had been collected from the Remaining Xiamen C&D Group and the Remaining CDI Group; and RMB60.8 million, or 42.7% of our trade receivables as at 30 June 2020, had been collected from the Independent Third Parties.

Average turnover days

The table below sets out the average turnover days of our trade receivables by (i) the Remaining Xiamen C&D Group and the Remaining CDI Group; and (ii) the Independent Third Parties for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Average trade receivables turnover days	28	26	23	39
— The Remaining Xiamen C&D Group and the Remaining CDI Group	3	3	1	27
— Independent Third Parties	40	36	33	45

Note: Average trade receivables turnover days is calculated by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant year/period and multiplied by 365/182 days

Our average trade receivables turnover days were 28 days, 26 days, 23 days and 39 days for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. The decrease of our average trade receivables turnover days was due to the prompt settlement of trade receivables. The increase in average trade receivables turnover days for the six months ended 30 June 2020 as compared to each of the three years ended 31 December 2019 was primarily because the settlement patterns of certain property owners and/or residents may usually lead us to a higher average receivables turnover days at the middle of the year than that for the whole year. However, in the opinion of our Directors, taking into account (i) based on the credit and receipt records of the connected persons (i.e. the Remaining Xiamen C&D Group and the Remaining CDI Group), neither a larger balance of trade receivables nor a longer average receivables turnover days resulted from the connected persons may cause material credit risk for us, and during the Track Record Period, there had been no difficulties in collecting trade receivables from the connected persons; (ii) based on our past experience, current status and predictions on economic conditions in the future, no significant issues in relation to the recoverability of the trade receivables from Independent Third Parties are noted; and (iii) as at the Latest Practicable Date, 70.4% of the trade receivables as at 30 June 2020 had been settled subsequently, the

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increase in the trade receivables turnover days for the six months ended 30 June 2020 does not have a material adverse effect on our Group's cash flow and working capital requirements. Our average trade receivables turnover days by the Remaining Xiamen C&D Group and the Remaining CDI Group for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 were three days, three days, one day and 27 days, respectively. Our average trade receivables turnover days with the Independent Third Parties for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 were 40 days, 36 days, 33 days and 45 days, respectively. Our average trade receivables turnover days by the Remaining Xiamen C&D Group and the Remaining CDI Group were lower than that by the Independent Third Parties mainly because the Remaining Xiamen C&D Group and the Remaining CDI Group settled our trade receivables at the year-end.

Aging analysis of trade receivables and loss allowance

The table below sets out the aging analysis of our trade receivables, net of ECL allowance, based on the invoice date, as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
0–180 days	19,890	22,512	27,141	107,292
181–365 days	7,287	8,332	9,673	8,416
1–2 years	4,840	5,913	5,742	8,383
2–3 years	2,574	2,194	2,081	2,400
3–4 years	739	1,271	1,026	1,062
4–5 years	106	209	384	389
	<u>35,436</u>	<u>40,431</u>	<u>46,047</u>	<u>127,942</u>

In respect of our trade receivables from Independent Third Parties that were aged more than one year, our Directors are of the view that there is no material recoverability issue associated with these receivables based on our past experience, current conditions and forecasts of future economic conditions. The expected credit loss rates for trade receivables from Independent Third Parties that were aged more than one year used in the provision matrix are based on the historical collection cash flows received by us and our credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, the calculation of which reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date. During the Track Record Period, we did not incur significant credit loss associated with trade receivables from Independent Third Parties that were aged more than one year. In addition, we received settlement from Independent Third Parties for their trade receivables that were aged more than one year from time to time. We generally receive full settlement of our trade receivables within four years. Most of the outstanding balances of trade receivables at the end of the reporting period are from a large number of diversified property owners, therefore there is no significant concentration of credit risk and recoverability risk. We will continuously monitor and take follow-up actions, including sending reminders through different channels or even taking legal actions, to recover overdue trade receivables, set performance targets in relation to trade receivables collection and incentive schemes to motivate

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responsible personnel. We will also provide additional allowance for our trade receivables should the need arises. Based on the above, our Directors consider that our expected credit loss made for trade receivables from Independent Third Parties aged over one year is adequate as at the end of each period in the Track Record Period.

The table below sets out the aging analysis of our trade receivables with the Remaining Xiamen C&D Group and the Remaining CDI Group, net of ECL allowance, based on the invoice date, 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>
0–180 days	2,125	882	685	39,515
181–365 days	—	—	—	—
1–2 years	152	74	42	104
2–3 years	—	111	50	71
3–4 years	—	—	2	3
4–5 years	—	—	—	—
	<u>2,277</u>	<u>1,067</u>	<u>779</u>	<u>39,693</u>

The table below sets out the aging analysis of our trade receivables with Independent Third Parties, net of ECL allowance, based on the invoice date, 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>
0–180 days	17,765	21,630	26,456	67,777
181–365 days	7,287	8,332	9,673	8,416
1–2 years	4,688	5,839	5,700	8,279
2–3 years	2,574	2,083	2,031	2,329
3–4 years	739	1,271	1,024	1,059
4–5 years	106	209	384	389
	<u>33,159</u>	<u>39,364</u>	<u>45,268</u>	<u>88,249</u>

The majority of our trade receivables were due for less than 180 days, which accounted for 56.1%, 55.7%, 58.9% and 83.9% of trade receivables as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The majority of our trade receivables with the Remaining Xiamen C&D Group and the Remaining CDI Group were due for less than 180 days, which accounted for 93.3%, 82.7%, 87.9% and 99.6% of the trade receivables with the Remaining Xiamen C&D Group and the Remaining CDI Group as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. The majority of our trade

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receivables with Independent Third Parties were due for less than 180 days, which accounted for 53.6%, 54.9%, 58.4% and 76.8% of the trade receivables with Independent Third Parties as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, we applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9 and recognises a loss allowance based on lifetime expected credit losses at each reporting date, which is the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

The table below sets out the expected loss rates adopted and movement of the gross carrying amount of and loss allowance provision for our trade receivables from third parties as at the dates indicated:

	Expected loss rate	As at 31 December						As at 30 June	
		2017		2018		2019		2020	
		Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables									
— third parties									
Within 1 year	5%	26,371	(1,319)	31,540	(1,578)	37,995	(1,866)	80,194	(4,001)
1 to 2 years	10%	5,209	(521)	6,488	(649)	6,333	(633)	9,199	(920)
2 to 3 years	30%	3,677	(1,103)	2,975	(892)	2,902	(871)	3,327	(998)
3 to 4 years	50%	1,478	(739)	2,542	(1,271)	2,048	(1,024)	2,117	(1,058)
4 to 5 years	80%	529	(423)	1,046	(837)	1,921	(1,537)	1,944	(1,555)
Over 5 years	100%	533	(533)	752	(752)	1,552	(1,552)	2,391	(2,391)
		37,797	(4,638)	45,343	(5,979)	52,751	(7,483)	99,172	(10,923)

We make allowances on receivables based on assumptions about risk of default and expected loss rates. We used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Inventories

During the Track Record Period, our inventories mainly included intelligent equipment and software. Our inventories increased from RMB0.8 million as at 31 December 2017 to RMB1.5 million as at 31 December 2018 and further to RMB3.4 million as at 31 December 2019, which was generally in line with our business expansion. Our inventory as at 30 June 2020 was RMB1.5 million.

Our average inventory turnover days were one day, one day, two days and one day for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. Average inventory turnover days are derived by dividing the arithmetic mean of the opening and closing balances of inventory by cost of sales for the relevant year/period and multiplied by 365/182 days.

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Other financial assets

During the Track Record Period, our other financial assets consisted of subordinated tranche securities of the ABS held by our Group. Our other financial assets increased from RMB28.8 million as at 31 December 2017 to RMB31.0 million as at 31 December 2018 primarily due to gain on changes in fair value of financial assets measured at FVTPL.

Our other financial assets further increased to RMB34.2 million as at 31 December 2019 and to RMB48.9 million as at 30 June 2020 primarily due to gain on changes in fair value of financial assets.

The fair value of our Group's subordinated tranche securities during the Track Record Period has been arrived at on the basis of valuation carried out by an independent qualified valuer.

The fair value of subordinated tranche securities was determined by discounted cash flow model based on the discount rates of similar financial instruments. In relation to the valuation of the subordinated tranche securities, our Directors (i) reviewed the valuation report provided and the basis applied by the independent qualified valuer; and (ii) determined if the fair value measurement of Level 3 financial instruments is in compliance with the applicable HKFRS. Based on the above procedures, our Directors are of the view that the valuation is reasonable, and the related disclosures in the financial statements of our Group are properly prepared.

Grant Thornton Hong Kong Limited, our reporting accountant, has reviewed the valuations of the financial assets categorised within level 3 for the purpose of expressing their audit opinion on the historical financial information of our Group. Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy and the valuation techniques are disclosed in Note 32.7 of the section headed "Accountant's Report" in Appendix I to this listing document in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of the Appendix I of this listing document.

In respect of the valuation analysis on our Group's financial assets categorised within level 3, the Sole Sponsor has conducted relevant due diligence work, including (i) the review of Note 32.7 of the section headed "Accountant's Report" in Appendix I to this listing document and the relevant valuation report prepared by the valuer; (ii) discussions with our Company, the Reporting Accountant and the valuer about the key basis and assumptions for the valuation of the financial assets categorised within level 3 of our Company; and (iii) discussions with the Reporting Accountant in respect of the audit procedures they have conducted and their concurring views on the valuation methodologies, assumptions and results in this regard. Having considered the work done by and the views of our Directors and the Reporting Accountant as set out above, and the due diligence work performed above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company and the valuer, and reviewed by the Reporting Accountant.

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Interests in associates

Our interests in associates amounted to RMBNil, RMBNil, RMB13.4 million and RMBNil as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such amount mainly represented our interest in Nanping Huihe and Xiamen Bairui. Please refer to Note 15 of the section headed “Accountant’s Report” in Appendix I to this listing document for details of Nanping Huihe and Xiamen Bairui.

Amount due from related parties

Our amount due from related parties amounted to RMB1,472.1 million, RMB1,289.7 million, RMB1,344.2 million and RMB387.7 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such amount mainly included (i) interest-free loans; and (ii) loan amount of RMB212.8 million, RMB1,285.1 million, RMB812.6 million and RMBNil, bearing interests ranging from 5.9% to 6.4%, 5.9% to 6.8%, 6.3% to 6.8% and N/A per annum as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, including loans to Yi Yue from proceeds we received from the issuance of the ABS. Subsequent to 30 June 2020, all outstanding balance of amount due from related parties had been settled. Amount due from the related parties was settled via cash paid by the corresponding related parties to the Group. The source of funding for such related parties was, to the best of the Group’s knowledge, information and/or belief, mainly internal resources of the corresponding related parties.

Trade and other payables

Trade payables primarily represent our obligations to pay for goods and services that have been acquired in our ordinary course of business from suppliers, such as purchase of utilities, materials and engagement of sub-contractors.

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The table below sets out the breakdown of our trade and other 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				
— Third parties	<u>3,066</u>	<u>9,927</u>	<u>17,649</u>	<u>35,455</u>
Other payables				
Accrued charges and other payables	25,490	35,935	47,287	32,585
Amounts collected on behalf of property owners	47,003	53,944	63,900	71,120
Deposit received	46,530	52,198	63,153	73,951
Interest payables	5,906	10,687	9,140	9,519
Payables for acquisition of a subsidiary	—	—	—	24,000
Value-added tax payable	6,834	10,808	9,730	9,627
Staff costs and welfare accruals	<u>67,197</u>	<u>87,085</u>	<u>102,629</u>	<u>83,839</u>
	<u>198,960</u>	<u>250,657</u>	<u>295,839</u>	<u>304,641</u>
	<u>202,026</u>	<u>260,584</u>	<u>313,488</u>	<u>340,096</u>

Our trade payables to third parties increased from RMB3.1 million as at 31 December 2017 to RMB9.9 million as at 31 December 2018 and further to RMB17.6 million as at 31 December 2019 and RMB35.5 million as at 30 June 2020, primarily due to the expansion of our business which led to the increase in goods and services required in our ordinary course of business from suppliers. As at the Latest Practicable Date, RMB34.3 million, or 96.8%, of our trade payables as at 30 June 2020 had been subsequently settled.

Our other payables included primarily:

- accrued charges and other payables, which included primarily other payables to third-parties;
- amount collected on behalf of property owners, which included primarily amount in public areas maintenance funds and utility collected from residents;
- deposit received, which included primarily deposit paid to us in our home beauty services; and
- staff costs and welfare accruals, which included primarily salaries and bonuses to be paid to employees.

Our other payables increased from RMB199.0 million as at 31 December 2017 to RMB250.7 million as at 31 December 2018 and further to RMB295.8 million as at 31 December 2019 and RMB304.6 million as at 30 June 2020 which was generally in line with our business growth.

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Aging analysis of trade payables

The table below sets out the aging analysis of our trade payables, based on the invoice date, 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>
0 to 30 days	2,663	8,231	9,198	25,853
31 to 60 days	180	921	4,021	2,277
61 to 90 days	9	15	1,595	781
Over 90 days	214	760	2,835	6,544
	<u>3,066</u>	<u>9,927</u>	<u>17,649</u>	<u>35,455</u>

Average trade payables turnover days

The table below sets out the average trade payables turnover days for the year/period indicated:

	For the year ended 31 December			For the six months ended 30 June
	2017	2018	2019	2020
Average trade payables turnover days (days)	<u>11</u>	<u>16</u>	<u>23</u>	<u>42</u>

Note: Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales (excluded staff cost) for the relevant year/period and then multiplied by the number of days in the relevant year/period.

Our average trade payables turnover days were 11 days, 16 days, 23 days and 42 days for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. The annualised turnover days for the six months ended 30 June 2020 was higher because most of our trade payables outstanding as at 30 June 2020 are expected to be settled at the end of 2020.

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Contract Liabilities

Our contract liabilities represent advance payments made by the customers of our property management services and community value-added and synergy services while the underlying services are yet to be provided. Our contract liabilities increased from RMB52.3 million as at 31 December 2017 to RMB64.5 million as at 31 December 2018, and further to RMB119.4 million as at 31 December 2019 and RMB173.8 million as at 30 June 2020, which was in line with the growth of our business. Our contract liabilities decreased from RMB173.8 million as at 30 June 2020 to RMB123.4 million as at 31 October 2020 because of the revenue recognition of RMB126.1 million and advance payments made by the customers of RMB75.7 million for our property management services and community value-added and synergy services during the four months ended 31 October 2020.

Amounts due to related parties

Our amounts due to related parties represent cash advances from our related parties from time to time, which were non-trade in nature, interest-free, unsecured and repayable on demand. The cash advances from our related parties formed part of the centralized treasury management conducted by CDI Group prior to the Spin-off. Subsequent to 30 June 2020, all outstanding balance of amounts due to related parties had been settled.

Receipts under securitisation arrangements

Our receipts under securitisation arrangements amounted to RMB1,228.8 million, RMB1,025.6 million, RMB902.8 million and RMB902.8 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Such amount represents proceeds received from the issuance of the ABS in December 2017, which was collateralised by certain of our future trade receivables from property management services less amounts repaid. In December 2017, Yijiayuan issued the ABS with the principal amount of RMB1,250 million which was backed by the account receivables for the balance payments of property management fees to be received by Yijiayuan. The ABS was issued on the Shanghai Stock Exchange in two tranches, with the first tranche being the senior tranche with an issue amount of RMB1,200 million; and the second tranche being the subordinated tranche with an issue amount of RMB50 million. The rationale for the issuance of the ABS was to enlarge the financing channels and obtain low-cost funds for the Remaining CDI Group and the proceeds from the issuance of the ABS was for the general working capital of Yi Yue, the principal business of which is property investment and development businesses. The ABS had effective interest rates ranging from 5.93% to 6.64% per annum and are repayable in July 2026. We held all subordinated tranche securities and the senior tranche securities were guaranteed by C&D Real Estate. For details in relation to the impact on our Group's profit, total equity and gearing ratio during the Track Record Period as a result of the exclusion of ABS related interest income and interest expenses, please refer to the paragraphs headed “— Period to Period Comparison — Profit for the year/period” and “— Key Financial Ratios — Gearing ratio” in this section. As at 1 July 2020, the outstanding balance of the ABS amounted to RMB902.8 million. ABS of RMB480.0 million was redeemed in July 2020. ABS of RMB390.0 million was further redeemed in October 2020, and as at 31 October 2020, the outstanding balance of the ABS amounted to RMB32.8 million. From December 2017 to 31 October 2020, ABS of RMB1,200.0 million had been redeemed. The guarantee from C&D Real Estate was released upon the redemption of the ABS on 27 November 2020 and all receipts under the ABS were repaid using our internal resources in full on 27 November 2020. We cannot predict or guarantee if we will provide another loan to any parties in the

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future. There is no assurance that we will continue to receive any interest income for future financial years and our financial position may be adversely affected accordingly. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry — The interest income related to the ABS during the Track Record Period was non-recurring in nature” in this listing document. According to China Index Academy, the issuance of asset-backed securities which are backed by property management fees are common industry practice, given that as at 30 October 2020, there were 63 asset-backed securities which were backed by property management fees issued in the PRC. As at the Latest Practicable Date, our Group did not have any intention to carry out similar financing arrangement going forward. For more details, please refer to the paragraphs headed “— Related Party Transactions and Balances” in this section below.

Our PRC Legal Advisers advised 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 and was amended on 20 August 2020. 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 did not receive any notice of claim and were not subject to any investigation or penalty relating to the interest-bearing loans to related parties. As advised by our PRC Legal Advisers, (i) PRC courts will support a company’s claim for interest in respect of such loans as long as the annual interest rate does not exceed four times the loan prime rate for one-year loan published by the National Interbank Funding Center when the related lawsuit is brought under the Judicial Interpretations on Private Lending Cases; and (ii) there are few cases that companies have been penalised for interest-bearing loans to their related parties by the PBOC. Based on the above, our PRC Legal Advisers are of the view that the risk that we would be subject to any penalty with respect to the interest-bearing loans to related parties pursuant to the General Lending Provisions by the relevant regulatory authorities is low, and the interest-bearing loans to related parties do not constitute material non-compliance of laws and regulations, and do not have a material adverse impact on the Listing.

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INDEBTEDNESS

The table below sets out our indebtedness as at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, being the latest practicable date for the purpose of indebtedness statement:

	As at 31 December			As at 30 June	As at 31 October
	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>
Current liabilities					
Amounts due to related parties	45,140	11	322	254,806	255,602
Lease liabilities	<u>545</u>	<u>2,708</u>	<u>2,787</u>	<u>2,752</u>	<u>2,615</u>
	<u>45,685</u>	<u>2,719</u>	<u>3,109</u>	<u>257,558</u>	<u>258,217</u>
Non-current liabilities					
Lease liabilities	1,597	1,023	4,852	9,323	9,323
Receipts under securitisation arrangements	<u>1,228,820</u>	<u>1,025,639</u>	<u>902,774</u>	<u>902,774</u>	<u>32,774</u>
	<u>1,230,417</u>	<u>1,026,662</u>	<u>907,626</u>	<u>912,097</u>	<u>42,097</u>
Total	<u><u>1,276,102</u></u>	<u><u>1,029,381</u></u>	<u><u>910,735</u></u>	<u><u>1,169,655</u></u>	<u><u>300,314</u></u>

Our Directors confirm that our Group did not have any unutilised banking facilities, other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or material covenants as at 31 October 2020, being the latest practicable date for the purpose of indebtedness statement, and up to the Latest Practicable Date.

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Lease liabilities

We lease various properties in the PRC mainly as our offices and building, and these lease liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid. Rental contracts are typically made for fixed periods of three to 20 years. Our current lease liabilities amounted to RMB0.5 million, RMB2.7 million, RMB2.8 million, and RMB2.8 million and our non-current lease liabilities amounted to RMB1.6 million, RMB1.0 million, RMB4.9 million, and RMB9.3 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The general increase in lease liabilities in 2017, 2018, and 2019 was primarily due to the fact that more lease agreements were entered into during the relevant year. Our lease liabilities as at 30 June 2020 increased because we acquired Xiamen Bairui during the relevant period, which had a lease arrangement for the Yibai Centre with the local government.

CAPITAL EXPENDITURES

Our Group's capital expenditure principally consists of expenditures on acquisitions of property, plant and equipment. During the Track Record Period, we incurred capital expenditures for purchase of property, plant and equipment. The table below sets out the breakdown of our capital expenditures 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>
Payments for purchase of property, plant and equipment	<u>2,015</u>	<u>4,267</u>	<u>4,032</u>	<u>1,829</u>

We currently expect our capital expenditures for the year ending 31 December 2020 to be RMB6.9 million, of which RMB3.9 million has been used for the acquisition of property, plant and equipment, as at the Latest Practicable Date.

CAPITAL COMMITMENTS

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our capital commitments were RMBNil, RMB24.5 million, RMB11.3 million and RMB1.5 million, respectively, which represented capital contracted for but not provided for subscribed capital in associates, namely, Nanping Huihe and Xiamen Bairui.

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The details of the associates of our Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 are set out below:

Name	Form of business structure	Country/ place of incorporation and operation	Particulars of registered capital	Proportion of effective interest held				Principal activities
				As at 31 December			As at	
				2017	2018	2019	30 June 2020	
Nanping Huihe (Note 1)	Incorporated	PRC	RMB5,000,000	—	—	49%	49%	Property management services
Xiamen Bairui (Note 2)	Incorporated	PRC	RMB50,000,000	—	49%	49%	100%	Provision of elderly-care & health value-added services

Notes:

- During the year ended 31 December 2019, our Group has injected capital to Nanping Huihe amounting to RMB980,000 and subscribed for RMB1,470,000 registered capital of Nanping Huihe, representing 49% of its total registered capital.

In accordance with PRC corporation laws, the subscriber has to pay in respective amounts of subscribed capital in prescribed schedule or when those amounts fall due. The subscriber is liable to any liabilities of the underlying entity up to the respective amounts subscribed. As at 31 December 2019 and 30 June 2020, the registered capital of Nanping Huihe has not been paid up in full.

- During the year ended 31 December 2018, our Group has subscribed for RMB24,500,000 registered capital of Xiamen Bairui, representing 49% of its total registered capital.

During the year ended 31 December 2019, our Group has injected capital to Xiamen Bairui amounting to RMB14,700,000.

In May 2020, our Group and the other Independent Third Party investor injected additional capital in accordance with their proportion of subscribed capital in Xiamen Bairui amounting to RMB7,350,000 and RMB7,650,000, respectively. Upon the completion of such investment, our Group's equity interests in Xiamen Bairui remain unchanged.

On 29 June 2020, our Group acquired 51% additional equity interests of Xiamen Bairui from an Independent Third Party at a cash consideration of RMB24,000,000. As a result, our Group's equity interests in Xiamen Bairui increased from 49% to 100%. Accordingly, our Group is able to control over Xiamen Bairui by directing the relevant activities of Xiamen Bairui. Xiamen Bairui became our subsidiary.

On 18 November 2020, Xiamen Yirui entered into an equity transfer agreement with a related company of Shanghai Bairen, pursuant to which Xiamen Yirui has conditionally agreed to sell, and the related company of Shanghai Bairen has conditionally agreed to acquire 20% equity interests of Xiamen Bairui at a cash consideration of RMB10 million and the net assets value of Xiamen Bairui at the completion date was RMB44.3 million. The disposal of 20% equity interests of Xiamen Bairui was completed in December 2020.

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CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019, 30 June 2020 and 31 October 2020, save as disclosed in the paragraph headed “— Description of Certain Items of Consolidated Statements of Financial Position — Receipts under securitisation arrangements” in this section above, we did not have any banking facilities, any unutilised banking facilities or any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges. As at 31 December 2017, 2018, 2019 and 30 June 2020, our Group and our Company did not have any significant contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, 60.2%, 54.6%, 44.1% and 43.9% of number of projects under our management was developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. For more details, please refer to the paragraphs headed “Business — Overview” and “Business — Property Management Services — Source of revenue/projects” in this listing document.

During the Track Record Period, we granted loans and received loan advances from affiliated companies from time to time as part of the internal fund management of Xiamen C&D.

The amounts due from/(to) related parties were non-trade in nature, unsecured, interest-free and repayable on demand, except for amounts due from related parties of RMB212.8 million, RMB1,285.1 million, RMB812.6 million and RMBNil, which bore annual interest rates ranging from 5.9% to 6.4%, 5.9% to 6.8%, 6.3% to 6.8% and N/A as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. For further details, please refer to Notes 22 and 29 of the section headed “Accountant’s Report” in Appendix I to this listing document.

Our Directors confirm that subsequent to 30 June 2020, all outstanding balance of amounts due from/(to) related parties had been settled and we will not have loan transactions with related parties going forward.

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KEY FINANCIAL RATIOS

The table below sets out our key financial ratios for the year/period or as at the dates indicated:

	As at/For the year ended 31 December			As at /For the six months ended
	2017	2018	2019	30 June 2020
Quick ratio <i>(Note 1)</i>	4.9	3.9	3.2	2.5
Current ratio <i>(Note 2)</i>	4.9	3.9	3.2	2.5
Net debt to equity ratio <i>(Note 3)</i>	Net cash position	Net cash position	Net cash position	Net cash position
Gross profit margin (%) <i>(Note 4)</i>	26.2	23.1	22.9	24.3
Net profit margin (%) <i>(Note 5)</i>	7.3	8.0	8.5	13.6
Return on equity (%) <i>(Note 6)</i>	55.7	88.2	57.7	23.4
Return on total assets (%) <i>(Note 7)</i>	3.5	3.2	4.6	3.4
Gearing ratio (%) <i>(Note 9)</i>	2,363.6	1,687.6	480.9	Net cash position

Notes:

1. Quick ratio was calculated by total current assets less inventories divided by total current liabilities as at the date indicated.
2. Current ratio was calculated by total current assets divided by total current liabilities as at the date indicated.
3. Net debt to equity ratio was calculated based on the total debt (of which debt represents interest-bearing bank and other borrowings excluding ABS and lease liabilities) net of cash and cash equivalents divided by the total equity as at the end of the corresponding year/period.
4. Gross profit margin was calculated by gross profit for the year/period divided by revenue for the year/period.
5. Net profit margin was calculated by profit for the year/period divided by revenue for the respective year/period.
6. Return on equity was calculated by net profit for the respective years/periods divided by the arithmetic mean of the opening and closing balance of total equity for the respective year/periods and multiplied by 100%.
7. Return on total assets was calculated by net profit for the respective years/periods divided by the arithmetic mean of the opening and closing balance of total assets of the respective years/periods and multiplied by 100%.
8. Return on equity and return on total assets have been annualised for illustrative purpose only and is not indicative of the full financial year result.
9. Gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by total equity as at the date indicated and multiplied by 100%.

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Quick ratio and current ratio

As at 31 December 2017, 2018 and 2019 and 30 June 2020, our quick ratios were 4.9, 3.9, 3.2 and 2.5, and our current ratio were 4.9, 3.9, 3.2 and 2.5, respectively. The decreases in our quick and current ratios were mainly because of an increase in trade and other payables and contract liabilities.

Gross profit margin and net profit margin

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, our gross profit margin was 26.2%, 23.1%, 22.9% and 24.3%, respectively, and our net profit margin was 7.3%, 8.0%, 8.5% and 13.6%, respectively. Please refer to the paragraph headed “— Period to Period Comparison” in this section above for discussion on their fluctuations.

Return on equity

Our return on equity increased from 55.7% for the year ended 31 December 2017 to 88.2% for the year ended 31 December 2018, primarily due to an increase of profit for the year from RMB32.5 million for the year ended 31 December 2017 to RMB48.5 million for the year ended 31 December 2018 and the decrease in average total equity (being the arithmetic mean of the opening and closing balance of total equity for the respective year/period) caused by the net effect of the deemed contribution and deemed distribution arising from the Reorganisation. Our return on equity decreased to 57.7% for the year ended 31 December 2019, primarily due to the fact that an increase in the average total equity was larger than the increase in profit for the year. Our return on equity for the six months ended 30 June 2020 was 23.4%, primarily due to an increase in average total equity caused by the net effect of the deemed contribution and deemed distribution arising from the Reorganisation. For details, please refer to Notes 1.2, 1.3, 2.1 and 27 of the section headed “Accountant’s Report” in Appendix I to this listing document.

Return on total assets

Our return on total assets remained stable for each of the two years ended 31 December 2018. Our return on total assets increased from 3.2% to 4.6% for the year ended 31 December 2019. The increase was mainly attributable to the increase in our profit for the year while our total assets remained relatively stable. Our return on total assets was 3.4% for the six months ended 30 June 2020. The decrease was mainly attributable to the increase in our total assets for the six months ended 30 June 2020.

Gearing ratio

Our gearing ratio as at 31 December 2017, 2018, 2019 and 30 June 2020 was 2,363.6%, 1,687.6%, 480.9% and N/A, respectively. Our gearing ratio decreased from 2,363.6% as at 31 December 2017 to 1,687.6% as at 31 December 2018, which was mainly due to the repayment of the ABS amounting to RMB 205.1 million. Our gearing ratio decreased further from 1,687.6% as at 31 December 2018 to 480.9% as at 31 December 2019 which was mainly due to the repayment of the ABS amounting to RMB124.9 million. We had a positive net cash position as at 30 June 2020, which was primarily due to the increase in cash and cash equivalents resulting from the recovery of receivables due from related parties.

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During the Track Record Period, we recorded significant amount of interest expenses and interest income in relation to the ABS and loans to Yi Yue. Our adjusted total equity as at 31 December 2017, 2018, 2019 and 30 June 2020 would have been RMB55.3 million, RMB64.3 million, RMB183.5 million and RMB353.6 million, respectively, and our adjusted gearing ratios would have been 2,174.4%, 1,550.8%, 464.9% and N/A as at the respective dates. For details, please refer to the paragraph headed “— Non-HKFRS Measures” in this section above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In our normal course of business, we are exposed to various types of financial risks including credit risk, liquidity risk and market risk (including, among other things, interest rate risk). Please refer to Note 32 of the section headed “Accountant’s Report” in Appendix I to this listing document for further details.

Credit risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties. Our Group’s maximum exposure to credit risk in relation to financial assets is limited to the carrying amounts as at 31 December 2017, 2018 and 2019 and 30 June 2020.

For our cash and cash equivalents and restricted bank deposits, as they were placed at banks with high-credit ratings assigned by international credit-rating agencies, our Group considers that the risk of default is low based on market information and the credit risk is insignificant.

For our trade receivables, as our Group has a large number of customers and there was no concentration of credit risk. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverability of these receivables at each reporting date based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity risk

We are exposed to liquidity risk whereas our Group may not be able to meet our obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Our objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet our liquidity requirements in the short and longer term.

Interest rate risk

Our Group’s interest-bearing assets and liabilities are mainly amounts due from related parties, receipts under securitisation arrangements and lease liabilities, which are at fixed rates and it exposes us to fair value interest-rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arises.

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Other price risk

Our Group has been exposed to the price risk of subordinated tranche securities in connection with the financial assets measured at FVTPL. We manage the equity price risk by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to our senior management on a regular basis. Our Directors review and approve all equity investment decisions.

DISCLOSURES UNDER RULES 13.13 TO 13.19 OF 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 obligations under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

During the Track Record Period, we did not incur any listing expenses for the Listing. We expect to incur listing expenses of RMB28.5 million by the completion of the Spin-off and the Listing, of which an estimated amount of RMB17.2 million will be borne by CDI and RMB11.3 million will be borne by our Group. The listing expenses to be incurred are not related to any issue of new Shares of our Company as the Listing will be by way of introduction and the CDI Distribution and no funding will be obtained through the Listing, and therefore, such listing expenses of RMB11.3 million will not be capitalised and will be charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2020.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVE

In July 2017, a final dividend of RMB3,500,000 was proposed, approved and paid by our subsidiary, Huijia, to its then shareholders. In January 2020, dividends of RMB1,020,000 and RMB465,000 were proposed, approved and paid by our subsidiaries, Chengdu Yijiayuan and Changsha Yisheng respectively, to their then shareholder, Xiamen Pinchuan.

Save for the above, we did not declare any dividend to our Shareholders during the Track Record Period and no dividend had been proposed or declared by our Group after the Track Record Period and up to the Latest Practicable Date. Our Company currently does not have any predetermined dividend payout ratio. The declaration, payment and amount of dividends will be subject to our Directors' discretion. The amount of our dividends, if paid, would depend on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that our Directors may consider relevant. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid in the future. We cannot assure that dividends will be paid in the future or as to the timing of any dividends that may be paid in the future. Dividends may be paid only out of our distributable reserve as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. Our Shareholders will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. As at the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders. Our Company did not have any share premium or retained earnings for such distribution as at the Latest Practicable Date.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this listing document for our unaudited pro forma adjusted consolidated net tangible assets.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

COVID-19 pandemic

On 30 January 2020, the outbreak of COVID-19 was declared by WHO as a Public Health Emergencies of International Concern. In March 2020, WHO declared COVID-19 outbreak a pandemic.

The outbreak of COVID-19 has impacted on China’s macroeconomy and certain industries such as property development and catering during early 2020. However, the COVID-19 outbreak has only a short-term impact on China’s macroeconomy conditions, the property development and property management industry. According to China Index Academy, both the economic environment and the property development industry in the PRC (including the Fujian Province) has been returning back to normal, without unforeseen circumstances. In addition, despite the impact of the COVID-19, the urban unemployment rate nationwide maintained relatively stable in the first quarter of 2020 as compared with those from 2015 to 2019. In light of the recovering real estate market and the stable employment environment, it is expected that the ability of residential property owners or residents to pay property management fees would not be materially and adversely affected, according to China Index Academy. As the management of residential properties is the major business of the majority of property management companies in the PRC, it is expected that the COVID-19 would not materially and adversely affect the property management industry in the PRC. For details of the impact of the COVID-19 on the macroeconomic conditions and the real estate market in the PRC and the Fujian Province, please refer to the paragraph headed “Industry Overview — Impact of COVID-19 Outbreak on the Property Development and Property Management Industry in the PRC and the Fujian Province” in this listing document.

The COVID-19 pandemic had a short term impact on our business operation. During the period from January 2020 to the Latest Practicable Date, our property management services and community value-added and synergy services were not materially affected by the COVID-19 pandemic. Our Group was able to fulfil our obligation under any of our existing projects. Our property management services and community value-added and synergy services had not been terminated nor suspended and our GFA under management increased by 3.9 million sq.m. under 62 property management services contracts with our total GFA under management reached 23.6 million sq.m. from 1 January 2020 to the Latest Practicable Date. Our key financial indicators in relation to our property management services and community value-added and synergy services, including revenue, gross profit and gross profit margin for the six months ended 30 June 2020 remained stable as compared with those for the six months ended 30 June 2019 and our annual collection rate of property management fees for the six months ended 30 June 2020 was higher than the rate for the six months ended 30 June 2019.

During the period from January 2020 to the Latest Practicable Date, most of our value-added services to non-property owners were not materially affected by the COVID-19, though our value-added services to non-property owners in Wuhan, Hubei Province (i.e. consultancy services to property developers) had been temporarily suspended due to the close of property sales venues and the suspension of property development process as required by the government authorities nationwide. However, as the

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temporary suspension of our reception, order maintenance and cleaning services was caused by the suspension of the property developers' pre-sales activities and our fees are generally paid in accordance with work progress, we were still entitled to collect our service fees for such services for our work done during the temporary suspension period according to the contractual arrangements with our customers. Our value-added services to non-property owners in Wuhan had been resumed normal since May 2020. Our revenue derived from the provision of value-added services to non-property owners for the six months ended 30 June 2020 increased as compared to the six months ended 30 June 2019. Based on the above, we do not expect the COVID-19 would have any material adverse impact on our value-added services to non-property owners.

As at the Latest Practicable Date, we did not have any project located in the Hubei Province under our management while we had provided community value-added and synergy services (reception, order maintenance and cleaning services) to two non-property owners in Wuhan. Our value-added services to non-property owners (i.e. consultancy services to property developers) in Wuhan were resumed normal in May 2020. As at the Latest Practicable Date, we had a total of 35 employees located in the Hubei Province. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, we generated revenue of RMBNil, RMBNil, RMB6.4 million and RMB3.0 million, respectively, from our operations in the Hubei Province, representing N/A, N/A, 0.8% and 0.7% of our total revenue, respectively. We also have operations in Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Hunan Province and Sichuan Province where once had many confirmed cases but we have a significant portion of our operations situated in the Fujian Province where the condition is relatively mild as compared to the Hubei Province and the aforesaid provinces. The number of onsite service staff of our Group as at 30 June 2020 increased as compared to that as in January 2020 before the COVID-19 outbreak. Such increase was mainly due to (i) our Group's geographical coverage covers many cities which were less affected by the COVID-19 pandemic; (ii) the COVID-19 pandemic has been largely contained in the PRC since March 2020; and (iii) since then our Group has been expanding its business.

Due to the impact of COVID-19, our Group incurred less social insurance contribution in the sum of RMB12.5 million due to exemptions by the PRC government during the Track Record Period. Further, such social insurance exemption granted to our Group amounted to RMB8.8 million for the period from 1 July 2020 to 30 November 2020. Our Group estimated that such social insurance exemption to be granted for December 2020 will amount to RMB1.4 million. Save as disclosed above, our Group did not receive any other exemption or allowance from the PRC government due to the impact of COVID-19. Whether our Group may receive exemption or allowance from the PRC government in the future shall be subject to the relevant applicable policies of the PRC government (if any). Our Directors confirmed that the amount of the social insurance exemption is material.

During the period from January 2020 to the Latest Practicable Date, we had not experienced any labour shortage caused by the COVID-19 or material difficulties in collecting property management fees. During the period from January 2020 to the Latest Practicable Date, we had not encountered any material disruption on the services provided by our suppliers, sub-contractors and utilities service providers and supply of materials from our suppliers. Our Directors do not expect that we will encounter any material disruptions of our supply chain given that we do not rely on any one particular supplier and/or sub-contractor and substitutes of such services or products are easily accessible.

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To the best knowledge of our Directors and after consulting C&D Real Estate and the Remaining CDI Group, we do not anticipate there will be any (i) material delay in property development and delivery process and pre-sales activities; and (ii) material termination of sales and purchase agreements by the property purchasers in relation to the property development of the Remaining Xiamen C&D Group, the Remaining CDI Group and Independent Third Party property developers as a result of the outbreak of COVID-19. Given the above, our Group did not experience any delay in the provision of property management services as a result.

Our Group has complied with the relevant regulations and measures implemented by the government in relation to the COVID-19 pandemic, including but not limited to hygienic and precautionary measures in terms of property management.

To prevent the transmission of the COVID-19 within the properties under our management, we have promptly taken enhanced hygienic and precautionary measures against the COVID-19 under our emergency response since late January 2020. These measures include (i) regularly cleaning and disinfecting the public areas in our managed properties; (ii) monitoring the physical conditions of the property owners, residents and visitors at our managed properties by measuring their body temperatures and implementing strict access control; (iii) requiring our staff to wear suitable protective gear, such as gloves and face masks; (iv) promoting personal hygiene among our employees as well as property owners and residents of the properties we manage; and (v) enabling contactless door opening service with the use of our mobile application “Huishenghuo* (慧生活)”. As at 30 June 2020, we incurred an aggregate cost of RMB5.0 million for the implementation of the enhanced hygienic measures, purchase of epidemic prevention supplies and the overtime pay and performance bonus for our employees who worked overtime or performed well in the implementation of preventive measures in response to the COVID-19. Up to the Latest Practicable Date, none of our onsite employees was infected by the COVID-19.

We may continue to purchase medical and cleaning supplies in the near future to ensure the safety of our employees, the cost of which we believe would not be material to our financial performance. Based on a preliminary assessment, our Directors confirm that the costs associated with the enhanced measures would have no significant impact on our financial position or results of operations for the year ending 31 December 2020.

Our Directors confirm that (i) our operations in the Hubei Province did not constitute a significant portion of our overall business in terms of revenue contribution during the Track Record Period; (ii) we did not experience any labour shortage caused by the COVID-19; (iii) we expect we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this listing document; (iv) our property management services and community value-added and synergy services had not been terminated nor suspended and our results of operations for value-added services to non-property owners had not been materially and adversely affected; (v) even though our annual collection rate of property management fees for the six months ended 30 June 2020 was 63.5%, since our annual collection rate of property management fees for the six months ended 30 June 2020 (63.5%) was even higher than the rate for the six months ended 30 June 2019 (59.7%) and well above the expected annual collection rate of property management fees as at 30 June 2020 of 50% (i.e. the percentage of the expected annual property management fees for the year ending 31 December 2020 ought to be collected as at 30 June 2020), and the current collection rate for the six months ended 30 June 2020 (which was calculated by (a) the property management fees collected as at 30 June 2020

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divided by (b) the property management fees receivable as at 30 June 2020) was 82.2%, which well exceeded that for the six months ended 30 June 2019 of 78.9%, we do not expect to experience any material difficulty in collecting property management fees; and (vi) the impact on the PRC's economy and real estate market has gradually recovered since April 2020. As such, we do not expect the outbreak of COVID-19, including its impact on the overall economy of the PRC, would have any material adverse impact on our business operation and results of operations for the year ending 31 December 2020. In addition, although we plan to explore our business operation in Central China, we do not expect the outbreak of COVID-19 would have any material adverse impact on our business strategies as we may also explore business opportunities, acquisition or investment target in other provinces and regions. However, we are still subject to certain risks caused by the COVID-19. Please refer to the paragraphs headed "Business — The Impact of COVID-19 on Our Business" and "Risk Factors — Risks Relating to our Business and Industry — We face certain risks associated with the outbreak of COVID-19" in this listing document for details.

Early redemption of ABS

In July 2020, October 2020 and November 2020, receipts under securitisation arrangements of RMB480.0 million, RMB390.0 million and RMB50.0 million were early redeemed respectively by our Group respectively and it is estimated that a loss on early redemption of RMB17 million would be recognised. The guarantee by C&D Real Estate in relation to the senior tranche securities was released in November 2020.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of eight Directors, of whom two are executive Directors, two are non-executive Directors and four are independent non-executive Directors. Our Board is responsible and has general power for the management and conduct of our business. The table below sets out certain information in respect of our Directors:

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group/the Xiamen C&D Group</u>	<u>Position</u>	<u>Date of appointment as Director</u>	<u>Principal responsibilities</u>	<u>Relationship with other Directors or senior management</u>
Mr. Zhuang Yuekai (庄躍凱)	55	July 1986	Chairman of the Board and non-executive Director	22 September 2020	Responsible for advising on the overall development of our Group	Nil
Ms. Qiao Haixia (喬海俠)	45	December 1999	Executive Director and chief executive officer	22 September 2020	Responsible for overall business strategy, daily management and operation of our Group	Nil
Mr. Huang Danghui (黃黨輝)	49	April 1999	Executive Director	22 September 2020	Responsible for daily management and operation of our Group	Nil
Mr. Lin Weiguo (林偉國)	42	September 2007	Non-executive Director	22 September 2020	Responsible for advising on the overall development of our Group	Nil
Mr. Cheung Kwok Kwan (張國鈞)	46	23 December 2020	Independent non-executive Director	23 December 2020	Providing independent advice on the operation and management of our Group	Nil
Mr. Lee Cheuk Yin Dannis (李卓然)	50	23 December 2020	Independent non-executive Director	23 December 2020	Providing independent advice on the operation and management of our Group	Nil
Mr. Li Kwok Tai James (李國泰)	52	23 December 2020	Independent non-executive Director	23 December 2020	Providing independent advice on the operation and management of our Group	Nil
Mr. Wu Yat Wai (胡一威)	52	23 December 2020	Independent non-executive Director	23 December 2020	Providing independent advice on the operation and management of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Chairman of the Board and non-executive Director

Mr. Zhuang Yuekai (庄躍凱), aged 55, was appointed as our Director from 22 September 2020 until his re-designation as our non-executive Director and chairman of the Board on 28 September 2020. Mr. Zhuang is responsible for advising on the overall development of our Group.

Mr. Zhuang has joined Xiamen C&D since July 1986 and worked in C&D Real Estate since July 1998. Mr. Zhuang has been vice-general manager and a member of the party committee in Xiamen C&D since August 2001 and September 2001, respectively. Mr. Zhuang has been the chairman of the board and the secretary of party committee in C&D Real Estate since October 2002 and October 2012, respectively. Mr. Zhuang has been the chairman of the board of CDI and an executive director of CDI since February 2015.

Mr. Zhuang was recognised as a senior engineer by the Review Committee for Senior Profession on Engineering Technology of Xiamen* (廈門市工程技術高級職務任職資格評審委員會) in December 2001. Mr. Zhuang has been a recipient of a special government allowance by the State Council since February 2013.

Mr. Zhuang obtained a bachelor's degree in industrial and civil architecture from Fuzhou University in 1986. Mr. Zhuang completed a course in business administration offered by Tsinghua University in December 2001.

Executive Director and Chief Executive Officer

Ms. Qiao Haixia (喬海俠), aged 45, was appointed as our Director from 22 September 2020 until her re-designation as our executive Director on 28 September 2020. She was also appointed as our chief executive officer on 28 September 2020. Ms. Qiao is responsible for overall business strategy, daily management and operation of our Group.

Ms. Qiao has over 20 years of experience in the property management business. Ms. Qiao worked as a property management staff in Huijia from December 1999 to May 2003. From February 2005 to May 2015, Ms. Qiao held different positions including manager of property management department, assistant to general manager, vice general manager, general manager in Yijiayuan, and she has been the chairperson of the board of directors of Yijiayuan since May 2015. Ms. Qiao has also worked as the chairperson of the board of directors of Huijia since May 2015. Ms. Qiao has been a member of the party committee of C&D Real Estate since September 2017. Ms. Qiao has been the chairperson of the board in C&D Property since February 2018.

Ms. Qiao was recognised as a certified intermediate property manager by MOHURD in February 2014.

Ms. Qiao obtained a bachelor's degree in accounting (foreign trade accounting) in Northeastern University in 1999.

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Executive Director

Mr. Huang Danghui (黃黨輝), aged 49, was appointed as our Director from 22 September 2020 until his re-designation as our executive Director on 28 September 2020. Mr. Huang is responsible for daily management and operation of our Group.

Mr. Huang has over 21 years of experience in the property management business. Mr. Huang worked as a project manager in Huijia from April 1999 to March 2005. From March 2005 to April 2018, Mr. Huang held different positions including manager of service centre, assistant to general manager, vice general manager, general manager and director of Yijiayuan. Mr. Huang has been the general manager in C&D Property since February 2018, and the general manager and director of Yijiayuan since April 2020.

Mr. Huang obtained a diploma in international finance from Xiamen University in 1993.

Non-executive Director

Mr. Lin Weiguo (林偉國), aged 42, was appointed as our Director from 22 September 2020 until his re-designation our non-executive Director on 28 September 2020. Mr. Lin is responsible for advising on the overall development of our Group.

Mr. Lin worked as a financial manager, manager, regional sales director of a branch of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from March 2000 to September 2007, where Mr. Lin was responsible for regional financial work and business management work of the relevant company. Mr. Lin has joined C&D Real Estate since September 2007 and worked as a financial controller from July 2013 to January 2016, and an assistant to general manager from February 2016 to January 2017. Mr. Lin has been a deputy general manager, a member of the party committee and a director in C&D Real Estate since February 2017, September 2017 and April 2019, respectively. Mr. Lin worked as the financial controller in CDI from March 2015 to March 2016 and was the chief operating officer of CDI from March 2016 to March 2019. Mr. Lin has been an executive director and the chief executive officer of CDI since March 2019.

Mr. Lin was recognised as a senior economist by Senior Position Review Committee of Economics in Xiamen in August 2015 and an associate senior accountant by Fujian Human Resources and Social Security Bureau in August 2016.

Mr. Lin obtained a bachelor's degree in accounting from Anhui University of Finance and Economics in July 2010.

Independent Non-executive Directors

Mr. Cheung Kwok Kwan, J.P. (張國鈞), aged 46, was appointed as our independent non-executive Director on 23 December 2020. Mr. Cheung is responsible for providing independent advice on the operations and management of our Group.

Mr. Cheung is a practising solicitor of the High Court of Hong Kong with 20 years of post-qualification experience in the legal profession. Mr. Cheung started his career as a trainee solicitor at Wilkinson & Grist from August 1998 to July 2000. He then worked as an assistant solicitor at various

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law firms, including: (i) Tsang, Chan & Wong from October 2000 to August 2001; (ii) Haldanes from October 2001 to December 2002; and (iii) Christine M. Koo & Ip, Solicitors & Notaries LLP from December 2002 to November 2003. From November 2003 to April 2004, Mr. Cheung was a consultant of Leung & Lau (formerly known as Jonathan Lau & Co). He joined Cheung & Liu, Solicitors (formerly known as Clarence Wong, Cheung & Liu) as a consultant from April 2004 to June 2012. He has been a partner of Cheung & Yeung, Solicitors since June 2012, and is also a civil celebrant of marriage and China-appointed attesting officer in Hong Kong. Mr. Cheung served as an independent non-executive director of Innovax Holdings Limited, a company listed on the Stock Exchange (stock code: 2680), from August 2018 to February 2020. Mr. Cheung served as an independent non-executive director of Hang Yick Holdings Company Limited, a company listed on the Stock Exchange (stock code: 1894), from September 2018 to September 2020.

Mr. Cheung was an elected member of Central and Western District Council from January 2012 to December 2019 and was appointed as a Justice of the Peace in July 2014. Mr. Cheung has been appointed as a non-official member of the Executive Council of Hong Kong since July 2017. Mr. Cheung has been appointed a member of the Housing Authority of Hong Kong since April 2015 and served as a director of the Hong Kong Mortgage Corporation Limited since April 2016.

Mr. Cheung was recognised as a China-Appointed Attesting Officer by the Ministry of Justice of the PRC in December 2015 and a Civil Celebrant of Marriages in Hong Kong by the Immigration Department of Hong Kong since October 2014.

Mr. Cheung obtained a bachelor's degree in laws and postgraduate certificate in laws from the City University of Hong Kong in November 1997 and August 1998, respectively. He was admitted as a solicitor of the High Court of Hong Kong in September 2000.

Mr. Lee Cheuk Yin Dannis (李卓然), aged 50, was appointed as our independent non-executive Director on 23 December 2020. Mr. Lee is responsible for providing independent advice on the operations and management of our Group.

Mr. Lee has served as the managing director of DLK Advisory Limited, a company engaged in financial advisory and investment consulting services, since October 2009. Mr. Lee served as an executive director of AMVIG Holdings Limited, a company listed on the Stock Exchange (stock code: 2300), from September 2001 to March 2010; an executive director and a non-executive director of BeijingWest Industries International Limited, a company listed on the Stock Exchange (stock code: 2339), from October 2003 to August 2005 and August 2005 to January 2009, respectively; and an executive director of AMCO United Holdings Limited, a company listed on the Stock Exchange (stock code: 630), from October 2010 to October 2011.

Mr. Lee has been an independent non-executive director and chairman of audit committee of Geely Automobile Holdings Limited, a company listed on the Stock Exchange (stock code: 175), since June 2002; an independent non-executive director and chairman of audit committee of Tiangong International Company Limited, a company listed on the Stock Exchange (stock code: 826), since September 2010; an independent non-executive director of CMBC Capital Holdings Limited, a company listed on the Stock Exchange (stock code: 1141), since June 2017; an independent director of Gridsum Holdings Inc, the American depository shares of which are listed on NASDAQ (stock code: GSUM) since April 2019; and an independent non-executive director of Cathay Media and Education Group Inc., a company listed on

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the Stock Exchange (stock code: 1981), since June 2020. He was also an independent non-executive director of Southern Energy Holdings Group Limited, a company listed on the Stock Exchange (stock code: 1573), from June 2016 to October 2019.

Mr. Lee obtained a bachelor's degree in business administration from Texas A&M University in the United States in October 1992. Mr. Lee has become an associate member of the Hong Kong Institute of Certified Public Accountants since June 1996 and a member of the American Institute of Certified Public Accountants since April 1995. Mr. Lee possesses over 27 years of experience in accounting and auditing field.

Mr. Lee was a non-executive director of Norstar Founders Group Limited (now known as BeijingWest Industries International Ltd.) (“**Norstar**”), a company listed on the Stock Exchange (stock code: 2339), from 19 August 2005 to 15 January 2009, during which as a non-executive director, at all relevant times he had no involvement in the day-to-day operation or management of Norstar. Norstar is incorporated in the Cayman Islands and was the subject of a winding up petition and a provisional liquidator was appointed on 6 February 2009. The winding up petition was dismissed and provisional liquidator was discharged in January 2014. According to the announcements published by Norstar, it was the subject of a scheme of arrangement to restructure its debts whereby certain rights and claims of Norstar were assigned to administrators of the scheme of arrangement on behalf of Norstar's creditors. A writ of summons (the “**Writ**”) was issued in June 2014 against, among others, Mr. Lee as a former director of Norstar. To the best knowledge and belief of our Company, the Writ alleged, among other things, various breaches of duties, contracts and applicable laws and regulations but it did not set out the basis or the specific incidents supporting the allegations therein. Further, Mr. Lee confirmed that (i) he was not aware of the matters alleged in the Writ, and (ii) he was never served any notice of proceedings or the Writ, and according to a letter from the plaintiff's solicitor to Mr. Lee's solicitors, the Writ has been extended until 25 June 2016 and has expired without further application for extension. In view of (i) his lack of involvement in the day-to-day operation and management in Norstar during his time as a non-executive director of Norstar, (ii) the fact that the plaintiff has not served the Writ on Mr. Lee and the Writ has expired without further application, and (iii) Mr. Lee's continuing engagement as director of other companies listed on the Stock Exchange, our Company believes that Mr. Lee remains suitable to be an independent non-executive Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Li Kwok Tai James (李國泰), aged 52, was appointed as our independent non-executive Director on 23 December 2020. Mr. Li is responsible for providing independent advice on the operations and management of our Group.

Mr. Li served as a staff accountant in the audit department of Ernst & Young from May 1994 to January 1997; a senior accountant in the global corporate finance department of Arthur Andersen from May 1998 to January 2000; a senior associate of DBS Asia Capital Limited from January 2000 to January 2001; a manager in the listing division of Hong Kong Exchanges and Clearing Limited, a company listed on the Stock Exchange (stock code: 388), from September 2002 to June 2006; a senior manager in the corporate finance execution department of BNP Paribas Capital (Asia Pacific) Limited from June 2006 to May 2007; a vice president in the investment banking coverage department of J.P. Morgan Securities (Asia Pacific) Limited from May 2007 to December 2008; a vice president of New World Strategic Investment Limited, a wholly-owned subsidiary of New World Development Company Limited, a company listed on the Stock Exchange (stock code: 17), from April 2009 to April 2010; a director in the investment banking division of CGS-CIMB Securities (Hong Kong) Limited (formerly

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known as CIMB Securities Limited, a wholly-owned subsidiary of CIMB Group Sdn Bhd) from April 2010 to January 2017; and a managing director of HeungKong Financial Group Limited from July 2017 to May 2018. Mr. Li has served as a managing director in the investment bank department of Shanggu Securities Limited since May 2018. Mr. Li has been an independent non-executive director of Huasheng International Holding Limited, a company listed on the Stock Exchange (stock code:1323), since September 2020.

Mr. Li obtained a bachelor's degree in engineering from the University of Liverpool in the United Kingdom in 1990; a master's degree in science from the University of Manchester in the United Kingdom in 1991; and a bachelor of laws degree from the University of London in the United Kingdom in 2005. Mr. Li has been a member of the American Institute of Certified Public Accountants since September 1999 and an associate member of the Hong Kong Institute of Certified Public Accountants since March 1999. Mr. Li has also been a committee member of the corporate finance advisory panel of the Hong Kong Institute of Certified Public Accountants since February 2015.

Mr. Wu Yat Wai (胡一威), aged 52, was appointed as our independent non-executive Director on 23 December 2020. Mr. Wu is responsible for providing independent advice on the operations and management of our Group.

Mr. Wu served as an analyst of the treasury department of The Hong Kong Jockey Club from September 1992 to April 1993; an assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995; an investment analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000; a senior vice president of the equity research division in Hong Kong of Lehman Brothers Asia Limited from April 2000 to May 2005; and a managing director of the global investment research division of Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016. Mr. Wu has served as an independent non-executive director of Haitong UniTrust International Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1905), since May 2017.

Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1991; and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in 1992.

Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the Latest Practicable Date. Except for such interests disclosed in the paragraph headed "General Information — C. Further Information about Directors and Shareholders — 1. Directors — (c) Interests of Directors in the shares, underlying shares or debentures of our Company and our associated corporations" in Appendix IV to this listing document, none of our Director has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Save as disclosed above, there is no other information relating to the relationship of any of our Directors with other Directors, senior management, substantial or Controlling Shareholders of our Company that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A to the Listing Rules.

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SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group.

Please refer to the paragraphs headed “— Board of Directors — Executive Director and chief executive officer” and “— Board of Directors — Executive Director” in this section above for the biographical details of Ms. Qiao Haixia and Mr. Huang Danghui. Members of the senior management of our Group also include the following:

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Position</u>	<u>Principal responsibilities</u>	<u>Relationship with other Directors or senior management</u>
Ms. Luo Yi (駱藝)	52	May 2012	Chief financial officer	Overall financial management of our Group	Nil

Ms. Luo Yi (駱藝), aged 52, was appointed as our chief financial officer on 28 September 2020. Ms. Luo is responsible for overall financing management of our Group.

Before joining our Group, Ms. Luo worked as technician of engineering department, statistician of sales department, dean of general management department of finance department and manager of financial department in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from February 1990 to April 2012, where she was responsible for business and financial related works.

Ms. Luo worked as a financial manager in Huijia from May 2012 to February 2014, manager of audit department and chief financial officer in Yijiayuan from March 2014 to February 2016 and March 2017 to January 2018, respectively, chief financial officer in C&D Property from February 2018 to March 2019. Ms. Luo has been the assistant to group general manager in C&D Property since April 2019.

Ms. Luo was recognised as an intermediate accountant by the Ministry of Finance of the PRC in May 2006.

Ms. Luo obtained a diploma in micro electronic technology from South China University of Technology in July 1988.

COMPANY SECRETARY

Ms. Leung Ching Ching (梁晶晶), aged 40, was appointed as the company secretary of our Company on 28 September 2020.

Ms. Leung is a Senior Manager of the Corporate Services Division of Tricor Services Limited. She has over 16 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the Main Board of the Stock Exchange. Ms. Leung is currently named company secretary/joint company secretaries to four other companies listed on the

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Stock Exchange. Ms. Leung is a Chartered Secretary and a Fellow of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. Ms. Leung graduated from The Chinese University of Hong Kong and admitted to the Degree of Bachelor of Social Science. She also received a Master of Arts in Professional Accounting and Information System from City University of Hong Kong.

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

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The audit committee consists of four members, namely Mr. Lee Cheuk Yin Dannis (李卓然), Mr. Cheung Kwok Kwan, J.P. (張國鈞), Mr. Li Kwok Tai James (李國泰) and Mr. Wu Yat Wat (胡一威). The chairman of the audit committee is Mr. Lee Cheuk Yin Dannis (李卓然), who is our independent non-executive Director with appropriate professional qualifications.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to establish, review and provide 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, make recommendations to our Board the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

The remuneration committee consists of five members, namely Mr. Wu Yat Wat (胡一威), Mr. Zhuang Yuekai (庄躍凱), Mr. Lee Cheuk Yin Dannis (李卓然), Mr. Cheung Kwok Kwan, J.P. (張國鈞) and Mr. Li Kwok Tai James (李國泰). The chairman of the remuneration committee is Mr. Wu Yat Wat (胡一威).

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorships, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

The nomination committee consists of five members, namely Mr. Zhuang Yuekai (庄躍凱), Mr. Lee Cheuk Yin Dannis (李卓然), Mr. Cheung Kwok Kwan, J.P. (張國鈞), Mr. Li Kwok Tai James (李國泰) and Mr. Wu Yat Wat (胡一威). The chairman of the nomination committee is Mr. Zhuang Yuekai (庄躍凱).

Emolument of Directors and Senior Management

We offer our executive Directors and senior management, who are also employees of our Company, emolument in the form of salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance. The non-executive Directors will not receive any emolument but be entitled to discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time. The independent non-executive Directors receive emolument based on their respective duties and responsibilities (including being members or chairmen of Board committees).

The remuneration (including salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance) paid to our Directors in aggregate for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 were RMB1.2 million, RMB1.5 million, RMB1.7 million and RMB0.6 million, respectively.

The fees paid to our Directors in aggregate for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 were RMBNil, RMBNil, RMBNil and RMBNil, respectively.

The remuneration (including salaries and bonuses, contribution to retirement scheme, medical insurances and other social insurance) paid to our Company's five highest paid individuals including Nil, one, one and two Directors for each of the three years ended 31 December 2019 and the six months ended 30 June 2020, respectively. The aggregate remuneration payable to the five highest individuals during the Track Record Period were RMB4.7 million, RMB4.2 million, RMB3.9 million and RMB0.7 million, respectively.

During the Track Record Period, no remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group, and save as required by relevant laws and regulations, no compensation was made by us to our Directors for the loss of office in respect of the three years ended 31 December 2019 and the six months ended 30 June 2020.

DIRECTORS AND SENIOR MANAGEMENT

None of our Directors had waived or agreed to waive any remuneration during the Track Record Period. Pursuant to the existing arrangements that are currently in force as at the date of this listing document, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ending 31 December 2020 is estimated to be RMB1.2 million in aggregate.

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 our remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed in this listing document, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period. For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Note 12 of the section headed "Accountant's Report" in Appendix I to this listing document.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**"), which sets out the criteria in selecting candidates to our Board, to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance.

Our Board currently consists both female and male Directors with a mix of cultural and education background, professional qualifications, skills, knowledge, and industry experience. Our Directors obtained degrees in various majors including accounting, architecture, laws, business administration and engineering and from universities in mainland China, Hong Kong and overseas. We believe they can contribute different knowledge, skills and industry experience, such as overall management, strategic development, financial and accounting, investment and legal. The Board is of the view that our Board achieves the board diversity requirement in our Board Diversity Policy.

Our nomination committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. The nomination committee will also include in successive annual reports a summary of the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE ADVISER

Our Group has appointed China Industrial Securities International Capital Limited as our compliance adviser upon the listing of our Shares on the Stock Exchange pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between our Group and the compliance adviser are as follows:

- (1) the compliance adviser shall provide our Group with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany our Group to any meetings with the Stock Exchange;

DIRECTORS AND SENIOR MANAGEMENT

- (2) our Group may terminate the appointment of the compliance adviser by giving a no less than 30 days' prior written notice to the compliance adviser. Our Group will exercise such right in compliance with Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment as compliance adviser under certain specific circumstances and upon notification of the reason of its resignation to the Stock Exchange; and
- (3) during the period of appointment, our Group must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
 - (a) before the publication of any regulatory announcement, circular or financial report;
 - (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and
 - (c) where the Stock Exchange makes an inquiry of our Group 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.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the Listing.

SHARES

AUTHORISED AND ISSUED SHARES

The table below sets out a description of the authorised and issued Shares of our Company as at the Latest Practicable Date and immediately following the Listing:

As at the Latest Practicable Date

(i) *Maximum Authorised Shares*

<u>Shares</u>	<u>Par value</u>	<u>Total nominal value</u>
3,000,000,000	HK\$0.01	HK\$30,000,000

(ii) *Issued Shares*

<u>Shares</u>	<u>Par value</u>	<u>Total nominal value</u>
1,176,711,106	HK\$0.01	HK\$11,767,111.06

Immediately upon completion of the Listing

(i) *Maximum Authorised Shares*

<u>Shares</u>	<u>Par value</u>	<u>Total nominal value</u>
3,000,000,000	HK\$0.01	HK\$30,000,000

(ii) *Issued Shares*

<u>Shares</u>	<u>Par value</u>	<u>Total nominal value</u>
1,176,711,106	HK\$0.01	HK\$11,767,111.06

ASSUMPTIONS

The above table assumes that the CDI Distribution becomes unconditional and does not take into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the issued Shares of our Company and rank equally with all Shares upon Listing, and, in particular, will rank in full for all dividends or other distributions declared, made or paid and other rights and benefits attaching or accruing to the Shares following the completion of the Listing.

SHARES

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a mandate to allot, issue and deal with additional Shares and to make or grant offers, agreements and options which will or might require the exercise of such powers, provided that the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by our Directors other than pursuant to:

- a rights issue;
- pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares; or
- any scrip dividend in lieu of the whole or part of a dividend on the Shares

shall not exceed the aggregate of:

- 20% of the aggregate number of Shares in issue as at the Listing Date; and
- the aggregate number of Shares repurchased by our Company under the Repurchase Mandate (up to a maximum equivalent to 10% of the aggregate number of Shares in issue as at the Listing Date).

This mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company following the passing of the resolution;
- the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and Articles of Association or any applicable laws to be held; or
- the revocation or variation of the authority given to our Directors by an ordinary resolution of our Shareholders.

For further details of this mandate, please refer to the paragraph headed “General Information — A. Further Information about our Company” in Appendix IV to this listing document.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted the Repurchase Mandate to exercise all the powers of our Company to make repurchase of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate number of Shares in issue as at the Listing Date.

SHARES

The Repurchase Mandate relates only to repurchase made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and made in accordance with the Listing Rules. The Repurchase Mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company following the passing of the resolution;
- the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of the Association and Articles of the Association or any applicable laws to be held; or
- the revocation or variation of the authority given to our Directors by an ordinary resolution of the Shareholders.

For further details of the Repurchase Mandate, please refer to the paragraph headed “General Information — A. Further Information about our Company” in Appendix IV to this listing document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The holding of general meetings or class meetings is prescribed for under the articles of association of a BVI company. Accordingly, our Company will hold general meetings and class meetings as prescribed for under the Articles of Association, a summary of which is set forth in the paragraph headed “Summary of the Constitution of the Company and BVI Business Companies Act — 2. Articles of Association” in Appendix III to this listing document.

SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of our Company, assuming no change to the total number of CDI Shares from the Latest Practicable Date to the Record Date, immediately following the completion of the Spin-off, the following persons (other than a Director or chief executive of our Company) will have an interest and/or short position (as applicable) in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of any other member of our Group, once our Shares are listed on the Stock Exchange:

Interests and Long Positions in our Shares

<u>Name of Shareholder</u>	<u>Capacity/Nature of interests</u>	<u>Number of Shares held or interested</u>	<u>Approximate percentage of interest</u> %
Well Land	Beneficial owner	757,054,106 ^(Note 2)	64.34
Well Honour	Interest in controlled corporation	757,054,106 ^(Note 2)	64.34
C&D Real Estate	Interest in controlled corporations	757,054,106 ^(Note 2)	64.34
C&D Inc.	Interest in controlled corporations	757,054,106 ^(Note 2)	64.34
Xiamen C&D	Interest in controlled corporations	757,054,106 ^(Note 2)	64.34
Diamond Firetail	Beneficial owner	60,412,000	5.13
Equity Trustee	Interest in controlled corporation	60,412,000 ^(Note 3)	5.13
Ms. Cao Xinyu	Interest in controlled corporation	60,412,000 ^(Note 3)	5.13
Ms. Liu Jing	Interest in controlled corporation	60,412,000 ^(Note 3)	5.13
Ms. Zhao Chengmin	Interest in controlled corporation	60,412,000 ^(Note 3)	5.13

Notes:

1. The percentage of shareholding was calculated based on our Company's total number of 1,176,711,106 Shares in issue immediately following the completion of the Spin-off.
2. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% and 45.35% by C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D, a state-owned group of companies under the supervision of Xiamen SASAC, respectively. Xiamen C&D is interested in C&D Inc. as to 47.85%. Therefore, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.
3. These Shares were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai and Ms. Zhao Chengmin is one of the founders of the said discretionary trust. Ms. Cao Xinyu, Ms. Liu Jing and Mr. Lin Weiguo are protectors of the said discretionary trust. Therefore, Equity Trustee, Ms. Cao Xinyu, Ms. Liu Jing and Ms. Zhao Chengmin are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. The interests of Mr. Zhuang Yuekai, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are shown in the paragraph headed "General Information — C. Further Information about Directors and Shareholders — 1. Directors — (c) Interests of Directors in the shares, underlying shares or debentures of our Company and our associated corporations" in Appendix IV to this listing document.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive of our Company was aware of any other person (other than a Director or chief executive of our Company) who will, immediately following the completion of the Spin-off, have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of any member of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Prior to the Spin-off, our Group primarily operated as the property management company under and as a part of the CDI Group. As at the Latest Practicable Date, CDI directly held 100% shareholding of our Company and was our controlling shareholder. As disclosed in the section headed “CDI Distribution and the Spin-off” in this listing document, the CDI Distribution will be satisfied by way of distribution in specie to the Qualifying CDI Shareholders of all the issued Shares of our Company, in proportion to their respective shareholdings in CDI, on the basis of one Share for one CDI Share held on the Record Date. As a result, immediately upon completion of the CDI Distribution, our Company will cease to be a subsidiary of CDI and Well Land will directly hold 757,054,106 Shares, representing 64.34% of the issued Shares of our Company.

OUR CONTROLLING SHAREHOLDERS

Given that (i) Well Land is a wholly-owned subsidiary of Well Honour; (ii) Well Honour is a wholly-owned subsidiary of C&D Real Estate; (iii) C&D Real Estate is owned as to 54.65% by C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153), and 45.35% by Xiamen C&D, a state-owned company under the supervision of Xiamen SASAC; and (iv) Xiamen C&D is also interested in C&D Inc. as to 47.85%, immediately upon completion of the Spin-off, Xiamen C&D, C&D Inc., C&D Real Estate, Well Honour and Well Land will be a group of our Controlling Shareholders.

Xiamen C&D

Xiamen C&D is a state-owned company under the supervision of Xiamen SASAC. The principal business of Xiamen C&D is supply chain operation, real estate development, tourism & hotels, exhibitions, medical & health care, urban public services, investment etc.. As at the Latest Practicable Date, Xiamen C&D was wholly-owned by Xiamen SASAC. Immediately upon completion of the Spin-off, Xiamen C&D will directly hold 47.85% and 45.35% of the equity interests in C&D Inc. and C&D Real Estate, respectively.

C&D Inc.

C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153), is a company established under the laws of the PRC. The principal business of C&D Inc. is supply chain operation, real estate development and industrial investment, etc.. Immediately upon completion of the Spin-off, Xiamen C&D will directly hold 47.85% of the equity interests in C&D Inc.; and C&D Inc. will directly hold 54.65% of the equity interests in C&D Real Estate and will indirectly hold 54.65% shareholding of Well Land through Well Honour, the wholly-owned subsidiary of C&D Real Estate.

C&D Real Estate

C&D Real Estate is a company established under the laws of the PRC. The principal business of C&D Real Estate is real estate development, city renovation, commercial management, entrusted construction, and investment in real estate related industries. Immediately upon completion of the Spin-off, Xiamen C&D and C&D Inc. will directly hold 45.35% and 54.65% of the equity interests in C&D Real Estate, respectively and C&D Real Estate will indirectly hold 100% shareholding in Well Land through Well Honour, its wholly-owned subsidiary.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Well Honour

Well Honour is a company incorporated under the laws of Hong Kong. The principal business of Well Honour is investment holding. Immediately upon completion of the Spin-off, Well Honour will remain a wholly-owned subsidiary of C&D Real Estate and Well Land will remain a wholly-owned subsidiary of Well Honour.

Well Land

Well Land is a company incorporated under the laws of BVI. The principal business of Well Land is investment holding. Immediately upon completion of the Spin-off, Well Land will remain wholly-owned by Well Honour.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Having considered the following factors, our Directors are of the view that our Group are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Spin-off for the following reasons:

Business and operational independence

Independent business operations

Our business operations are delineated from and independent of those of our Controlling Shareholders and their respective close associates. Save for certain continuing connected transactions conducted in the ordinary course of business of our Group as set out in the section headed “Continuing Connected Transactions” in this listing document, our Directors do not expect that there will be any other continuing connected transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after completion of the Spin-off. The continuing connected transactions are determined after arm’s length negotiation and will be conducted on normal commercial terms in accordance with the pricing policy of our Group, our Controlling Shareholders and their respective close associates, and are not prejudicial to the interests of any of the parties.

Given that (i) Xiamen C&D and C&D Real Estate are our Controlling Shareholders, and we have a close relationship with Xiamen C&D and C&D Real Estate; (ii) Xiamen C&D is a state-owned enterprise under the supervision of Xiamen SASAC and one of the largest state-owned integrated corporate groups in the Fujian Province, the PRC; and we will maintain our state-owned background upon completion of the Spin-off. The controlling ownership of state-owned enterprise is relatively stable; (iii) we have been providing the property management services to the Remaining Xiamen C&D Group for more than 17 years and to the Remaining CDI Group for more than four years; (iv) we have been providing the value-added services to non-property owners to the Remaining Xiamen C&D Group for around 12 years and to the Remaining CDI Group for around four years; and (v) we have been providing the community value-added and synergy services to the Remaining Xiamen C&D Group for around six years and to the Remaining CDI Group for around three years, we gained an in-depth understanding of their needs over the years of our business relationship, and thereby established a win-win cooperation relationship and mutual

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

reliance between (a) our Group; and (b) each of Xiamen C&D, C&D Real Estate and CDI, our Directors are of the view that the likelihood that our relationship with each of Xiamen C&D, C&D Real Estate, CDI and their respective close associates will be materially and adversely changed or terminated is low. Nonetheless, in the unlikely event that there are changes to our relationship with each of Xiamen C&D, C&D Real Estate and CDI, given the measures as shown in the paragraph headed “— General decreasing trend of the potential reliance on our Controlling Shareholders” in this section below and the on-going negotiation with Independent Third Party property developers for future business opportunities, it is expected that we will be able to effectively mitigate our exposure by diversifying the services provided to Independent Third Parties.

General decreasing trend of the potential reliance on our Controlling Shareholders

During the Track Record Period, a majority of our revenue was derived from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group. Our revenue generated from the Remaining Xiamen C&D Group and the Remaining CDI Group exhibited a general decreasing trend during the Track Record Period. For details, please refer to the paragraph headed “Business — Our Customers” in this listing document.

In addition to the decreasing trend of our revenue derived from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group, during the Track Record Period, we have been developing our business relationship with Independent Third Parties to reduce our potential reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group. From 1 July 2020 to the Latest Practicable Date, our Company entered into 18 new property management services contracts with Independent Third Parties with a total contracted GFA of 2.5 million sq.m.. As at the Latest Practicable Date, our Company managed five new property projects from other sources (who are Independent Third Parties) as compared to that as at 30 June 2020 with new GFA under management of 0.8 million sq.m..

The tables below set out the percentage of (i) our total revenue; and (ii) our revenue generated from property management services derived from transactions (a) which constitute continuing connected transactions of our Group under the Listing Rules upon Listing (“**Continuing Connected Transactions**”); and (b) which do not constitute continuing connected transactions under the Listing Rules (“**Non-connected Transactions**”) for the year/period indicated. For details of our continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this listing document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Source of revenue generated from property management services:								
Continuing Connected								
Transactions	51,461	17.0	51,435	12.9	50,773	10.4	21,488	7.6
Non-connected Transactions	251,315	83.0	348,614	87.1	435,541	89.6	260,447	92.4
Total	302,776	100.0	400,049	100.0	486,314	100.0	281,935	100.0

	For the year ended 31 December						For the six months ended 30 June	
	2017		2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Source of total revenue:								
Continuing Connected								
Transactions	141,687	31.7	187,035	30.7	254,743	31.8	137,418	30.4
Non-connected Transactions	305,364	68.3	421,583	69.3	546,587	68.2	314,747	69.6
Total	447,051	100.0	608,618	100.0	801,330	100.0	452,165	100.0

In addition to our current cooperation with the Remaining Xiamen C&D Group and the Remaining CDI Group, we endeavour to enhance our market development capabilities.

We keep enriching the external expansion channels, with a focus on market bidding and establishing associates. We have developed and will continue to actively develop our relationship with Independent Third Parties and, through various intermediate parties and/or potential customers, such as property sales agencies, construction companies, property owners' associations, bidding agencies and relevant building authorities, to explore and secure more business opportunities. We will also actively participate in the market bidding of Independent Third Parties to improve both the number of tender and the bidding success rate.

We will leverage our state-owned background and endeavour to further expand our Independent Third Party clientele, such as local government departments, education and public healthcare departments, for provision of our services. We participated and will continue to participate in marketing events to promote our brand, including but not limited to attending industry forum and exhibition and cooperating with property management industry association. We have implemented an internal policy, which optimises the incentive mechanism for marketing personnel to introduce new Independent Third Party customers and improving the external expansion momentum and capabilities through the introduction and incentives of market-oriented

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

personnel. It is expected that the motivation of our marketing personnel will be increased, and more Independent Third Party customers can be referred or introduced to us for business opportunities. Further, we have focused and will continuously focus on and strive to improve service quality so as to attract Independent Third Party customers and build bases for future market expansion.

Standard tender process directed by the PRC government

Although 55.7% of the total GFA under our management for the six months ended 30 June 2020 were property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group, our Group has, according to the industry practice, obtained initial property management services contracts through the standard tender process under the regulation of the applicable PRC laws and regulations. During the Track Record Period, we obtained certain property management services contracts without going through the tender process. For details, please refer to the paragraph headed “Business — Property Management Services — Growth of our property management services portfolio” in this listing document.

The fact that certain amount of GFA under management were property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group should not be regarded as over reliance of our Group on the Remaining Xiamen C&D Group and the Remaining CDI Group. On the contrary, it reflects our experience and ability enabling us to win the tender as the initial property management services provider under a tender process in compliance with the applicable PRC laws and regulations.

Property owners’ choice

At the post-delivery stage of the property projects where the property units have been wholly or partially sold and fit for occupation by individual owners, the property owners’ associations or the owners of such property units have the right to select or replace the property management services provider. The Remaining Xiamen C&D Group and the Remaining CDI Group do not have any influence over the selection or replacement of the property management services provider by individual owners. As such, there is no over reliance by our Group on the Remaining Xiamen C&D Group and the Remaining CDI Group for generation of revenue at the post-delivery stage.

Licences required for operations

We hold all the relevant licences and permits that are material to our business operations, and enjoy the benefits brought by them.

Operational facilities

As at the Latest Practicable Date and save as disclosed in the section headed “Continuing Connected Transactions” in this listing document, all necessary properties and facilities required for our business operations are independent of our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Employees

As at the Latest Practicable Date, all of our full-time employees were recruited primarily through independent recruitment methods, such as internal transfer and promotion, online recruiting advertisements, employee referrals, campus recruitment and career fairs.

Financial independence

Our Group will be able to maintain financial independence from our Controlling Shareholders and their respective close associates for the reasons set out below:

No financial reliance on our Controlling Shareholders and their respective close associates

Subsequent to 30 June 2020, all outstanding balance of amount due from and/or to the Controlling Shareholders had been settled. As at the Latest Practicable Date, there was no unsettled financial guarantee given by the Controlling Shareholders. For details regarding the guarantee granted by C&D Real Estate in relation to the ABS, please refer to the Note 23 of the section headed “Accountant’s Report” in Appendix I to this listing document.

Independent financial system

We have our own financial and accounting system, which is independent from that of our Controlling Shareholders and their respective close associates. Accounting functions and financial decision making will be carried out by our Group independently and according to our own business needs and financial conditions. Based on the above, we will be able to finance our own operations and function independently without reliance on our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

Our Company and CDI have boards of directors that function independently of each other. The table below sets out the details of the directorships and/or roles of our Directors in our Company, the Remaining CDI Group, C&D Real Estate and C&D Inc. (if any) immediately upon Listing:

<u>Name</u>	<u>Position in our Company</u>	<u>Position in the Remaining CDI Group</u>	<u>Position in C&D Real Estate</u>	<u>Position in C&D Inc.</u>
Mr. Zhuang Yuekai	Chairman of the Board and non-executive Director	Chairman of the board and executive director	Chairman of the board and secretary of party committee	Nil
Ms. Qiao Haixia	Executive Director and chief executive officer	Nil	A member of the party committee	Nil
Mr. Huang Danghui	Executive Director	Nil	Nil	Nil
Mr. Lin Weiguo	Non-executive Director	Executive director and chief executive officer	Director, deputy general manager and a member of the party committee	Nil
Mr. Cheung Kwok Kwan	Independent non-executive Director	Nil	Nil	Nil
Mr. Lee Cheuk Yin Dannis	Independent non-executive Director	Nil	Nil	Nil
Mr. Li Kwok Tai James	Independent non-executive Director	Nil	Nil	Nil
Mr. Wu Yat Wai	Independent non-executive Director	Nil	Nil	Nil

Our Board comprises two executive Directors, two non-executive Directors and four independent non-executive Directors. Two of our Directors hold various directorships or positions in C&D Real Estate and the Remaining CDI Group, namely Mr. Zhuang Yuekai who serves as the chairman of the board and the secretary of party committee of C&D Real Estate, the chairman of the board and executive director of CDI and chairman of the Board and a non-executive Director of our Company and Mr. Lin Weiguo who serves as a director, the deputy general manager and a member of the party committee of C&D Real Estate, the executive director and chief executive officer of CDI and a non-executive Director of our Company.

Other than Mr. Zhuang Yuekai and Mr. Lin Weiguo, none of our other Directors holds any directorship or senior management role in the Remaining CDI Group, C&D Real Estate and C&D Inc.. Since Mr. Zhuang Yuekai and Mr. Lin Weiguo are non-executive Directors of our Company, they will not be involved in the day-to-day management or affairs and operations of our businesses.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our executive Directors, with over 20 years of working experience in the field of property management services, have served our Group for many years. They formed part of our core management and have been responsible for overall business strategy, daily management and operation of our Group during the Track Record Period. Save as disclosed above, there was no overlapping personnel between the senior management team of our Group and the Remaining CDI Group as at the Latest Practicable Date.

In the event that the two overlapping Directors are required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with the Remaining CDI Group, the remaining non-overlapping Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the two overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from the Remaining CDI Group for the following reasons:

- (a) none of the businesses of the Remaining CDI Group competes, or is likely to compete, with our core business and with the corporate governance measures in place to manage existing and potential conflicts of interest, the dual roles assumed by the two overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company;
- (b) we have four independent non-executive Directors, and certain matters of our Company, including continuing connected transactions, must always be referred to the independent non-executive Directors for review and they will confirm in our annual report that our continuing connected transactions have been entered into in our ordinary and usual course of business, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and
- (c) in an event of conflict of interests, the relevant Director(s) will abstain from voting and will be excluded from deliberation by our Board. We believe our Directors with no overlapping directorships in the Remaining CDI Group have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in an event of conflict of interests. Please refer to the paragraph headed “Directors and Senior Management — Board of Directors” in this listing document for the relevant experience and qualifications of our Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DELINEATION OF OUR BUSINESS FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Each of our Controlling Shareholders and their respective close associates is engaged in separate and distinct business area which does not overlap with our Group's business, save for certain business as explained below:

C&D Inc.

C&D Inc. was established on 10 June 1998. C&D Real Estate was solely established by Xiamen C&D on 28 July 1998. Both C&D Inc. and C&D Real Estate are based in Xiamen, the PRC. Over the years, C&D Real Estate has been the main operating subsidiary of C&D Inc., focusing on real estate development, primary land development, property management, business management, entrusted construction management and investment in real estate related industries.

Lianfa Group (formerly known as Xiamen Special Economic Zone United Development Co., Ltd.* (廈門經濟特區聯合發展有限公司)), was jointly established on 18 October 1983 by Xiamen C&D, the Bank of China Head Office Trust Consulting Company* (中國銀行總行信託諮詢公司) and five other banks in Hong Kong and Macau. The headquarter of Lianfa Group is in Xiamen, the PRC. In 1999 and 2006, C&D Inc. acquired 75% and 20% equity interests of Lianfa Group, respectively, and, as a result, Lianfa Group has become a subsidiary of C&D Inc. since 1999. The principal business of Lianfa Group is development and sales of properties, etc. in the PRC. Since its acquisition of Lianfa Group, C&D Inc. has not yet undertaken any integration of Lianfa Group's organisation structure, management team, business operation or corporate brand, and Lianfa Group has always retained a high level of self-initiative and independence.

Due to their respective operation and development history, despite C&D Real Estate and Lianfa Group being two independent and market-oriented subsidiaries of C&D Inc., the organisation, management, personnel, brand, operation and administration of C&D Real Estate and Lianfa Group are completely separated and independent since their respective establishment.

As at the Latest Practicable Date, Lianfa Property, a subsidiary of Lianfa Group, was principally engaged in property management business operation in the PRC. As at the Latest Practicable Date, Lianfa Group held 100% equity interest in Lianfa Property. Lianfa Property mainly served as the property management company for the property development of Lianfa Group. Save for the above, C&D Inc. had no other businesses which compete or were likely to compete, directly or indirectly, with our Group.

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Lianfa Property mainly provides residential and commercial property management services to properties developed by Lianfa Group. Based on the information provided by Lianfa Property and after reasonable enquiries made by our Directors, the table below sets out the unaudited financial and operating data of Lianfa Property for the year/period or as at the dates indicated:

	As at/For the year ended 31 December			As at/For the six months ended 30 June
	2017	2018	2019	2020
Revenue (RMB million)	229.3	299.4	439.3	209.1
GFA under management (’000 sq.m.)	7,500	9,010	11,000	11,360
Number of property management projects	54	65	79	82

According to the information provided by Lianfa Property, the table below sets out the differences between our Group and Lianfa Property:

Item	Our Group	Lianfa Property
Brand name	C&D Property (建發物業)	Lianfa (聯發)
Revenue	During the Track Record Period, the revenue of our Group was RMB447.1 million, RMB608.6 million, RMB801.3 million and RMB452.2 million, respectively.	During the Track Record Period, the revenue of Lianfa Property was RMB229.3 million, RMB299.4 million, RMB439.3 million and RMB209.1 million, respectively.
Profit attributable to equity holders	During the Track Record Period, the profit attributable to equity holders of our Group was RMB30.8 million, RMB47.8 million, RMB68.2 million and RMB61.0 million, respectively.	During the Track Record Period, the profit attributable to shareholders of Lianfa Property was RMB21.0 million, RMB37.9 million, RMB50.7 million and RMB18.6 million, respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Item</u>	<u>Our Group</u>	<u>Lianfa Property</u>
Gross profit	During the Track Record Period, the gross profit of our Group was RMB117.0 million, RMB140.9 million, RMB183.4 million and RMB109.8 million, respectively.	During the Track Record Period, the gross profit of Lianfa Property was RMB43.3 million, RMB43.3 million, RMB83.0 million and RMB26.2 million, respectively.
Gross profit margin	During the Track Record Period, the gross profit margin of our Group were 26.2%, 23.1%, 22.9% and 24.3%, respectively.	During the Track Record Period, the gross profit margin of Lianfa Property were 18.9%, 14.5%, 18.9% and 12.5%, respectively.
Business focus during the Track Record Period	Property management services, community value-added and synergy services and value-added services to non-property owners	Mainly property management services
Number of projects managed and GFA under management as at 30 June 2020	203 projects with an aggregate GFA under management of 21.7 million sq.m.	82 projects with a total GFA under management of 11.4 million sq.m.
Target customers	C&D Real Estate, the Remaining CDI Group and Independent Third Parties	Mainly Lianfa Group
Percentage of revenue generated from Independent Third Party customers	During the Track Record Period, the revenue contribution from property projects developed by Independent Third Parties accounted for 26.9%, 28.5%, 32.7% and 32.8% of our revenue, respectively.	During the Track Record Period, the revenue contribution from property projects developed by Independent Third Parties accounted for 0.1%, 2.9%, 3.9% and 4.3% of Lianfa Property's revenue, respectively.
Regions in which it operates	Haixi, South-eastern China, Eastern China and Central China	Fujian
Number of overlapping cities	As at 31 December 2017, 2018, 2019 and 30 June 2020, there were respectively three, four, four and four overlapping cities in the PRC where both our Group and Lianfa Property had operations.	

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Item</u>	<u>Our Group</u>	<u>Lianfa Property</u>
Revenue contribution of projects in overlapping cities	During the Track Record Period, 54.2%, 53.7%, 56.5% and 55.3% of our revenue was generated from projects of our property management services in overlapping cities with Lianfa Property, respectively.	During the Track Record Period, 38.9%, 38.7%, 43.7% and 40.9% of the total revenue of Lianfa Property was generated from projects of the property management services in overlapping cities with our Group, respectively.
Revenue contribution of projects in Xiamen among the overlapping cities	Among the overlapping cities, during the Track Record Period, 45.5%, 44.9%, 46.5% and 43.2% of our total revenue was generated from projects of our property management services in Xiamen, respectively.	Among the overlapping cities, during the Track Record Period, 37.6%, 33.7%, 36.8% and 32.6% of the total revenue of Lianfa Property was generated from projects of the property management services in Xiamen, respectively.
Further business development and strategies	Providing high-quality and in-depth services to our customers (including but not limited to the C&D Real Estate and the Remaining CDI Group) and actively procuring business from Independent Third Parties.	Predominantly focuses on procuring property management projects in respect of properties developed by Lianfa Group

Our Directors consider that (i) there is a clear delineation of source of projects, operation and management between our Group and Lianfa Property, and the extent of actual competition between the two businesses during the Track Record Period was minimal and is expected to be insignificant upon completion of the Spin-off; and (ii) each of our Group and Lianfa Property has been and will continue to be managed distinctly and independently from the other, and the common ultimate controlling shareholder, C&D Inc., has always been taking an impartial role enabling the independent operation of each of our Group and Lianfa Property, the actual or potential conflict of interest arising from the competition has been effectively managed. Further details of the extent of potential competition and how potential conflicts are managed are set out below:

- (i) **Real estate market in the PRC is huge with many property management participants and the source of projects of our Group and Lianfa Property is different:** Property development market in the PRC is a huge market with many participants. Each of C&D Real Estate and Lianfa Group has a relatively small market share compared to the aggregate market capacity and was ranked 37th and 56th respectively among the “Top 500 Chinese Real Estate Development Enterprises in 2020” in terms of overall strength jointly published by the China Real Estate Association* (中國房地產協會), Shanghai Yiju Real Estate Research Institute* (上海

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易居房地產研究院) and the China Real Estate Assessment Centre* (中國房地產測評中心), respectively. During the Track Record Period, our Group mainly provided property management services to property projects developed by C&D Real Estate and the Remaining CDI Group, as well as exploring external projects developed by Independent Third Parties. On the other hand, Lianfa Property principally served its immediate shareholder, Lianfa Group, with few external projects developed by Independent Third Parties. During the Track Record Period, save as to the property management services agreement entered into in 2003 with the property owners' association of the one property developed by Lianfa Group, our Group did not serve Lianfa Group; and Lianfa Property did not serve C&D Real Estate or the Remaining CDI Group.

During the Track Record Period and according to the information provided by Lianfa Property, our Group and Lianfa Property did not provide property management services to the same property developers. During the Track Record Period and according to the information provided by Lianfa Property, under the property management service agreement we entered into with the property owners' association in 2003, our Group provided property management services to the property owners and residents of the one property developed by Lianfa Group. Our Directors confirmed that our Group will not engage in future property management services where (a) the property is developed by Lianfa Group; and (b) the property owners' association of such property has not been established. During the Track Record Period, Lianfa Property did not provide property management services to the projects developed by C&D Real Estate and the Remaining CDI Group.

During the Track Record Period, the revenue contribution from property projects developed by the Remaining Xiamen C&D Group and the Remaining CDI Group accounted for 73.1%, 71.5%, 67.3% and 67.2% of our revenue, respectively; and the revenue contribution from property projects developed by Independent Third Parties accounted for 26.9%, 28.5%, 32.7% and 32.8% of our revenue, respectively. It shows that our Group is in the progress of developing its clientele regarding properties developed by Independent Third Parties. According to the information provided by Lianfa Property, for the same year/period, the revenue contribution from property projects developed by Lianfa Group accounted for 99.9%, 97.1%, 96.1% and 95.7% of Lianfa Property's revenue, respectively.

As at 31 December 2017, 2018, 2019 and 30 June 2020, only 67.3%, 61.5%, 54.4% and 55.7% of the GFA of the properties under our management was developed by the Remaining Xiamen C&D Group and the Remaining CDI Group, respectively, and the remaining was taken over from Independent Third Parties. According to the information provided by Lianfa Property, as at 31 December 2017, 2018, 2019 and 30 June 2020, 100.0%, 98.3%, 98.0% and 98.1% of the GFA of the properties under Lianfa Property's management were taken over from Lianfa Group, respectively. During the Track Record Period, 43, 60, 109 and 114 property management projects of our Group were taken over from Independent Third Party customers, respectively. According to the information provided by Lianfa Property, during the same year/period, nil, three, seven and eight property management projects were taken over from independent third party customers, respectively. Based on the above, almost all of Lianfa Property's revenue

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contribution and almost all of the GFA of the properties under Lianfa Property's management were taken over from Lianfa Group, which shows the predominant focus of Lianfa Property's business is its internal projects.

Further, during the Track Record Period, there were no overlapping of Independent Third Party customers of our Group and Lianfa Property. Our Group did not participate in the tender and bidding process for the property projects developed by Lianfa Group; and according to the information provided by Lianfa Property, Lianfa Property did not participate in the tender and bidding process for the property projects developed by C&D Real Estate and the Remaining CDI Group. Among the 126 tender and bidding processes our Group participated during the Track Record Period, there were nil, nil, two and one tender submissions where both our Group and Lianfa Property participated in the tender and bidding process of the same property projects developed by Independent Third Parties, respectively, among which we won one and one for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively, and Lianfa Property did not win any of the above tenders. These two projects were located in the Fujian Province with the GFA being 0.2 million sq.m. and 0.1 million sq.m., respectively.

In view of there being three property projects developed by Independent Third Parties in which both our Group and Lianfa Property participated in the respective tender and bidding process during the Track Record Period, and our Group's inclination to manage any potential competition with Lianfa Property in the event that our Group becomes aware of such potential competition arising from the possibility of participating in the same tender and bidding process of the same property projects with Lianfa Property, our Group would adopt the following measures:

- (i) our Directors shall delegate to a special committee formed by our Directors and/or officers authorised by our Directors (the "**Committee**") for the purpose of managing such potential competition;
- (ii) the Committee shall review the decision by which our Group participates in such tender and assess the decision taking into consideration the following factors, including but not limited to, whether the tender submission was made (a) in the interest of our Group and our Shareholders as a whole; (b) on reasonable basis and normal commercial terms; and (c) in compliance with all applicable laws, rules and regulations. The Committee shall check if there is any associated interest of our Group, our employees and/or our agents (if any) in connected with such tender; and
- (iii) having evaluated and assessed the decision taking into the abovementioned factors, the Committee will grant permission that our Group may proceed with such tender, otherwise our Group may not continue such tender.

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Given the measures specified above, our Directors expect that the chance of our Group and Lianfa Property competing for the same Independent Third Party customer will remain low going forward.

Further, for the property management services in the PRC, the property management services contracts are typically entered into with the property developers through tender and bidding process before properties are delivered to property owners, which is a competitive and regulated process. As such, our Group did not enjoy preferential treatment in the selection process and was not granted the property management services contracts solely due to the shareholding relationships with the property developers. In addition, after the properties are delivered to property owners, property owners can choose to continue to engage a particular property management services provider.

Based on the above, our Directors consider that the source of property management projects of our Group and Lianfa Property was generally different during the Track Record Period and the competition in between is expected to be minimal.

- (ii) **Our Group and Lianfa Property utilise their respective own brands with different business focus and operating scale:** Our Group has used our brand under the name of “C&D Property (建發物業)” and Lianfa Property has used its brand under the name of “Lianfa (聯發)”. Each of the two brands has been recognised and received as different and independent from each other by the industry and the market. Each of our Group and Lianfa Property has been analysed and ranked separately in various rankings by the industrial association and relevant research institutions. Further, during the Track Record Period, the business focus of our Group was to provide property management services, community value-added and synergy services and value-added services to non-property owners to different customers, including C&D Real Estate, the Remaining CDI Group and Independent Third Parties, while the business focus of Lianfa Property was mainly to provide property management services to Lianfa Group.

During the Track Record Period, the revenue of our Group was RMB447.1 million, RMB608.6 million, RMB801.3 million and RMB452.2 million, respectively; and the profit attributable to equity holders of our Group was RMB30.8 million, RMB47.8 million, RMB68.2 million and RMB61.0 million, respectively. According to the information provided by Lianfa Property, during the Track Record Period, the revenue of Lianfa Property was RMB229.3 million, RMB299.4 million, RMB439.3 million and RMB209.1 million, respectively; and the profit attributable to shareholders of Lianfa Property was RMB21.0 million, RMB37.9 million, RMB50.7 million and RMB18.6 million, respectively. During the Track Record Period, the gross profit of our Group was RMB117.0 million, RMB140.9 million, RMB183.4 million and RMB109.8 million, respectively, while the gross profit of Lianfa Property was RMB43.3 million, RMB43.3 million, RMB83.0 million and RMB26.2 million, respectively. During the Track Record Period, the gross profit margin of our Group was 26.2%, 23.1%, 22.9% and 24.3%, respectively, while the gross profit margin of Lianfa Property was 18.8%, 14.4%, 18.8% and 12.5%, respectively.

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As at 30 June 2020, our Group managed 203 projects with an aggregate GFA under management of 21.7 million sq.m., while, according to the information provided by Lianfa Property, Lianfa Property managed 82 projects with a total GFA under management of 11.4 million sq.m..

Over the years, our Group and Lianfa Property have been cultivating the respective brand images. Given the operating and brand history of our Group and Lianfa Property, our Directors consider that our Group and Lianfa Property are two sizeable companies with different brand recognition.

- (iii) **The geographical location of the business of our Group and Lianfa Property is different:** Given that Lianfa Property mainly serves Lianfa Group, the geographical location of the business of Lianfa Property generally follows the geographical location of property developments of Lianfa Group. Our Group serves C&D Real Estate, the Remaining CDI Group and Independent Third Parties. Our Group has been operating in the Fujian Province for more than 25 years, while the headquarter of Lianfa Property is located in the Fujian Province.

As at 31 December 2017, 2018, 2019 and 30 June 2020, save and except three, four, four and four cities in the Fujian Province in which our Group and Lianfa Property respectively had projects under management, there were no overlapping of geographical locations of our Group and Lianfa Property. Based on the above, save as to Fujian Province where the respective headquarters of C&D Real Estate and Lianfa Group are located, our Directors expect that the overlapping of geographical location of the businesses of our Group and Lianfa Property will be minimal.

As at 31 December 2017, 2018, 2019 and 30 June 2020, there were respectively three, four, four and four overlapping cities in the PRC (i.e., Xiamen, Zhangzhou and Quanzhou as at 31 December 2017 and Xiamen, Zhangzhou, Quanzhou and Putian as at 31 December 2018, 2019 and 30 June 2020) where both our Group and Lianfa Property had operations. Among the overlapping cities in the Fujian Province, as at 31 December 2017, 2018, 2019 and 30 June 2020, 36.0%, 42.9%, 59.6% and 58.4% of the GFA under our management was sourced from Independent Third Parties, with GFA under management being 343.4 million sq.m., 504.0 million sq.m., 682.6 million sq.m. and 671.6 million sq.m., and according to the information provided by Lianfa Property, 0%, 4.6%, 4.8% and 4.9% of the GFA under management which Lianfa Property operated was sourced from Independent Third Parties, with GFA under management being nil, 0.16 million sq.m., 0.19 million sq.m. and 0.19 million sq.m.. As such, our Group has been gradually sourcing projects from Independent Third Parties over the years and our Directors expect that this trend will continue.

During the Track Record Period, the revenue contribution of the projects to our Group in the overlapping cities was RMB164.0 million, RMB215.1 million, RMB274.9 million and RMB156.0 million, respectively, representing 54.2%, 53.7%, 56.5% and 55.3% of our revenue generated from property management services, respectively. According to the information provided by Lianfa Property, during the Track Record Period, the revenue contribution of the projects to Lianfa Property in the overlapping cities was RMB89.6 million, RMB116.2 million, RMB193.1 million and RMB85.4 million,

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respectively, representing 38.9%, 38.7%, 43.7% and 40.9% of the total revenue of Lianfa Property, respectively. Among the overlapping cities during the Track Record Period, 45.5%, 44.9%, 46.5% and 43.2% of our total revenue was generated from projects of our property management services in Xiamen, respectively and 37.6%, 33.7%, 36.8% and 32.6% of the total revenue of Lianfa Property was generated from projects of the property management services in Xiamen, respectively where the respective headquarters of C&D Real Estate and Lianfa Group are located. The respective revenue contributions from Xiamen represents relatively large proportions for each of our Group and Lianfa Property in terms of revenue as each of them originated their respective business from Xiamen and formed their respective operational base over the years.

As each of our Group and Lianfa Property served each of C&D Real Estate and Lianfa Group, respectively, there were no overlapping of customers as at 30 June 2020. Further, despite that both our Group and Lianfa Property both operated in the overlapping cities, our Directors consider that our Group and Lianfa Property did not have material competition for Independent Third Party customers. According to the information provided by Lianfa Property, only nil, three, six and seven projects of which Lianfa Property operated in Xiamen were taken over from projects developed by Independent Third Party customers in Xiamen as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, representing N/A, 4.6%, 7.6% and 8.5% of total projects under management by Lianfa Property, respectively. Meanwhile, 34, 44, 78 and 80 projects of which our Group operated in Xiamen were taken over from projects developed by Independent Third Party customers in Xiamen as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively, representing 31.4%, 33.3%, 40.0% and 38.9% of total projects under management by our Group, respectively. Based on the above, the business expansion to Independent Third Party customers of Lianfa Property has been slower than that of our Group. Because of each of (i) the different business positioning, operation status and organisational structures of our Group and Lianfa Property; and (ii) the intention of further expansion of Lianfa Property as referred below, our Directors expect that the competition between our Group and Lianfa Property for the same Independent Third Party customer would not be material.

Given the nature of real estate projects being immovable properties and the real estate market has distinctive regional characteristics, real estate projects located in different cities generally do not result in business competition. Further, our Directors considered that despite the overlapping of certain geographical locations of the businesses of our Group and Lianfa Property (i.e. cities in the Fujian Province), real estate projects in different regions are less competitive with each other due to specific geographical differences.

- (iv) Lianfa Property was positioned to primarily provide property management services to the properties developed by Lianfa Group and, based on the information provided by Lianfa Property, Lianfa Property has no plan or intention currently to make significant change to its existing business model in the near future. Based on the above, our Group anticipates competition with Lianfa Property, whether directly or indirectly, would be of infrequent occurrence in the foreseeable future.

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(v) **Our Group and Lianfa Property have independent and separate management:**

During the Track Record Period and according to the information provided by Lianfa Property, there were no overlapping of directors and senior management of our Group and Lianfa Property and there were no overlapping of directors and senior management of C&D Real Estate and Lianfa Group. Our Directors expect that there will be no overlapping of directors and senior management of our Group and Lianfa Property upon and after completion of the Spin-off. Furthermore, C&D Inc. is a company listed on the Shanghai Stock Exchange with board of directors separate from that of each of our Group and Lianfa Property, of which none of the directors of C&D Inc. have any executive roles in each of C&D Real Estate, CDI, our Group and Lianfa Property. As such, given the respective development history and operation system, our Group and Lianfa Property have been operating under separate platforms (i.e. C&D Real Estate and Lianfa Group, respectively) and our Directors expect that our Group and Lianfa Property will continue to operate independently.

(vi) **Our Group and Lianfa Property have independent operation and administration:**

Each of our Group and Lianfa Property has independent operation and administration. During the Track Record Period, the operation, administration, accounting and finance and human resources management systems of each of our Group and Lianfa Property were independent and separate from the other and our Directors expect that each of our Group and Lianfa Property will maintain independent and separate operation, administration, accounting and finance and human resources management systems.

Our Directors consider that the competition between our Group and Lianfa Property is not material because of the following reasons:

- (i) Based on its market positioning and its business scale, Lianfa Property mainly serves as the property management company for the properties developed by Lianfa Group. According to the information provided by Lianfa Property, as at 31 December 2017, 2018, 2019 and 30 June 2020, 100.0%, 98.3%, 98.0% and 98.1% of the GFA of the properties under Lianfa Property's management were taken over from Lianfa Group, respectively;
- (ii) Based on the information above regarding the revenue contribution and despite that there were a few overlapping cities of our Group and Lianfa Property in which both companies had operation during the Track Record Period, our Directors consider that there was no material competition between our Group and Lianfa Property;
- (iii) As advised by Lianfa Property, based on its current business positioning and operation status where (a) Lianfa Property mainly provides property management services to properties developed by Lianfa Group and its predominant focus of Lianfa Property's business is its internal projects; and (b) the revenue contribution from property projects developed by Lianfa Group accounted for 99.9%, 97.1%, 96.1% and 95.7% of Lianfa Property's revenue, and given its organisational structure where Lianfa Property is a wholly-owned subsidiary of Lianfa Group, Lianfa Property has no plan or intention currently to make significant change to its existing business model, which

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predominantly focuses on procuring property management projects in respect of properties developed by Lianfa Group but not properties developed by Independent Third Parties in the near future;

- (iv) Our Group and Lianfa Property are two companies operated independently without any information sharing or exchange despite that they are both under the same control of C&D Inc.. Each of our Group and Lianfa Property operates independently and submits tender to customers in accordance with their respective marketing strategies, business scales and positioning in the industry; and
- (v) Property management industry in the PRC is fragmented and competitive. Given that the market shares of both our Group and Lianfa Property are relatively small with reference to the market size and number of market participants in the PRC, our Directors consider that there would not be any material conflict of interests between our Group and Lianfa Property.

In light of the differences in their respective source of projects, operation and management as set out above, our Directors considered that the property management services business of our Group and Lianfa Property, despite both being property management related, are clearly delineated.

To address potential conflicts of interests between our Group and Lianfa Property, the following procedures will be adopted immediately after completion of the Spin-off and Listing:

- (a) upon completion of the Spin-off and Listing, in addition to C&D Inc. and CDI, there will be in total three listed companies within the Xiamen C&D group. Each of C&D Inc., CDI and our Company (the “**Listed Companies**”) will (i) need to observe and comply with the relevant listing rules of its respective stock exchange where their shares are listed; and (ii) have its respective corporate governance to safeguard the interests of its respective shareholders in accordance with the listing rules. Furthermore, each of the Listed Companies will have a sufficient level of independence of directorship and management and a team of full-time senior management and employees focused exclusively on its respective businesses. Each of the Listed Companies will continue to operate independently.
- (b) during the Track Record Period, our Company has maintained an independent directorship and management from Lianfa Property and all of our Directors have had no role in Lianfa Property. It is expected that, upon completion of the Spin-off and Listing, we will maintain an independent directorship and management from Lianfa Property. Moreover, each of our Company and Lianfa Property shall have separate teams of full-time senior management and employees focused exclusively on the businesses of our Group and Lianfa Property, respectively.
- (c) our Board will comprise eight members, among which half of them are independent non-executive Directors; the number of our independent non-executive Directors will be more than the number of our executive Directors. Please refer to the section headed “Directors and Senior Management” in this listing document for details. In case of potential conflict of interests between our Group and Lianfa Property where the conflicting Directors (if any) shall abstain from voting, the independent non-executive

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Directors will be responsible for making decision and addressing to the potential conflict of interests in accordance with our corporate governance procedures. Moreover, our management structure will include an audit committee, a remuneration committee and a nomination committee. The terms of reference of each of these committees will require them to be alert to prospective conflict of interest issues and to formulate their proposals accordingly.

The Remaining CDI Group

The table below sets out the principal business of our Group and the Remaining CDI Group as at the Latest Practicable Date:

<u>Item</u>	<u>The business of the Remaining CDI Group</u>	<u>The business of our Group</u>
Business line	Substantially all of the Remaining CDI Group's revenue are generated by the following major business lines: ● Property development business, which accounted for 95.5%, 97.3%, 98.8% and 96.5% of its revenue during the Track Record Period, respectively. ● Commercial assets management business, which accounted for 3.3%, 1.4%, 0.7% and 2.7% of its revenue during the Track Record Period, respectively. ● Entrusted construction business, which accounted for 1.2%, 1.3%, 0.5% and 0.8% of its revenue during the Track Record Period, respectively.	Substantially all of our revenue are generated by the following major business lines: ● Property management services, which accounted for 67.7%, 65.7%, 60.7% and 62.3% of our revenue during the Track Record Period, respectively. ● Community value-added and synergy services, which accounted for 11.7%, 9.3%, 10.0% and 9.4% of our revenue during the Track Record Period, respectively. ● Value-added services to non-property owners, which accounted for 20.6%, 25.0%, 29.3% and 28.3% of our revenue during the Track Record Period, respectively.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Item	The business of the Remaining CDI Group	The business of our Group
Business model	The business model of the Remaining CDI Group by business lines set out below: • Property development business: principally engaged in real estate development including, design, development, and sales of various types of residential properties targeting for a wide customer base with differentiated demands and distinct purchasing powers, in exchange for receiving incomes from sales of properties. • Commercial assets management business: principally engaged in operation and management of leased commercial properties, receiving rents from mall tenants. It mainly involves leasing of commercial properties owned by CDI Group and/or its associates and/or third-parties located mainly in Shanghai and Nanning to third-parties tenants for rental income. • Entrusted construction business: principally engaged in providing project operation and management services including design, construction and sales, in exchange for receiving management fees from clients.	The business model of our Group by business lines set out below: • Property management services: principally engaged in, among other things, greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc., in exchange for receiving property management fees for such services. • Community value-added and synergy services, including (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation, etc.; (iii) real estate brokerage and asset management services, including services to property owners and residents for secondary sales or rental transactions of properties and/or car parking spaces owned by these property owners and residents, where we act as agent to facilitate the transaction and we receive commission; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of the Yibai Centre; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application “Huishenghuo* (慧生活)”, in exchange for receiving service fees for such services. • Value-added services to non-property owners, including consultancy services and reception, order maintenance and cleaning services at the pre-sales centres, in exchange for receiving consultation fees and service fees for such services.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

<u>Item</u>	<u>The business of the Remaining CDI Group</u>	<u>The business of our Group</u>
Target customers	The target customers mainly include: ● Property development business: property purchasers. ● Commercial assets management business: mall tenants. ● Entrusted construction business: clients from construction projects.	The target customers mainly include: ● Property management services and community value-added and synergy services: mainly property owners and residents of managed properties. ● Value-added services to non-property owners: property developers and other non-property owners.
Suppliers	The main suppliers include engineering and construction companies for the property development business.	The main suppliers include sub-contractors providing security services, cleaning, pest control, greening and maintaining services, and repair and maintenance of elevators system and fire extinguishing and fire alarm systems.

As shown in the table above, there is clear business delineation between the respective business line, business model, target customers and suppliers of our Group and the Remaining CDI Group. In practice, the respective business operations of our Group and the Remaining CDI Group are independent from each other.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Spin-off, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any board resolution in respect of any contract or arrangement or any other proposal whatsoever in which such Director or any of his/her close associates has any material interest, and if he/she shall do so his/her vote shall not be counted (nor shall such Director be counted in the quorum for the resolution);
- (b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

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- (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 possesses 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 judgement 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 paragraph headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors” in this listing document;
- (d) we have appointed China Industrial Securities International Capital Limited as our compliance adviser, 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; and
- (e) as required by the Listing Rules, our independent non-executive Directors shall review continuing connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable 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 Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions with parties who will, upon completion of the Spin-off, become our connected persons, and certain transactions will continue following the Listing Date, thereby constituting connected transactions under the Listing Rules.

(A) CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Trademark Licensing Agreement

Background

On 23 December 2020, we entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with Xiamen C&D, pursuant to which Xiamen C&D agreed to grant to our Company (including its existing and future subsidiaries in which our Company holds 50% or more equity interest or has controlling interest) a non-transferable licence to use several trademarks registered in the PRC commencing for a perpetual term commencing from the date of the Trademark Licensing Agreement, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. The termination of the Trademark Licensing Agreement is conditional on that our Company is no longer controlled by Xiamen C&D or any entity controlled by Xiamen C&D. In addition, if any licensed trademark was not renewed by Xiamen C&D, we would not be licensed to use such trademark. Details of the licensed trademarks are set out in the paragraph headed “General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group — (b) Trademarks licensed” in Appendix IV to this listing document. Our Directors believe that the entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of our operations and is beneficial to our Company and our Shareholders as a whole. Considering (i) it is within normal business practice for agreements of this type to be of such duration; (ii) the strategic importance for our Group to use such trademarks; and (iii) such term is sufficiently long to provide better protection to our Group considering the nature of our licensed trademarks, our Directors are of the view that it is normal business practice for the Trademark Licensing Agreement to be of such duration. The Sole Sponsor is of the view that it is normal business practice for agreements of this type to be of such duration.

Listing Rules implications

Xiamen C&D as the registered proprietor of the licensed trademarks is a controlling shareholder of our Company and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the licensed trademark are granted to us on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules, and the entering into of the Trademark Licensing Agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(B) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Lease Framework Agreement

Background

During the Track Record Period, we leased from Xiamen C&D our head office and the car parking spaces at the C&D International Building, located at No.1699 Huandao East Road, Xiamen, the PRC. As at 30 June 2020, we leased our head office with a total GFA of 2,115 sq.m. for our operational use and the car parking spaces for our business use with a total GFA of 51,334 sq.m. from Xiamen C&D.

In order to ensure our operations and business are consistent and stable, we intend to continue to lease from Xiamen C&D the above properties at the C&D International Building in the PRC.

On 23 December 2020, we entered into a lease framework agreement (the “**Lease Framework Agreement**”) with Xiamen C&D, pursuant to which Xiamen C&D and its subsidiaries and joint ventures (but not including the Remaining CDI Group, our Group, our joint ventures) agreed to lease to our Group and our joint ventures (excluding our connected subsidiaries) (i) certain properties for operational use; and (ii) the car parking spaces located at C&D International Building for our business use from the Listing Date until 31 December 2022. The Lease Framework Agreement will be effective on the Listing Date and binding on the parties to the Lease Framework Agreement. Relevant subsidiaries and/or joint ventures of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Lease Framework Agreement. Such transactions will be entered into on normal commercial terms or better and after arm's length negotiation among parties to the Lease Framework Agreement, with reference to the prevailing market rent of similar properties in the vicinity and should be no less favourable than that offered by Independent Third Parties.

Historical transaction amounts

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the historical amounts of rent paid by us to Xiamen C&D were RMB1.7 million, RMB2.9 million, RMB3.8 million and RMB2.0 million, respectively.

Proposed annual caps and basis of annual caps

For each of the three years ending 31 December 2022, it is expected that the annual caps of the rent payable by us under the Lease Framework Agreement are RMB4.75 million, RMB5.50 million and RMB6.25 million, respectively. When estimating the annual caps above, our Directors have considered (i) the historical leases entered into by our Group and the historical amount of rent paid to Xiamen C&D; (ii) the unit rent of our Group's leased properties and the market level of unit rent for comparable office units; (iii) the expected needs for the lease areas resulting from the future expansion of our Group; and (iv) the expected market rates of unit rent for office units. The

CONTINUING CONNECTED TRANSACTIONS

annual caps are determined based on the estimated total value of right-of-use assets to be newly recognised relating to the applicable leases forecasted by our Company. The accounting treatment for the actual leases will comply with the applicable standards of HKFRS 16.

Pricing basis

The rent, property management fees, public maintenance fund, utilities and air-conditioning fees shall be calculated and paid in the following manner:

- (i) the rent is calculated based on the GFA of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties.
- (ii) our Group shall pay the property management fees, public maintenance fund, utilities and air-conditioning fees in respect of the subject properties.
- (iii) our Group shall make rental payment on a quarterly basis, and the specific payment and settlement could be arranged by negotiation between the parties to the lease.

Listing Rules implications

Xiamen C&D is our Controlling Shareholder and therefore, is a connected person of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions contemplated under the Lease Framework Agreement are expected to exceed 0.1% but are less than 5% on an annual basis, the entering into of the Lease Framework Agreement constitutes a continuing connected transaction for our Company and will be subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Business Framework Agreement

Background

During the Track Record Period, we provided our property management services, community value-added and synergy services and value-added services to non-property owners to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group.

CONTINUING CONNECTED TRANSACTIONS

On 23 December 2020, we entered into a business framework agreement (the “**Business Framework Agreement**”) with C&D Real Estate and CDI, pursuant to which our Group and our joint ventures agreed to provide certain services (the “**Parent Group Services**”) to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group (excluding our joint ventures).

Principal terms of the Business Framework Agreement

The table below summarises the principal terms of the Business Framework Agreement:

Date:	23 December 2020
Parties:	(i) C&D Real Estate (ii) CDI (iii) our Company
Term:	From the Listing Date to 31 December 2022
Scope of services provided by us:	Parent Group Services, which include: ● Property management services, mainly including greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc. to unsold and sold but undelivered commodity housing and office properties (the “Property management services”) ● Community value-added and synergy services, mainly including (i) home living services; (ii) home beauty services; (iii) real estate brokerage and asset management services; (iv) value-added services for public areas; (v) elderly-care & health value-added services; and (vi) smart community services (the “Community value-added and synergy services”) ● Value-added services to non-property owners, mainly including (i) consultancy services to property developers during the property development and construction phases; and (ii) reception, order maintenance, cleaning and security and maintenance services to property developers during both pre-sales and post-sales phases (the “Value-added services to non-property owners”)

The Business Framework Agreement will be effective on the Listing Date and binding on the parties to the Business Framework Agreement. Relevant entities will enter into separate service agreements which will set out specific terms and conditions according to the set out in the Business Framework Agreement.

CONTINUING CONNECTED TRANSACTIONS

Historical transaction amounts

For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the aggregate historical amounts of service fees received by us from (i) the Remaining CDI Group; and (ii) the Remaining Xiamen C&D Group were RMB141.7 million, RMB187.0 million, RMB254.7 million and RMB137.4 million, respectively. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the historical amounts of service fees received by us from the Remaining CDI Group were RMB26.5 million, RMB73.5 million, RMB129.4 million and RMB94.8 million, respectively. For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the aggregate historical amounts of service fees received by us from the Remaining Xiamen C&D Group were RMB115.2 million, RMB113.5 million, RMB125.3 million and RMB42.7 million, respectively.

The table below sets out the breakdown of the historical transaction amounts by types of services provided by us to the Remaining CDI Group for the year/period indicated:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	—	797	3,301	3,503
Community value-added and synergy services	431	1,765	1,196	1,162
Value-added services to non-property owners	<u>26,109</u>	<u>70,975</u>	<u>124,919</u>	<u>90,099</u>
Total	<u><u>26,540</u></u>	<u><u>73,537</u></u>	<u><u>129,416</u></u>	<u><u>94,764</u></u>

The table below sets out the breakdown of the historical transaction amounts by types of services provided by us to the Remaining Xiamen C&D Group for the year/period indicated:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	51,461	50,638	47,472	17,985
Community value-added and synergy services	5,903	4,182	2,982	1,244
Value-added services to non-property owners	<u>57,783</u>	<u>58,678</u>	<u>74,873</u>	<u>23,425</u>
Total	<u><u>115,147</u></u>	<u><u>113,498</u></u>	<u><u>125,327</u></u>	<u><u>42,654</u></u>

CONTINUING CONNECTED TRANSACTIONS

Proposed annual caps and basis of annual caps

For each of the three years ending 31 December 2022, it is expected that the aggregate annual caps of the revenue receivable by us under the Business Framework Agreement are RMB370.0 million, RMB440.0 million and RMB550.0 million, respectively. For each of the three years ending 31 December 2022, it is expected that the annual caps of the revenue receivable by us from the Remaining CDI Group under the Business Framework Agreement are RMB270.0 million, RMB345.0 million and RMB455.0 million, respectively. For each of the three years ending 31 December 2022, it is expected that the annual caps of the revenue receivable by us from the Remaining Xiamen C&D Group under the Business Framework Agreement are RMB100.0 million, RMB95.0 million and RMB95.0 million, respectively.

The table below sets out the breakdown of the annual caps by types of services to be provided by us to the Remaining CDI Group for the year indicated:

	For the year ending 31 December					
	2020		2021		2022	
	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%	<i>RMB</i> <i>million</i>	%
Property management services	6.0	2.2	9.0	2.6	12.0	2.6
Community value-added and synergy services	4.0	1.5	6.0	1.7	8.0	1.8
Value-added services to non-property owners	<u>260.0</u>	<u>96.3</u>	<u>330.0</u>	<u>95.7</u>	<u>435.0</u>	<u>95.6</u>
Total	<u><u>270.0</u></u>	<u><u>100.0</u></u>	<u><u>345.0</u></u>	<u><u>100.0</u></u>	<u><u>455.0</u></u>	<u><u>100.0</u></u>

Under the Business Framework Agreement, the proposed annual caps for provision of value-added services to non-property owners to the Remaining CDI Group are higher than the historical amounts of revenue from provision of value-added services to non-property owners to the Remaining CDI Group and most of the revenue is expected to be arisen from provision of value-added services to non-property owners to the Remaining CDI Group. Given that (i) the property development business of the Remaining CDI Group has been rapidly growing during the Track Record Period (during the Track Record Period, the contract sales of the Remaining CDI Group realised growth rates of 489%, 145%, 105% and 53%, respectively as compared to that of the previous year/period) and is expected to maintain the same momentum; (ii) our Group is to provide value-added services to non-property owners to the properties of Remaining CDI Group during their development and pre-sale phases under the Business Framework Agreement, we expect a similar growth trend of the revenue from the value-added services to non-property owners generated from the Remaining CDI Group with the growth trend of the expanding property development business of Remaining CDI Group, resulting in an increase of the proposed annual caps for provision of value-added services to non-property owners for the three years ending 31 December 2022.

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The proposed annual caps for provision of value-added services to non-property owners to the Remaining CDI Group accounted for a high proportion of the aggregate annual caps with the Remaining CDI Group, while the proposed annual caps for provision of property management services accounted for a small proportion of the aggregate annual caps with the Remaining CDI Group. It is because (i) the target customers of the value-added services to non-property owners are property developers, while the main target customers of the property management services are property owners and residents; (ii) the proposed annual caps for provision of value-added services to non-property owners and property management services are determined with reference to, among other things, the historical amount received by us in respect of each of value-added services to non-property owners and property management services from the Remaining CDI Group for such services, where for the year ended 31 December 2019, the historical amounts of service fees received by us from the Remaining CDI Group for value-added services to non-property owners and property management services were RMB124.9 million and RMB3.3 million, respectively; and (iii) the property development business of the Remaining CDI Group had been rapidly growing during the Track Record Period and is expected to maintain the same momentum for determination of annual caps purpose and therefore, the demand for our value-added services to non-property owners from the Remaining CDI Group is expected to be high.

The table below sets out the breakdown of the annual caps by types of services to be provided by us to the Remaining Xiamen C&D Group for the year indicated:

	For the year ending 31 December					
	2020		2021		2022	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Property management services	35.0	35.0	40.0	42.1	45.0	47.4
Community value-added and synergy services	5.0	5.0	5.0	5.3	5.0	5.2
Value-added services to non-property owners	<u>60.0</u>	<u>60.0</u>	<u>50.0</u>	<u>52.6</u>	<u>45.0</u>	<u>47.4</u>
Total	<u>100.0</u>	<u>100.0</u>	<u>95.0</u>	<u>100.0</u>	<u>95.0</u>	<u>100.0</u>

When estimating the annual caps above, our Directors have considered (i) the historical amount received by us in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners from each of (a) the Remaining Xiamen C&D Group and (b) the Remaining CDI Group for such services; (ii) the proportion of historical transaction amounts in respect of each of the property management services, the community value-added and synergy services, and the value-added services to non-property owners received by us from the relevant parties and the pace of increment of the historical amounts received by us from the relevant parties; (iii) the expected scope of services to be provided to each of (a) the Remaining Xiamen C&D Group and (b) the Remaining CDI Group; (iv) the expected fees to be charged by us with reference to the historical and comparable market levels; (v) the expected expansion in geographical coverage by us as well as by each of (a) the Remaining Xiamen C&D Group and (b) the Remaining CDI Group, where, from 1 July 2020 to the

CONTINUING CONNECTED TRANSACTIONS

Latest Practicable Date, for example, the geographical coverage of properties developed by the Remaining CDI Group increased by five (i.e. Foshan* (佛山), Bengbu* (蚌埠), Jinan* (濟南), Zhuji* (諸暨) and Huai'an* (淮安)) to 38 and the contract sales of the Remaining CDI Group for the nine months ended 30 September 2020 realised a period-on-period growth rate of 81%; and (vi) any potential increment of the demands for the services to be provided to each of (a) the Remaining Xiamen C&D Group and (b) the Remaining CDI Group based on the above expected expansion in geographical coverage and the abovementioned expected growth in the property development services business (as measured by the growth in the contract sales) in the future.

Pricing basis

Property management fees

Property management fees shall be determined after arm's length negotiations by the parties after taking into account a number of factors, including: (i) the types of the properties, such as residential and non-residential, and the location of the projects such as the tier of city; (ii) the scope and quality of the services provided; (iii) the expected operational costs (including, among other things, staff costs, material costs, sub-contracting costs and operational administrative expenses); (iv) our target profit margins; (v) profiles of the property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the property management fees for similar services and similar types of projects in the market. Pursuant to the property management services contracts, the property management fees are calculated based on area multiplied by unit price. The specific unit price is calculated based on the prevailing market price in the location of the projects and approved by the relevant local authorities, as the case may be.

Community value-added and synergy services

The service fees shall be determined after arm's length negotiations with reference to the prevailing market prices of similar services in the open market and historical charges during the Track Record Period.

Value-added services to non-property owners

The service fees shall be determined after arm's length negotiations based on the calculation of "cost (calculated in accordance with the actual costs incurred, such as materials and labour) + indirect management fee (calculated by tax-exclusive income x 10–15%) + taxes". The abovementioned tax will be subject to adjustment in accordance with relevant rules and regulations.

Our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group

Given that for each of the three years ending 31 December 2022, it is expected that the aggregate annual caps of the revenue receivable by us under the Business Framework Agreement are RMB370.0 million, RMB440.0 million and RMB550.0 million, respectively, our Group's reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group is expected to continue going forward with reference to the abovementioned continuing connected transactions. Our Group has been expanding rapidly at a CAGR of 33.9% in revenue from 2017 to 2019 and it

CONTINUING CONNECTED TRANSACTIONS

is currently expected that the growth of our Group will continue provided that there will be no adverse major change in the business environment of our Group. Our Group's revenue generated from the Remaining CDI Group increased rapidly during the Track Record Period, which was due to that the Remaining CDI Group had acquired a large number of property development projects in the relevant period, to which our Group had provided and/or has been providing services; and in light of the historical business expansion of the Remaining CDI Group, we expect that the demand of the Remaining CDI Group for our Group's services will increase for the three years ending 31 December 2022. With the measures adopted to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group, our Group anticipated that the revenue generated from Independent Third Parties will increase and, as a result, the expected revenue contribution from the services to be provided under the Business Framework Agreement will remain at a certain level for the three years ending 31 December 2022. Certain measures have been adopted by our Group to reduce our reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group. We continue to enriching the external expansion channels for our property management services, with a focus on market bidding and establishing associates. During the Track Record Period, we have been taking various measures to diversify our community value-added and synergy services and expand our Independent Third Party clientele and we obtained new business opportunities with Independent Third Parties for our value-added services to non-property owners through new engagement with Independent Third Party property developers for our property management services. Leveraging our state-owned background, we will endeavour to further expand our Independent Third Party clientele, such as local government departments, education and public healthcare departments, for provision of the services of our Group. We participated and will continue to participate in marketing events to promote the brand of our Group, including but not limited to attending industry forum and exhibition and cooperating with property management industry association. We have implemented an internal policy, which optimises the incentive mechanism for marketing personnel to introduce new Independent Third Party customers and improving the external expansion momentum and capabilities through the introduction and incentives of market-oriented personnel. For details of relevant measures, please refer to the paragraph headed "Business — Our Customers" in this listing document and the views of our Directors and the Sole Sponsor as to the effectiveness of such measures in reducing our Group's reliance on the Remaining Xiamen C&D Group and the Remaining CDI Group.

Listing Rules implications

C&D Real Estate is our Controlling Shareholder. As at the Latest Practicable Date, CDI was held by Well Land, our Controlling Shareholder, as to 64.34%, and thus an associate of Well Land. As such, C&D Real Estate and CDI are connected persons of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Business Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregate annual caps for the transactions contemplated under the Business Framework Agreement are expected to be more than 5% on an annual basis, the entering into of the Business Framework Agreement constitutes a continuing connected transaction for our Company and will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(D) APPLICATION FOR WAIVER

The transactions described under the paragraph headed “— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement” in this section above constitute our continuing connected transactions under the Listing Rules, which are exempt from the independent shareholders’ approval requirement but subject to the reporting, annual review, announcement requirements of the Listing Rules.

The transactions described under the paragraph headed “— (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section above constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed “— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement” in this section above; and (ii) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed “— (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section above, 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).

(E) DIRECTORS’ VIEWS

Our Directors (including the independent non-executive Directors) consider that all the continuing connected transactions described under the paragraphs headed “— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement” and “— (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section above 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 the independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions under the paragraphs headed “— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement” and “— (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section above are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

(F) SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view (i) that the continuing connected transactions described under the paragraphs headed “— (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement” and “— (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and each of their terms 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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. We have applied for; and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules primarily on the basis that, as our head office and substantially all of our business operations are located in the PRC, our management is best able to attend to its functions by being based in the PRC. We have adopted the following arrangements to maintain effective communication between the Stock Exchange and us:

- (a) we have appointed two authorised representatives, Ms. Qiao Haixia (喬海俠) and Ms. Leung Ching Ching (梁晶晶), pursuant to Rule 3.05 of the Listing Rules 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 and e-mail. Each of the two authorised representatives is authorised to communicate on our behalf with the Stock Exchange;
- (b) both our authorised representatives have means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact members of our Board for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time, when required. Each Director will provide his/her mobile phone number, office phone number and e-mail address to our authorised representatives, in the event that a Director expects to travel, he/she will endeavour to provide the phone number of the place of his/her accommodation to our authorised representatives or maintain an open line of communication via his/her mobile phone and each of the Directors and authorised representatives will provide his/her mobile phone number, office phone number and e-mail address to the Stock Exchange;
- (c) we have appointed China Industrial Securities International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which has access at all times to our authorised representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us;
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser, 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 and/or the compliance adviser;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) We will also appoint professional advisers (including legal advisors and accountants) after the Listing, if necessary, to assist us in dealing with any questions or queries raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange; and
- (f) Our compliance adviser will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in the paragraph headed “Continuing Connected Transactions — (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders’ Approval Requirement”; and (ii) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed “Continuing Connected Transactions — (C) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements.” Please refer to the section headed “Continuing Connected Transactions” in this listing document for further information.

SHARE ISSUE RESTRICTION

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the restrictions on further issue of Shares (or convertible securities) within the first six months from the Listing Date under Rule 10.08 of the Listing Rules, and a consequential waiver from strict compliance with the requirements under Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of Shares by our Controlling Shareholders upon any issue of Shares (or convertible securities) by our Company within the first six months from the Listing Date, and the Stock Exchange has granted such a waiver on conditions that:

- (i) any issue of new Shares will not result in our Controlling Shareholders ceasing to be Controlling Shareholders of our Company as a result of the dilution of their holding of Shares (i.e., deemed disposal of Shares) upon the issuance of any Shares within 12 months of the Listing;
- (ii) any issue of Shares or convertible securities or the entering into of an agreement in this regard by our Company within the first six months from the Listing Date must be either (a) for cash to fund a specific acquisition of assets or business that will contribute to the growth of our Group’s operation; or (b) for full or partial settlement of the consideration for such acquisition; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) each of our Controlling Shareholders, namely, Well Land, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D, undertakes to the Stock Exchange and to our Company that (a) other than pursuant to the Spin-off and any deemed disposal of Shares upon any issue of securities by our Company pursuant to the consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules, each of them will not, in the period commencing on the date by reference to which the disclosure of its shareholding is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this listing document to be the beneficial owner and (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 options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, each of them would cease to be our Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding or the shareholding of the companies controlled by it in our Company is made in this listing document and ending on the date which is 12 months from the Listing Date, it will: (a) when each of them 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.

The reasons for the application for a waiver from strict compliance with Rule 10.08 and the consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules by our Company are, *inter alia*, as follows:

- (i) our Company does not have current plans to raise funds in the short-term, but it is essential for our Company to have the flexibility to raise funds by way of further issue of Shares in Hong Kong equity markets, enter into further acquisitions or establish joint venture(s) using share consideration should an appropriate opportunity arise. Any issue of new Shares by our Company will enhance the shareholder base and increase the trading liquidity of the Shares, and the interests of the existing Shareholders and prospective investors would be prejudicial if our Company could not raise funds for our business development or expansion due to the restrictions under Rule 10.08 of the Listing Rules;
- (ii) the Listing is planned to be implemented by way of a distribution in specie to the Qualifying CDI Shareholders only. As no offering of new Shares will be made by our Company, the Listing will therefore not result in any dilution of the interests of the Qualifying CDI Shareholders; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) the interests of the Shareholders are well protected since any further issue of Shares by our Company would be subject to Rule 13.36 of the Listing Rules, where prior consent of shareholders in general meeting should be obtained for allotting, issuing and granting of any Shares or convertible securities, unless a general mandate has by ordinary resolution in a general meeting been given to our Directors to, among other things, allot any Shares or convertible securities not exceeding 20% of the number of issued Shares as at the date of the resolution granting the general mandate.

The following is the text of a report set out on pages I-1 to I-76, received from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor 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.



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF C&D PROPERTY MANAGEMENT GROUP CO., LTD (FORMERLY KNOWN AS LI CHI INTERNATIONAL LIMITED AND C&D PROPERTY DEVELOPMENT GROUP CO., LTD) AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of C&D Property Management Group Co., Ltd (formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-76, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020, the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 June 2020, and the consolidated statements of profit or loss and other 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 I-4 to I-76 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 28 December 2020 (the "Listing Document") 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 the 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 respectively to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting 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 respectively 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 purpose of the accountant's report, a true and fair view of the Group's consolidated financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020 and the Company's financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020 and of the Group's consolidated financial performance and consolidated cash flows for each of the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 respectively 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 profit or loss and other 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 preparation and presentation 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 respectively 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 respectively to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which contains information about the dividends paid by the Group 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Lin Ching Yee Daniel

Practising Certificate No.: P02771

28 December 2020

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the Hong Kong Institute of Certified Public Accountants (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.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	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	4	447,051	608,618	801,330	347,237	452,165
Cost of sales		(330,055)	(467,727)	(617,933)	(263,151)	(342,407)
Gross profit		116,996	140,891	183,397	84,086	109,758
Other income	5	2,918	6,126	7,943	3,450	20,422
Selling and marketing expenses		(144)	(781)	(552)	(90)	(936)
Administrative and other operating expenses		(78,075)	(90,375)	(114,040)	(50,866)	(54,044)
Provision for expected credit losses allowance on trade and other receivable, net		(1,136)	(1,380)	(1,663)	(2,616)	(3,180)
Finance income, net	6	3,714	11,970	20,835	8,023	15,653
Share of results of associates		—	—	(2,257)	(50)	(1,262)
Profit before income tax	7	44,273	66,451	93,663	41,937	86,411
Income tax expense	9	(11,814)	(17,968)	(25,378)	(11,705)	(24,940)
Profit for the year/period		32,459	48,483	68,285	30,232	61,471
Other comprehensive income						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translation of financial statements of foreign operations		—	—	—	—	(23)
Total comprehensive income for the year/period		32,459	48,483	68,285	30,232	61,448
Profit for the year/period attributable to:						
— Equity holders of the Company		30,750	47,835	68,181	30,233	61,011
— Non-controlling interests		1,709	648	104	(1)	460
		32,459	48,483	68,285	30,232	61,471
Profit and total comprehensive income attributable to:						
— Equity holders of the Company		30,750	47,835	68,181	30,233	60,988
— Non-controlling interests		1,709	648	104	(1)	460
		32,459	48,483	68,285	30,232	61,448
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)						
Basic and diluted	11	N/A	N/A	N/A	N/A	N/A

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2017	2018	2019	2020
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	6,086	7,761	9,063	24,711
Right-of-use assets	14	2,271	3,961	7,784	18,954
Interests in associates	15	—	—	13,423	—
Goodwill	16	—	—	—	578
Other financial assets	17	28,820	30,970	34,190	48,850
Deferred tax assets	25	1,875	4,205	5,892	5,420
		39,052	46,897	70,352	98,513
Current assets					
Inventories	18	755	1,528	3,415	1,518
Trade and other receivables	19	56,780	68,746	77,217	161,672
Amounts due from related parties	22	1,472,050	1,289,653	1,344,229	387,727
Restricted bank deposits	20	131	710	726	26,146
Cash and cash equivalents	20	28,345	32,370	57,121	1,388,624
		1,558,061	1,393,007	1,482,708	1,965,687
Current liabilities					
Trade and other payables	21	202,026	260,584	313,488	340,096
Contract liabilities	4	52,288	64,525	119,353	173,795
Amounts due to related parties	22	45,140	11	322	254,806
Income tax payables		15,817	25,799	30,717	22,115
Lease liabilities	24	545	2,708	2,787	2,752
		315,816	353,627	466,667	793,564
Net current assets		1,242,245	1,039,380	1,016,041	1,172,123
Total assets less current liabilities		1,281,297	1,086,277	1,086,393	1,270,636
Non-current liabilities					
Lease liabilities	24	1,597	1,023	4,852	9,323
Receipts under securitisation arrangements	23	1,228,820	1,025,639	902,774	902,774
Deferred tax liabilities	25	—	538	1,343	9,943
		1,230,417	1,027,200	908,969	922,040
Net assets		50,880	59,077	177,424	348,596
CAPITAL AND RESERVES					
Share capital	26	12	12	12	12
Reserves	27	46,980	59,065	176,308	347,020
Equity attributable to the equity holders of the Company		46,992	59,077	176,320	347,032
Non-controlling interests		3,888	—	1,104	1,564
Total equity		50,880	59,077	177,424	348,596

(C) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 June
		2017	2018	2019	2020
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Interest in a subsidiary		—	—	—	—
Current assets					
Amount due from an immediate holding company	22	12	5	5	4
Net assets		12	5	5	4
Equity					
Share capital	26	12	12	12	12
Reserves	27	—	(7)	(7)	(8)
Total equity		12	5	5	4

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Other reserve*	Statutory reserve*	Exchange reserve*	Retained profits*	Sub-total		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017	12	3,491	3,550	—	55,690	62,743	2,879	65,622
Profit and total comprehensive income for the year	—	—	—	—	30,750	30,750	1,709	32,459
Transactions with owners								
— Dividends declared and paid (note 10)	—	—	—	—	(2,800)	(2,800)	(700)	(3,500)
— Appropriation to statutory reserve	—	—	3,227	—	(3,227)	—	—	—
— Considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation (note 27)	—	(43,701)	—	—	—	(43,701)	—	(43,701)
	—	(43,701)	3,227	—	(6,027)	(46,501)	(700)	(47,201)
Balance at 31 December 2017 and 1 January 2018	12	(40,210)	6,777	—	80,413	46,992	3,888	50,880
Profit and total comprehensive income for the year	—	—	—	—	47,835	47,835	648	48,483
Transactions with owners								
— Appropriation to statutory reserve	—	—	5,549	—	(5,549)	—	—	—
— Consideration paid upon acquisition of subsidiaries under common control and regarded as deemed distribution arising from Reorganisation (note 27)	—	(109,450)	—	—	—	(109,450)	(4,536)	(113,986)
— Consideration paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation (note 27)	—	(50,000)	—	—	—	(50,000)	—	(50,000)
— Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 27)	—	123,700	—	—	—	123,700	—	123,700
	—	(35,750)	5,549	—	(5,549)	(35,750)	(4,536)	(40,286)
Balance at 31 December 2018 and 1 January 2019	12	(75,960)	12,326	—	122,699	59,077	—	59,077
Profit and total comprehensive income for the year	—	—	—	—	68,181	68,181	104	68,285
Transactions with owners								
— Capital contribution from non-controlling shareholders	—	—	—	—	—	—	1,000	1,000
— Appropriation to statutory reserve	—	—	9,189	—	(9,189)	—	—	—
— Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 27)	—	49,062	—	—	—	49,062	—	49,062
	—	49,062	9,189	—	(9,189)	49,062	1,000	50,062
Balance at 31 December 2019	12	(26,898)	21,515	—	181,691	176,320	1,104	177,424

	Attributable to equity holders of the Company						Non-controlling interests	Total equity
	Share capital	Other reserve*	Statutory reserve*	Exchange reserve*	Retained profits*	Sub-total		
	RMB'000 (note 26)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000 (note 27)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	12	(26,898)	21,515	—	181,691	176,320	1,104	177,424
Total comprehensive income								
Profit for the period	—	—	—	—	61,011	61,011	460	61,471
Other comprehensive income								
— Exchange differences on translation of financial statements of foreign operations	—	—	—	(23)	—	(23)	—	(23)
	—	—	—	(23)	61,011	60,988	460	61,448
Transactions with owners								
— Dividends declared and paid (note 10)	—	—	—	—	(1,485)	(1,485)	—	(1,485)
— Considerations received for the equity transfers of the Excluded Companies to the Remaining Group and regarded as deemed contribution arising from Reorganisation (note 1.2)	—	289,756	—	—	—	289,756	—	289,756
— Considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation (note 27)	—	(227,200)	—	—	—	(227,200)	—	(227,200)
— Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 27)	—	48,653	—	—	—	48,653	—	48,653
	—	111,209	—	—	(1,485)	109,724	—	109,724
Balance at 30 June 2020	<u>12</u>	<u>84,311</u>	<u>21,515</u>	<u>(23)</u>	<u>241,217</u>	<u>347,032</u>	<u>1,564</u>	<u>348,596</u>
Balance at 1 January 2019	12	(75,960)	12,326	—	122,699	59,077	—	59,077
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	30,233	30,233	(1)	30,232
Transactions with owners								
— Capital contribution from non-controlling shareholders	—	—	—	—	—	—	1,000	1,000
— Dividend received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 27)	—	9,062	—	—	—	9,062	—	9,062
	—	9,062	—	—	—	9,062	1,000	10,062
Balance at 30 June 2019 (unaudited)	<u>12</u>	<u>(66,898)</u>	<u>12,326</u>	<u>—</u>	<u>152,932</u>	<u>98,372</u>	<u>999</u>	<u>99,371</u>

* The total of these amounts as at each reporting date represent “Reserves” in the consolidated statements of financial position.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	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>
					(Unaudited)	
Cash flows from operating activities						
Profit before income tax		44,273	66,451	93,663	41,937	86,411
Adjustments for:						
Depreciation of property, plant and equipment	7	2,097	2,334	2,652	1,225	1,442
Depreciation of right-of-use assets	7	545	1,663	3,041	1,520	1,452
Gain on changes in fair value of financial assets measured at FVTPL	5	—	(2,150)	(3,220)	(2,290)	(14,660)
Written off of property, plant and equipment	7	373	258	78	93	238
Provision for ECL allowance on trade and other receivables	7	1,136	1,380	1,663	2,616	3,180
Interest expense	6	6,049	63,943	55,748	28,562	27,799
Interest income	6	(9,763)	(75,913)	(76,583)	(36,585)	(43,452)
Gain on re-measurement of previously held interest in an associate	5	—	—	—	—	(2,993)
Share of results of associates	15	—	—	2,257	50	1,262
Operating profit before working capital changes		44,710	57,966	79,299	37,128	60,679
(Increase)/Decrease in inventories		(648)	(773)	(1,887)	(313)	1,897
Increase in trade and other receivables		(20,131)	(13,346)	(10,134)	(37,595)	(86,380)
Increase/(Decrease) in trade and other payables		57,168	53,867	54,567	(52,043)	(4,606)
Increase in contract liabilities		5,494	12,237	54,828	67,619	54,442
Increase in restricted bank deposits		(131)	(579)	(16)	(1)	(66)
Increase in other financial assets		(50,000)	—	—	—	—
Cash generated from operations		36,462	109,372	176,657	14,795	25,966
Income tax paid		(10,000)	(9,778)	(21,342)	(9,972)	(24,783)
Net cash from operating activities		<u>26,462</u>	<u>99,594</u>	<u>155,315</u>	<u>4,823</u>	<u>1,183</u>

	Notes	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)	
Cash flows from investing activities						
Purchase of property, plant and equipment	13	(2,015)	(4,267)	(4,032)	(1,433)	(1,829)
Investments in associates	15	—	—	(15,680)	(14,700)	(7,350)
(Increase)/Decrease in amounts due from related parties		(1,265,374)	182,397	(54,576)	61,761	956,502
Interest received		9,763	75,913	76,583	36,585	43,452
Net cash inflow on acquisition of a subsidiary	31	—	—	—	—	3,189
Considerations paid for acquisitions of subsidiaries under common control arising from Reorganisation	1.2	—	(113,986)	—	—	(1,577)
Proceeds from the equity transfers of the Excluded Companies		—	—	—	—	291,333
Considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation	27	(43,701)	(50,000)	—	—	(227,200)
Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation	27	—	123,700	49,062	9,062	48,653
Net cash (used in)/from investing activities		<u>(1,301,327)</u>	<u>213,757</u>	<u>51,357</u>	<u>91,275</u>	<u>1,105,173</u>
Cash flows from financing activities						
Capital contribution from non-controlling interests		—	—	1,000	1,000	—
Advances from related parties	30	35,389	—	311	—	254,484
Repayments of amounts due to related parties	30	—	(45,129)	—	—	—
Dividends paid	10	(3,500)	—	—	—	(1,485)
Interest paid		(143)	(57,338)	(55,371)	(18,826)	(27,420)
Payments of lease liabilities	30	(516)	(1,764)	(2,956)	(411)	(432)
Proceed from receipts under securitisation arrangements	30	1,250,000	—	—	—	—
Repayments for receipts under securitisation arrangements	30	—	(205,095)	(124,905)	(74,121)	—
Net cash from/(used in) financing activities		<u>1,281,230</u>	<u>(309,326)</u>	<u>(181,921)</u>	<u>(92,358)</u>	<u>225,147</u>
Net increase in cash and cash equivalents		<u>6,365</u>	<u>4,025</u>	<u>24,751</u>	<u>3,740</u>	<u>1,331,503</u>
Cash and cash equivalents at beginning of year/period		<u>21,980</u>	<u>28,345</u>	<u>32,370</u>	<u>32,370</u>	<u>57,121</u>
Cash and cash equivalents at end of year/period, represented by bank balances and cash		<u><u>28,345</u></u>	<u><u>32,370</u></u>	<u><u>57,121</u></u>	<u><u>36,110</u></u>	<u><u>1,388,624</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

C&D Property Management Group Co., Ltd (the “Company”, formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd) was incorporated as a company with limited liability in the British Virgin Islands (“BVI”) on 4 May 2016. The address of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” in the listing document (“Listing Document”).

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of property management services, community value-added and synergy services and the value-added services to non-property owners in the People’s Republic of China (the “PRC”) (the “Spin-off Business”) during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (the “Track Record Period”).

The Company’s immediate holding company is C&D International Investment Group Limited (“C&D International”), 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”); C&D Real Estate Corporation Limited* (建發房地產集團有限公司) (“C&D Real Estate”) which was incorporated in the PRC with limited liability is the Company’s intermediate holding company, whereas the directors of the Company regard Xiamen C&D Corporation Limited* (廈門建發集團有限公司) (“Xiamen C&D”), a state-owned enterprise incorporated in the PRC with limited liability, as the Company’s ultimate holding company and ultimate controlling party.

The listing of the Company’s shares on the Main Board of the Stock Exchange will constitute a spin-off from C&D International (the “Spin-off”). After the completion of the Spin-off, C&D International and its subsidiaries excluding the Group are collectively referred to as the Remaining Group.

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

1.2 Reorganisation

Prior to the completion of the reorganisation as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Listing Document (the “Reorganisation”), C&D International indirectly owned the companies operating the Spin-off Business (the “Operating Companies”) and other companies, which are engaged in commercial assets management and entrusted construction services (the “Excluded Companies”).

In the preparation of the listing of the Company’s shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken pursuant to which the Operating Companies engaged in the Spin-off Business were transferred to the Company and the Excluded Companies were transferred to the Remaining Group. The Reorganisation mainly involved the following steps:

- (a) On 3 April 2018, C&D Property Service Group Limited* (建發物業服務集團有限公司) (“C&D Property”), a wholly owned subsidiary, entered into an equity transfer agreement with C&D Real Estate, pursuant to which C&D Real Estate agreed to sell and C&D Property agreed to purchase 100% equity interests in Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) (“Xiamen Huijia”) and its subsidiary at a total cash consideration of approximately RMB37,580,000 (“Huijia Acquisition”). C&D Property also entered into an equity transfer agreement with C&D Real Estate and a fellow subsidiary, Xiamen Liyuan Investment Company Limited* (廈門利源投資有限公司) (“Xiamen Liyuan”), pursuant to which C&D Real Estate and Xiamen Liyuan agreed to sell and C&D Property agreed to purchase 100% equity interests in Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司) (“Yijiayuan Xiamen”) and its subsidiaries at a total cash consideration of approximately RMB75,893,000 (“Yijiayuan Acquisition”). Huijia Acquisition and Yijiayuan Acquisition were completed on 11 July 2018.

- (b) On 26 December 2018, C&D Property entered into an equity transfer agreement with a fellow subsidiary, Xiamen Pinchuan Property Consultant Co., Ltd.* (廈門品傳置業顧問有限公司) (“Xiamen Pinchuan”), pursuant to which Xiamen Pinchuan agreed to sell and C&D Property agreed to purchase 100% equity interests in Xiamen Zaijiayiju Information Technology Company Limited* (廈門在家怡居信息科技有限公司) (“Xiamen Zaijiayiju”) at a total cash consideration of approximately RMB513,000 (“Xiamen Zaijiayiju Acquisition”). Xiamen Zaijiayiju Acquisition was completed on 26 December 2018.
- (c) On 25 May 2020, Xiamen Yiyuexin Management Consultancy Company Limited* (廈門怡悅新管理諮詢有限公司) (“Xiamen Yiyuexin”), a wholly owned subsidiary, entered into equity transfer agreements with Xiamen Pinchuan, pursuant to which Xiamen Pinchuan agreed to sell and Xiamen Yiyuexin agreed to purchase 5% equity interests in Chengdu Yijiayuan Property Management Company Limited* (成都怡家園物業管理有限公司) (“Chengdu Yijiayuan”) and 10% equity interests in Changsha Yisheng Property Management Company Limited* (長沙怡盛物業管理有限公司) (“Changsha Yisheng”) at total cash considerations of approximately RMB984,000 (“Chengdu Yijiayuan Acquisition”) and RMB545,000 (“Changsha Yisheng Acquisition”) respectively. Chengdu Yijiayuan Acquisition and Changsha Yisheng Acquisition were completed on 11 June 2020 and 12 June 2020 respectively.
- (d) On 25 May 2020, Xiamen Yiyuexin entered into an equity transfer agreement with a fellow subsidiary, Shanghai Zhaorui Investment Development Co., Ltd.* (上海兆瑞投資發展有限公司) (“Shanghai Zhaorui”), pursuant to which Shanghai Zhaorui agreed to sell and Xiamen Yiyuexin agreed to purchase 5% equity interests in Shanghai Yixiang Property Management Company Limited* (上海怡祥物業管理有限公司) (“Shanghai Yixiang”) at a total cash consideration of approximately RMB48,000 (“Shanghai Yixiang Acquisition”). Shanghai Yixiang Acquisition was completed on 18 June 2020.
- (e) In June 2020, all equity interests of the entities engaged in the Excluded Companies including Xiamen C&D Guangyue Business Management Limited* (廈門建發廣悅商業管理有限公司), Xiamen C&D Zhaocheng Construction and Operation Management Co., Ltd.* (廈門建發兆誠建設運營管理有限公司), Shanghai C&D Zhaoyu Asset Management Co., Ltd.* (上海建發兆昱資產管理有限公司), Xiamen Zhaoxu Construction Development Co., Ltd.* (廈門兆旭建設發展有限公司), Xiamen Wanxinlian Commercial Factoring Co., Ltd.* (廈門萬鑫聯商業保理有限公司), Xiamen Lihe Engineering Management Co., Ltd.* (廈門利和工程管理有限公司), Xiamen Liyue Enterprise Management Co., Ltd.* (廈門利悅企業管理有限公司), Xiamen Zhaoyang Housing Expropriation Service Co., Ltd.* (廈門兆陽房屋征遷服務有限公司), Xiamen C&D Yipin Cultural Development Co., Ltd.* (廈門建發一品文化發展有限公司), Xiamen C&D Home Furnishing Co., Ltd.* (廈門建發家居有限公司) were transferred to the Remaining Group at total cash considerations of approximately RMB291,301,000 and Xiamen C&D Youkehui Network Technology Co., Ltd.* (廈門建發優客會網絡科技有限公司) was transferred to Xiamen C&D at a total cash consideration of approximately RMB32,000 and such equity transfers were completed on 29 June 2020.

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

As at each reporting dates and the date of this report, the Company had interests in its subsidiaries, all of which are private limited liability companies, and the particulars of which are set out below:

Name of company	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held				The date of this report	Principal activities	Names of statutory auditor and periods covered
			As at 31 December			As at			
			2017	2018	2019	30 June 2020			
Directly held by the Company									
Li Chi (Hong Kong) Limited 利馳(香港)有限公司	Hong Kong/ 6 June 2016	Hong Kong Dollar (“HK\$”) 10,000	100%	100%	100%	100%	100%	Investment holding	Grant Thornton Hong Kong Limited for the years ended 31 December 2017, 2018 and 2019
Indirectly held by the Company									
Xiamen Lirong Investment Management Limited* 廈門利融投資管理有限公司	The PRC/ 4 July 2016	RMB30,000,000	100%	100%	100%	100%	100%	Enterprises management consultancy services	note (a)
Xiamen Yirui Investment Management Limited* 廈門益睿投資管理有限公司 (“Xiamen Yirui”)	The PRC/ 19 July 2016	RMB100,000,000	100%	100%	100%	100%	100%	Enterprises management consultancy services	note (a)
C&D Property	The PRC/ 1 March 2018	RMB50,000,000	—	100%	100%	100%	100%	Property management services	Grant Thornton Certified Public Accountants LLP Xiamen Branch (“Grant Thornton Xiamen”) for the year ended 31 December 2018 and RSM China Xiamen Branch (“RSM Xiamen”) for the year ended 31 December 2019
Xiamen Zhaohui Internet Technology Company Limited* 廈門兆慧網絡科技有限公司 (“Xiamen Zhaohui”)	The PRC/ 7 September 2015	RMB10,000,000	100%	100%	100%	100%	100%	Provision of community value-added and synergy services	Grant Thornton Xiamen for the year ended 31 December 2017 (note (b))
Xiamen Bairui Health Industry Company Limited* (“Xiamen Bairui”) 廈門市佰睿健康產業有限公司 (note 15)	The PRC/ 20 July 2018	RMB50,000,000	—	49%	49%	100%	80%	Provision of elderly-care and health value-added services	Fujian Puhe Certified Public Accountants Co., Ltd. for the year ended 31 December 2019 (note (c))
Xiamen C&D Gongjian Property Management Company Limited* 廈門建發公建物業管理有限公司	The PRC/ 29 June 2018	RMB50,000,000	—	100%	100%	100%	100%	Property management services, provision of community value-added and synergy services and value-added services to non-property owners	Grant Thornton Xiamen for the year ended 31 December 2018 and RSM Xiamen for the year ended 31 December 2019
Yijiayuan Xiamen	The PRC/ 17 February 2005	RMB50,000,000	100%	100%	100%	100%	100%	Property management services, provision of community value-added and synergy services and value added services to non-property owners	Grant Thornton Xiamen for the years ended 31 December 2017 and 2018 and RSM Xiamen for the year ended 31 December 2019

APPENDIX I

ACCOUNTANT'S REPORT

Name of company	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held				The date of this report	Principal activities	Names of statutory auditor and periods covered
			As at 31 December			As at 30 June			
			2017	2018	2019	2020			
Indirectly held by the Company									
Shanghai Yixiang	The PRC/ 11 May 2006	RMB11,300,000	100%	100%	100%	100%	100%	Property management services	Grant Thornton Xiamen for the year ended 31 December 2017 and RSM Xiamen for the year ended 31 December 2019 (note (c))
Chengdu Yijiayuan	The PRC/ 5 March 2010	RMB3,100,000	100%	100%	100%	100%	100%	Property management services	Grant Thornton Xiamen for the years ended 31 December 2017 and 2018 and RSM Xiamen for the year ended 31 December 2019
Huzhou Yisheng Property Management Company Limited* 湖州市怡晟物業管理有限公司	The PRC/ 11 October 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Putian Yirui Property Management Company Limited* 莆田怡瑞物業管理有限公司	The PRC/ 6 March 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)
Wuhan Yiran Property Management Company Limited* 武漢怡然物業管理有限公司	The PRC/ 14 August 2018	RMB50,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Putian Yixin Property Management Company Limited* 莆田市怡信物業管理有限公司	The PRC/ 23 October 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Wuyishan Yichen Property Management Company Limited* 武夷山怡辰物業管理有限公司	The PRC/ 24 January 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)
Guangzhou Yijiayuan Property Management Company Limited* 廣州怡家園物業管理有限公司	The PRC/ 3 August 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Nanping Yanping District Yijiayuan Property Management Company Limited* 南平市延平區怡家園物業管理有限公司	The PRC/ 23 August 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)

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ACCOUNTANT'S REPORT

Name of company	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held					Principal activities	Names of statutory auditor and periods covered	
			As at 31 December			As at 30 June	The date of this report			
			2017	2018	2019	2020				
Indirectly held by the Company										
Zhangzhou Yizhuo Property Management Company Limited* 漳州怡卓物業管理有限公司	The PRC/ 15 October 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Hangzhou Yixing Property Management Company Limited* 杭州怡興物業管理有限公司	The PRC/ 26 June 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Shenzhen Yijiayuan Property Management Company Limited* 深圳市怡家園物業管理有限公司	The PRC/ 6 August 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Shanghai Yicheng Property Management Company Limited* 上杭怡誠物業管理有限公司	The PRC/ 15 October 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Ningde Yishun Property Management Company Limited* 寧德怡順物業管理有限公司	The PRC/ 27 June 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Yongtai Yijiayuan Property Management Company Limited* 永泰怡家園物業管理有限公司	The PRC/ 26 August 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Zhuhai Yixin Property Management Company Limited* 珠海市怡欣物業管理有限公司	The PRC/ 27 August 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)	
Zhangzhou Yijiayuan Property Service Company Limited* 漳州怡家園物業服務有限公司	The PRC/ 6 December 2019	RMB1,000,000	—	—	100%	100%	100%	Property management services	note (a)	
Zhangzhou Yiping Property Service Company Limited* 漳州怡平物業服務有限公司	The PRC/ 8 May 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)	

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ACCOUNTANT'S REPORT

Name of company	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held				The date of this report	Principal activities	Names of statutory auditor and periods covered
			As at 31 December			As at 30 June 2020			
			2017	2018	2019	2020			
Indirectly held by the Company									
Changsha Yisheng	The PRC/ 20 July 2006	RMB3,000,000	100%	100%	100%	100%	100%	Property management services	Grant Thornton Xiamen for the years ended 31 December 2017 and 2018 and RSM Xiamen for the year ended 31 December 2019
Zhangzhou Yijiayuan Yuegang Property Service Company Limited* 漳州怡家園月港物業服務有限公司 (“Zhangzhou Yijiayuan Yuegang”) (note 3(a))	The PRC/ 30 April 2019	RMB2,000,000	—	—	50%	50%	50%	Property management services	RSM Xiamen for the year ended 31 December 2019
Minhou Yijiayuan Property Management Company Limited* 閩侯怡家園物業管理有限公司	The PRC/ 8 June 2020	RMB1,000,000	—	—	—	100%	100%	Property management services	note (a)
Xiamen Huijia (note (e))	The PRC/ 2 June 1995	RMB5,000,000	80%	100%	100%	100%	100%	Property management services, provision of community value-added and synergy services and value added services to non-property owners	Grant Thornton Xiamen for the years ended 31 December 2017 and 2018 and RSM Xiamen for the year ended 31 December 2019
Nanping Huijia Property Management Company Limited* 南平匯嘉物業管理有限公司	The PRC/ 18 May 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Nanan Huijia Property Management Company Limited* 南安匯嘉物業管理有限公司	The PRC/ 23 July 2018	RMB1,000,000	—	100%	100%	100%	100%	Property management services	note (a)
Xiamen Yiyuexin	The PRC/ 1 February 2018	RMB5,000,000	—	100%	100%	100%	100%	Property management consultancy services	note (a)
Xiamen Zaijiayiju	The PRC/ 28 April 2015	RMB4,000,000	100%	100%	100%	100%	100%	Provision of community value-added and synergy services	Grant Thornton Xiamen for the year ended 31 December 2018 and RSM Xiamen for the year ended 31 December 2019 (note (d))

Notes:

- (a) No audited financial statements were issued for these companies as they were newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective places of incorporation.
- (b) No audited financial statements for the years ended 31 December 2018 and 2019 were issued as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.

- (c) No audited financial statements for the year ended 31 December 2018 were issued as they are not required to issue audited financial statements under the statutory requirement of their respective place of incorporation.
- (d) No audited financial statements for the year ended 31 December 2017 were issued as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.
- (e) On 2 April 2018, C&D Real Estate entered into an equity transfer agreement with independent third parties, pursuant to which independent third parties agreed to sell and C&D Real Estate agreed to purchase 20% additional equity interests in Xiamen Huijia and its subsidiary (the “Huijia Transaction”). The Huijia Transaction was completed on 2 April 2018.
- * English translation is for identification purpose only. The English names of the Group's companies incorporated in the PRC represent management's best effort in translating the Chinese names of these companies as no English name has been registered.

All companies comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

Pursuant to the Reorganisation as more fully explained in the “History, Reorganisation and Corporate Structure” of the Listing Document, the companies now comprising the Group, engaging in the Spin-off Business were under common control of Xiamen C&D, the ultimate holding company, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as if the current group structure had been in existence throughout the Track Record Period presented, or since the date when the combining companies first came under the control of Xiamen C&D, whichever is a shorter period. For the purpose of this report, the Historical Financial Information has been prepared as if the transfer of the Excluded Companies had taken place on 1 January 2017 (i.e. at the beginning of the Track Record Period). Accordingly, the results of the Excluded Companies during the Track Record Period and all assets and liabilities directly related to the Excluded Companies have been excluded in the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period and the six months ended 30 June 2019 include the results and cash flows of all companies now comprising the Group but excluding the results of the Excluded Companies from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of Xiamen C&D, where this is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the combining companies using the existing book values from the Xiamen C&D's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from a third party during each of the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, they are included in the Historical Financial Information from the date of the acquisition and accounted for using acquisition method as set out in note 2.3 to the Historical Financial Information.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA. All HKFRSs effective for the accounting periods commencing from 1 January 2020 together with the relevant transition provisions, including HKFRS 9 “Financial Instruments” (“HKFRS 9”), HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) and the related amendments, HKFRS 16 “Leases” (“HKFRS 16”) and amendments to HKFRS 3 “Definition of a Business” (“HKFRS 3”) have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. Early adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have significant impacts on the Group’s Historical Financial Information. The new and amended HKFRSs issued but not yet effective for the year beginning on or after 1 June 2020 are set out in note 2.2. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss (“FVTPL”) (see note 2.8) which are stated at fair value. The Company’s functional currency is HK\$. However, the Historical Financial Information is presented in Renminbi (“RMB”), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the transactions of the Operating Companies in the PRC are denominated and settled in and this presentation is more useful for its current and potential investors. The Historical Financial Information is presented in thousands of RMB (“RMB’000”) unless otherwise stated.

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 3.

2.2 Issued but not yet effective HKFRSs

The Group has not early applied the following new and amended standards, amendments and interpretations (“new and amended HKFRSs”) which have been issued but are not yet effective:

HKFRS 17	Insurance Contract ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRS Standards	Annual Improvements to HKFRS Standards 2018–2020 ³

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective date to be determined

⁶ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group’s accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Historical Financial Information.

2.3 Basis of consolidation and business combinations

The Historical Financial Information incorporates the financial information of the Company and its subsidiaries made up to respective year and period end dates during the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of subsidiaries in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests in the results and equity of subsidiaries are presented separately in the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position.

(i) *Business combinations under common control*

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

(ii) *Business combinations not under common control*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the

present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference, after reassessment, is recognised directly 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.

Intra-group 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. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(iii) Change in ownership interests

When the 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 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 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 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 or permitted by applicable HKFRSs.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment loss. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated statements of financial position.

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the Historical Financial Information, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associates recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets,

liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associates' profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in associates are carried at cost and adjusted for the post-acquisition changes in the Group's share of the associates' net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the Track Record Period includes the Group's share of the post-acquisition, post-tax results of the associates and any impairment loss on the investment in associate recognised for the Track Record Period.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in associates.

Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying value and recognises the amount adjacent to share of result from associate in profit or loss.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average rate 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 rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated separately in "Exchange reserve" in equity.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (see note 2.20). 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 repair and maintenance costs are charged to profit or loss during the Track Record Period in which they are incurred.

Depreciation on items of property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	12.50% to 33.33%
Furniture, fixtures and office equipment	20% to 50%
Motor vehicles	12.50% to 33.33%

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date throughout the Track Record Period.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.7 Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses (see note 2.20). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates. On disposal of a cash-generating unit or an associate, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, in case of financial assets or liabilities not at FVTPL, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statements of profit or loss and other comprehensive income.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance income, net", except for expected credit losses ("ECL") of trade receivables which is presented as separate items in the consolidated statements of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.18).

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Finance income, net" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted bank deposits, amounts due from related parties and trade and other receivables (excluding prepayments and value-added tax recoverable) fall into this category of financial assets. The Company's financial assets include amount due from an immediate holding company which are shown on the face of the statements of financial position of the Company.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The Group's subordinated tranche securities fall into this category of financial assets.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities and receipts under securitisation arrangements. They are separately shown on the face of the consolidated statements of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

Accounting policies of lease liabilities is set out in note 2.14.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to related parties, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method. Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.10 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL — the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at each reporting date.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of expected credit losses over the expected life of the financial asset.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators of the trade receivables with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at each reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 32.2.

2.11 Inventories

(a) 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expenses in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(b) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventories (note 2.11(a)) or property, plant and equipment (note 2.6).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.17.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.10.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.8). For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.14 Leases

The Group as a lessee

When entering into new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

The Group provides property management services, community value-added and synergy services, and value-added services to non-property owners. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed on a lump-sum basis, where the Group acts as a 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 on a 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 owners, or total property management cost incurred or accrual by the property owners, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added and synergy services

Community value-added and synergy services mainly include (i) home living services to property owners and residents, such as housekeeping and cleaning services, repair and maintenance service and group-purchasing services, which are charged for each service provided and recognised when the relevant services are rendered; (ii) commission income from real estate brokerage and asset management services for secondary sales and rental of properties and/or car parking spaces, 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; (iii) revenue from value-added services for public areas, such as leasing out public area and advertising spots and temporary parking management, which is recognised over the time when such services are rendered; (iv) revenue from elderly-care and health value-added services through operation of an elderly-care centre, which is recognised over time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties; (v) smart community services mainly include design, construction operation and maintenance of smart property management systems and sales of intelligent equipment and software as part of the design and construction services of smart property management system. Revenue from smart community services is recognised over time as the Group's performance creates or enhances an assets that the customer controls. The progress towards complete satisfaction of performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining service promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the engineering works certified by the customers or their agents). Revenue from the sale of intelligent hardware devices and software for a fixed fee is recognised at point in time when (or as) the Group transfers control of the assets to the customer.

Value-added services to non-property owners

Value-added services to non-property owners mainly includes (i) reception, order maintenance and cleaning services, such as visit reception customers enquiries, security and order maintenance, daily utilities and maintenance services and assistance on the pre-sales activities at the pre-sales centre, which are billed on a monthly basis and revenue is recognised over time as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; and (ii) consultancy services, which are billed based on the pre-determined price calculated under estimated cost plus method and revenue is recognised over time when the services are provided.

2.18 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

2.19 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statements of profit or loss and other comprehensive income.

2.20 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, goodwill, interests in associates and interest in a subsidiary in the statements of financial position of the Company are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefit

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contributions retirement benefit plans organised 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, subject to a certain ceiling.

The municipal and provincial governments undertake to assure 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 independent administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

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 of the Track Record Period.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

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 each reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.22 Borrowing costs

Given the Group has no qualifying assets during the Track Record Period, all borrowing costs are recognised in the consolidated statements of profit or loss and other comprehensive income in the period in which they are incurred.

2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at each reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the Track Record Period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODM"), who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.26 Related parties

For the purpose of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting judgements

Current and deferred income taxes

As detailed in note 9, the Group is subject to corporate income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income 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. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of deferred tax assets are RMB1,875,000, RMB4,205,000, RMB5,892,000 and RMB5,420,000, respectively. Details of deferred tax assets are set out in note 25.

Deferred tax liabilities have not been recognised as at 31 December 2017, 2018 and 2019 and 30 June 2020 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of approximately RMB71,619,000, RMB120,769,000, RMB181,730,000 and RMB209,781,000, respectively as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Control over Zhangzhou Yijiayuan Yuegang

Although the Group only holds 50% equity interests in Zhangzhou Yijiayuan Yuegang, the Group has the power to appoint and remove the majority members of the board of directors of Zhangzhou Yijiayuan Yuegang and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group considered that the Group has sufficiently dominant voting interest to direct the relevant activities of Zhangzhou Yijiayuan Yuegang and therefore has control over Zhangzhou Yijiayuan Yuegang. As a result, Zhangzhou Yijiayuan Yuegang is classified as subsidiary of the Company.

(b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and other receivables (excluding prepayments, and value-added tax recoverable), and amounts due from related parties within the scope of ECL under HKFRS 9

The Group follows the guidance of HKFRS 9 to make allowances on items subject to ECL including trade and other receivables (excluding prepayments and value-added tax recoverable), and amounts due from related parties, based on assumptions about risk of default and expected loss rates. The Group uses 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 each reporting date as set out in note 2.10. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables, and amounts due from related parties and provision for impairment in the periods in which such estimate has been changed.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the carrying amounts of trade and other receivables are RMB54,066,000, RMB62,744,000, RMB72,374,000 and RMB156,122,000, respectively; the carrying amounts of amounts due from related parties are RMB1,472,050,000, RMB1,289,653,000, RMB1,344,229,000 and RMB387,727,000, respectively. Details of the provision for ECL allowance of trade and other receivables and amounts due from related parties are set out in notes 19 and 22 respectively.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections used in the impairment test. The carrying amounts of property, plant and equipment and right-of-use assets at each reporting date are set out in notes 13 and 14 to the Historical Financial Information respectively.

Depreciation charges of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives and lease period of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives and lease period of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the Track Record Period. The useful lives and lease period are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The carrying amounts of property, plant and equipment and right-of-use assets at each reporting date are set out in notes 13 and 14 to the Historical Financial Information respectively.

Estimation of fair value of financial instruments not traded in an active market

As at 31 December 2017, 2018 and 2019 and 30 June 2020, financial instruments that are not traded in an active market including subordinated tranche securities. The fair values are determined by using valuation techniques, details of which are set out in note 32.7. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available, in that case the Group uses the best information available.

4. REVENUE AND 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.

During the Track Record Period, the Group are 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 geographical location 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 entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

Revenue mainly comprises 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 for the six months ended 30 June 2019 and 2020 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)	
Revenue from customers and recognised over time					
Property management services	302,776	400,049	486,314	228,596	281,935
Value-added services					
— Community value-added and synergy services	31,197	38,658	51,562	22,219	28,499
— Value-added services to non-property owners	92,060	151,955	234,795	88,487	127,827
	426,033	590,662	772,671	339,302	438,261
Revenue from customers and recognised at point in time					
Community value-added and synergy services	21,018	17,956	28,659	7,935	13,904
	447,051	608,618	801,330	347,237	452,165

Information about major customers

For the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2019 and 2020, revenue from entities controlled by Xiamen C&D and its associates contributed to 26%, 19%, 16%, 16% (unaudited) and 9% of the Group's revenue, respectively; revenue from entities controlled by C&D International and its associates contributed to 6%, 12%, 16%, 14% (unaudited) and 21% of the Group's revenue, respectively. Other than entities controlled by Xiamen C&D and associates of Xiamen C&D, 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.

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2017, 2018 and 2019 and 30 June 2020, substantially all of the specified non-current assets (other than deferred tax assets and financial assets at FVTPL) of the Group were located in the PRC.

(a) Contract liabilities

The Group recognises the following revenue-related contract liabilities:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Property management services	39,553	40,920	89,162	136,247
Community value-added and synergy services	12,735	23,605	30,191	37,548
	52,288	64,525	119,353	173,795

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.

(b) *Revenue recognised in relation to contract liabilities*

The following table shows the revenue recognised during the Track Record Period related to carried-forward contract liabilities:

	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 recognised that was included in contract liabilities at the beginning of the year/period					
Property management services	34,185	38,127	37,571	25,750	51,836
Community value-added and synergy services	5,894	8,240	18,590	5,429	5,308
	<u>40,079</u>	<u>46,367</u>	<u>56,161</u>	<u>31,179</u>	<u>57,144</u>

(c) *Unsatisfied performance obligations*

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. For value-added services to non-property developers, the Group 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 value-added and synergy services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2017, 2018 and 2019 and 30 June 2020 are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,370	8,941	6,847	7,530
More than one year	566	4,202	5,845	327
	<u>1,936</u>	<u>13,143</u>	<u>12,692</u>	<u>7,857</u>

5. OTHER INCOME

	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)	
Unconditional government subsidy income (<i>note</i>)	1,418	1,822	3,085	873	2,444
Gain on re-measurement of previously held interest in an associate (<i>note 31</i>)	—	—	—	—	2,993
Gain on changes in fair value of financial assets measured at FVTPL	—	2,150	3,220	2,290	14,660
Sundry income	1,500	2,154	1,638	287	325
	<u>2,918</u>	<u>6,126</u>	<u>7,943</u>	<u>3,450</u>	<u>20,422</u>

Note: The amounts represent the subsidies received from the local government bureau in the PRC regarding value-added tax refund and social welfare refund. There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

6. FINANCE INCOME, NET

	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)	
Interest income on bank deposit	47	74	83	40	47
Interest income on amounts due from related parties (<i>note 29(a)</i>)	9,716	75,839	76,500	36,545	43,405
Finance income	<u>9,763</u>	<u>75,913</u>	<u>76,583</u>	<u>36,585</u>	<u>43,452</u>
Interest charges on receipts under securitisation arrangements	(5,906)	(63,738)	(55,504)	(28,442)	(27,593)
Interest charges on lease liabilities	(143)	(205)	(244)	(120)	(206)
Finance costs	<u>(6,049)</u>	<u>(63,943)</u>	<u>(55,748)</u>	<u>(28,562)</u>	<u>(27,799)</u>
Finance income, net	<u>3,714</u>	<u>11,970</u>	<u>20,835</u>	<u>8,023</u>	<u>15,653</u>

7. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	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)	
Auditor's remuneration (note (a))	—	—	—	—	—
Cost of inventories (note (b))	10,384	11,632	16,491	3,799	5,048
Depreciation of property, plant and equipment (note 13)	2,097	2,334	2,652	1,225	1,442
Depreciation of right-of-use assets (note 14)	545	1,663	3,041	1,520	1,452
Written off of property, plant and equipment	373	258	78	93	238
Government subsidies	(1,418)	(1,822)	(3,085)	(873)	(2,444)
Provision for ECL allowance on trade and other receivables, net	1,136	1,380	1,663	2,616	3,180
Lease charges on short-term leases	5,776	6,039	7,744	3,886	4,701

Note:

- (a) Auditor's remunerations for the years ended 31 December 2017, 2018 and 2019 of RMB150,000, RMB150,000 and RMB200,000 were borne by the Company's intermediate holding company which has waived the right of recovery of such expenses from the Company.
- (b) During the years ended 31 December 2017, 2018, 2019 and six months ended 30 June 2019 and 2020, the cost of inventories recognised as expenses and included in "Cost of sales" amounted to approximately RMB10,277,000, RMB11,033,000, RMB15,886,000, RMB3,765,000 (unaudited) and RMB4,743,000 respectively.

Other contract costs are recognised as expenses and included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income in the year/period in which revenue is recognised. The amount of capitalised costs recognised in profit or loss during the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 were RMB107,000, RMB599,000, RMB605,000, RMB34,000 (unaudited) and RMB305,000 respectively. There was no impairment in relation to the costs capitalised during the Track Record Period.

8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	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)	
Salaries, bonus and allowances	258,034	349,566	441,545	203,541	254,189
Retirement benefit scheme contributions (note)	22,760	30,976	37,920	17,867	9,953
	280,794	380,542	479,465	221,408	264,142

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the six months ended 30 June 2020.

9. INCOME TAX EXPENSE

	<i>Note</i>	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)	
Current income tax						
PRC Enterprise Income Tax ("EIT")		12,561	19,760	26,260	12,245	16,177
Deferred tax	25	(747)	(1,792)	(882)	(540)	8,763
Total income tax expense		<u>11,814</u>	<u>17,968</u>	<u>25,378</u>	<u>11,705</u>	<u>24,940</u>

The difference between the actual income tax charge in the consolidated statements of profit or loss and comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled 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)	
Profit before income tax	<u>44,273</u>	<u>66,451</u>	<u>93,663</u>	<u>41,937</u>	<u>86,411</u>
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	11,068	16,613	23,355	11,202	21,059
Tax effect on non-deductible expenses	251	1,037	1,465	398	1,271
Tax effect on non-taxable income	—	—	—	—	(855)
Tax effect on unrecognised tax losses	495	318	558	105	592
Utilisation of tax loss previously not recognised	—	—	—	—	(26)
Withholding tax on distributable profits of a subsidiary (<i>note 25</i>)	—	—	—	—	2,899
Income tax expense	<u>11,814</u>	<u>17,968</u>	<u>25,378</u>	<u>11,705</u>	<u>24,940</u>

Notes:

(a) BVI

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the Track Record Period.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the Track Record Period.

(c) PRC EIT

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the year ended 31 December 2019 and the six months ended 30 June 2019 and 2020. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for the year ended 31 December 2019 and the six months ended 30 June 2019 and 2020, were also entitled a tax concession for 20% of its taxable income.

10. DIVIDENDS

No dividends have been paid or declared by the Company during the Track Record Period.

In July 2017, a final dividend of RMB3,500,000 has been proposed, approved and paid by a subsidiary Huijia, to its then shareholders. In January 2020, dividends of RMB1,020,000 and RMB465,000 have been proposed, approved and paid by the subsidiaries, Chengdu Yijiayuan and Changsha Yisheng respectively, to their then shareholder, Xiamen Pinchuan.

11. EARNINGS PER SHARE

Earnings per share is not presented as its inclusion, for the purpose of the Historical Financial Information, because it is not considered meaningful due to the Reorganisation and the basis of presentation of the results of the Group for the Track Record Period as disclosed in notes 1.2 and 1.3 above.

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

The emoluments of the directors of the Company during the Track Record Period which were included in the employee benefit expenses (note 8) are set out below:

Name of director	Notes	Basic salaries and		Discretionary bonuses	Retirement benefit scheme contributions	Total
		Fees	allowances			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	—	439	200	24	663
Mr. Huang Danghui	(ii), (iii)	—	430	100	24	554
		—	869	300	48	1,217
Year ended 31 December 2018						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	—	594	200	26	820
Mr. Huang Danghui	(ii), (iii)	—	573	100	26	699
		—	1,167	300	52	1,519

			Basic salaries and allowances	Discretionary bonuses	Retirement benefit scheme contributions	Total
	Fees					
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	—	617	252	25	894
Mr. Huang Danghui	(ii), (iii)	—	579	160	25	764
		—	1,196	412	50	1,658
Six months ended 30 June 2019 (unaudited)						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	—	324	—	13	337
Mr. Huang Danghui	(ii), (iii)	—	305	—	13	318
		—	629	—	26	655
Six months ended 30 June 2020						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	—	316	—	4	320
Mr. Huang Danghui	(ii), (iii)	—	298	—	4	302
		—	614	—	8	622

Notes:

- (i) Ms. Qiao Haixia is also the chief executive officer of the Group.
- (ii) The emoluments of the executive directors of the Group, Ms. Qiao Haixia and Mr. Huang Danghui in relation to their services rendered for the Group for the Track Record Period were borne by C&D Real Estate and their emoluments were partly allocated to the Group.
- (iii) Appointed as the Group's director on 22 September 2020 and re-designated as the Group's executive director on 28 September 2020.
- (iv) Mr. Zhuang Yuekai was appointed as the Group's director on 22 September 2020 and re-designated as the Group's non-executive director and chairman of the board on 28 September 2020 and Mr. Lin Weiguo was appointed as the Group's director on 22 September 2020 and re-designated as the Group's non-executive director on 28 September 2020. Mr. Cheung Kwok Kwan, Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai were appointed as the Group's independent non-executive directors on 23 December 2020. During the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020, the non-executive directors and the independent non-executive directors did not receive any remuneration.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration 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, the five individuals whose emoluments were the highest in the Group include 0, 1, 1, 2 (unaudited) and 2 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 5, 4, 4, 3 (unaudited) and 3 individuals 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)	
Basic salaries and allowances	1,490	1,362	1,601	629	647
Discretionary bonuses	3,121	2,717	2,209	—	—
Retirement benefit scheme contributions	72	86	104	39	20
	4,683	4,165	3,914	668	667

Year ended 31 December			Six months ended 30 June	
2017	2018	2019	2019	2020
(Unaudited)				
Number of individuals				

Emolument bands					
Nil–HK\$1,000,000	3	—	2	3	3
HK\$1,000,001–HK\$1,500,000	1	3	2	—	—
HK\$1,500,001–HK\$2,000,000	1	1	—	—	—

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13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017				
Cost	603	10,401	3,028	14,032
Accumulated depreciation	(287)	(5,033)	(2,171)	(7,491)
Net book amount	316	5,368	857	6,541
Year ended 31 December 2017				
Opening net book amount	316	5,368	857	6,541
Additions	66	1,832	117	2,015
Written off	—	(121)	(252)	(373)
Depreciation	(151)	(1,673)	(273)	(2,097)
Closing net book amount	231	5,406	449	6,086
At 31 December 2017 and 1 January 2018				
Cost	669	11,660	980	13,309
Accumulated depreciation	(438)	(6,254)	(531)	(7,223)
Net book amount	231	5,406	449	6,086
Year ended 31 December 2018				
Opening net book amount	231	5,406	449	6,086
Additions	337	3,868	62	4,267
Written off	—	(56)	(202)	(258)
Depreciation	(202)	(2,098)	(34)	(2,334)
Closing net book amount	366	7,120	275	7,761
At 31 December 2018 and 1 January 2019				
Cost	1,006	14,854	613	16,473
Accumulated depreciation	(640)	(7,734)	(338)	(8,712)
Net book amount	366	7,120	275	7,761
Year ended 31 December 2019				
Opening net book amount	366	7,120	275	7,761
Additions	303	3,598	131	4,032
Written off	—	(78)	—	(78)
Depreciation	(244)	(2,343)	(65)	(2,652)
Closing net book amount	425	8,297	341	9,063
At 31 December 2019 and 1 January 2020				
Cost	1,309	17,960	744	20,013
Accumulated depreciation	(884)	(9,663)	(403)	(10,950)
Net book amount	425	8,297	341	9,063
Six months ended 30 June 2020				
Opening net book amount	425	8,297	341	9,063
Additions	364	1,383	82	1,829
Acquisition through business combination (note 31)	14,079	1,420	—	15,499
Written off	—	(160)	(78)	(238)
Depreciation	(141)	(1,274)	(27)	(1,442)
Closing net book amount	14,727	9,666	318	24,711
At 30 June 2020				
Cost	15,752	20,434	503	36,689
Accumulated depreciation	(1,025)	(10,768)	(185)	(11,978)
Net book amount	14,727	9,666	318	24,711

Depreciation expenses were charged to the following categories in the consolidated statements of profit or loss and other comprehensive income:

	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)	
Administrative and other operating expenses	2,097	2,334	2,652	1,225	1,442

14. RIGHT-OF-USE ASSETS

The carrying amount of the Group's right-of-use assets and the movement during the Track Record Period are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts at the beginning of the year/period	2,816	2,271	3,961	7,784
Additions	—	3,353	6,864	—
Acquisition through business combination (note 31)	—	—	—	12,622
Depreciation	(545)	(1,663)	(3,041)	(1,452)
Carrying amount at the end of the year/period	2,271	3,961	7,784	18,954

The right-of-use assets represented leases offices, car parking space and building in the PRC. The leases of offices, car parking space and building in the PRC typically run for an initial period of 2 to 20 years. The Group has entered into an agreement with the local government department to operate an elderly-care centre for 20 years, in which the lessor provided a rent-free period during the first 15 years and the rentals would increase progressively by a fixed annual percentage of 3% starting from the 17th year until the end of the rental period. None of the leases includes variable lease payments. Certain leases include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and concluded that it is not reasonably certain to exercise the extension options. Accordingly, the future lease payments during the extension periods are not included in the measurement of the right-of-use assets.

Depreciation expenses were charged to the following categories in the consolidated statements of profit or loss and other comprehensive income:

	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)	
Cost of sales	—	1,118	2,236	1,117	1,014
Administrative and other operating expenses	545	545	805	403	438
	545	1,663	3,041	1,520	1,452

15. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	15,680	980
Share of post-acquisition results	—	—	(2,257)	(980)
	—	—	13,423	—

The details of the associates of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 are set out below:

Name	Form of business structure	Country/ place of incorporation and operation	Particulars of registered capital	Proportion of effective interest held				Principal activities
				As at 31 December			As at	
				2017	2018	2019	30 June 2020	
Nanping Huihe Property Management Company Limited* (南平市匯禾物業管理有限公司) ("Nanping Huihe") (note (a))	Incorporated	PRC	RMB5,000,000	—	—	49%	49%	Property management services
Xiamen Bairui (Note (b))	Incorporated	PRC	RMB50,000,000	—	49%	49%	100%	Provision of elderly-care and health value-added services

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Notes:

- (a) During the year ended 31 December 2019, the Group has injected capital to Nanping Huihe amounting to RMB980,000 and subscribed for RMB1,470,000 registered capital of Nanping Huihe, representing 49% of its total registered capital.

In accordance with PRC corporation laws, the subscriber has to pay in respective amounts of subscribed capital in prescribed schedule or when those amounts fall due. The subscriber is liable to any liabilities of the underlying entity up to the respective amounts subscribed. As at 31 December 2019 and 30 June 2020, the registered capital of Nanping Huihe has not been paid up in full.

- (b) During the year ended 31 December 2018, the Group has subscribed for RMB24,500,000 registered capital of Xiamen Bairui, representing 49% of its total registered capital.

During the year ended 31 December 2019, the Group has injected capital to Xiamen Bairui amounting to RMB14,700,000.

In May 2020, the Group and the other independent third party investor injected paid-in capital in accordance with their proportionate share of subscribed capital in Xiamen Bairui amounting to RMB7,350,000 and RMB7,650,000 respectively.

On 29 June 2020, the Group acquired 51% additional equity interests of Xiamen Bairui from Shanghai Bairen Health Industry Co., Ltd.* (上海佰仁健康產業有限公司) ("Shanghai Bairen"), an independent third party, at a cash consideration of RMB24,000,000. As a result, the Group's equity interests in Xiamen Bairui increased from 49% to 100%. Accordingly, the Group is able to control over Xiamen Bairui by directing the relevant activities of Xiamen Bairui. Xiamen Bairui became a subsidiary of the Company. Further details of this transaction are set out in note 31.

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Set out below is the summarised financial information of the material associate, Xiamen Bairui, which is accounted for using the equity method:

	Xiamen Bairui	
	As at 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	—	17,642
Non-current assets	—	14,504
Current liabilities	—	(5,973)
Net assets	—	26,173
Revenue	—	38
Loss for the year	—	(3,827)
Other comprehensive income for the year	—	—
Total comprehensive expense for the year	—	(3,827)

A reconciliation of the above summarised financial information to the carrying amount of interest in an associate, Xiamen Bairui, is set out below:

	Xiamen Bairui	
	As at 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total net assets of associate	—	26,173
Proportion of ownership interests held by the Group	49%	49%
Carrying amount in the consolidated statements of financial position	—	12,825

Information of an associate that is not individually material:

	As at 31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount of an individually immaterial associate in the consolidated statements of financial position	—	598
Amount of the Group's share of this associate's:		
Loss and total comprehensive expense for the year	—	(382)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

The Group has not recognised losses amounting to RMBNil and RMB835,000 for the year ended 31 December 2019 and the six months ended 30 June 2020 respectively for Nanping Huihe, as the carrying amounts of interests in Nanping Huihe were RMBNil and RMBNil as at 31 December 2019 and 30 June 2020 respectively, accordingly, no impairment losses were recognised. The accumulated losses not recognised were RMBNil and RMB835,000 as at 31 December 2019 and 30 June 2020 respectively.

16. GOODWILL

RMB'000

Cost

As at 1 January and 31 December 2017, 2018 and 2019

—

Arising on acquisition through business combination (note 31)

578

As at 30 June 2020

578

Carrying amounts

At 31 December 2017, 2018 and 2019

—

As at 30 June 2020

578

As disclosed in note 31, the Group further acquired 51% of the equity interests in Xiamen Bairui. Upon the completion of acquisition, the Group owned 100% equity interests in Xiamen Bairui. Accordingly, goodwill is allocated to the cash-generating unit of Xiamen Bairui.

17. OTHER FINANCIAL ASSETS

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other non-current financial assets:				
<i>Financial assets measured at FVTPL</i>				
Subordinated tranche securities (note)	28,820	30,970	34,190	48,850

Note:

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances comprise the non-tradable zero coupon subordinated tranche securities as stipulated in the receipts under securitisation arrangements. The subordinated tranche securities will be matured in July 2026.

The fair values of the Group's subordinated tranche securities have been measured as described in note 32.7.

18. INVENTORIES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	156	923	3,110	1,323
Other contract costs	599	605	305	195
	755	1,528	3,415	1,518

Finished goods mainly represent intelligent hardware devices and software products.

Other contract costs relate to fulfillment costs that generates or enhances resources of the Group that will be used in satisfying performance obligations and expected to be recovered.

19. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	As at 31 December			As at 30 June
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables					
— Third parties		37,797	45,343	52,751	99,172
— Related parties		2,277	1,067	779	39,693
Less: Provision for ECL allowance of trade receivables		(4,638)	(5,979)	(7,483)	(10,923)
	(a)	35,436	40,431	46,047	127,942
Bills receivables	(b)	—	—	—	3,541
		35,436	40,431	46,047	131,483
Other receivables					
Deposits		3,048	4,299	5,795	7,809
Prepayments		1,737	2,752	3,558	3,026
Other receivables		5,016	6,416	4,659	4,502
Payment on behalf of property owners		11,576	12,647	17,081	13,276
Value-added tax receivables		977	3,250	1,285	2,524
		22,354	29,364	32,378	31,137
Less: Provision for ECL allowance of other receivables		(1,010)	(1,049)	(1,208)	(948)
	(c)	21,344	28,315	31,170	30,189
		56,780	68,746	77,217	161,672

(a) Trade receivables

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 property owners upon rendering of services.

Value-added services other than smart community services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice. Smart community services are received in accordance with the terms of the relevant service agreements, and the Group normally allows credit period ranged from 5 to 60 days to its customers.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the ageing analyses of trade receivables, net of ECL allowance, based on invoice date, are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
0–180 days	19,890	22,512	27,141	107,292
181–365 days	7,287	8,332	9,673	8,416
1–2 years	4,840	5,913	5,742	8,383
2–3 years	2,574	2,194	2,081	2,400
3–4 years	739	1,271	1,026	1,062
4–5 years	106	209	384	389
	<u>35,436</u>	<u>40,431</u>	<u>46,047</u>	<u>127,942</u>

(b) Bills receivables

All bills receivables are denominated in RMB. As at 30 June 2020, all bills receivables were guaranteed by established banks in the PRC with a maturity period of less than one year.

(c) Other receivables

The balances mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in note 32.2.

20. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks and on hand	28,476	33,080	57,847	1,414,770
Less: Restricted bank deposits (<i>note</i>)	<u>(131)</u>	<u>(710)</u>	<u>(726)</u>	<u>(26,146)</u>
	<u>28,345</u>	<u>32,370</u>	<u>57,121</u>	<u>1,388,624</u>

Note: As at 31 December 2017, 2018 and 2019 and 30 June 2020, restricted bank deposits mainly represent the deposits in banks as the maintenance fund held on behalf of the residents according to the requirements of local government authorities and designated bank account for the operation of elderly-care centre.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, included in cash and cash equivalents of the Group of RMB27,956,000, RMB32,265,000, RMB56,018,000 and RMB1,413,408,000 respectively are denominated in RMB placed with banks in the PRC.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

21. TRADE AND OTHER PAYABLES

	<i>Note</i>	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					
— Third parties	(a)	3,066	9,927	17,649	35,455
Other payables					
Accrued charges and other payables		25,490	35,935	47,287	32,585
Amounts collected on behalf of property owners		47,003	53,944	63,900	71,120
Deposit received		46,530	52,198	63,153	73,951
Interest payables		5,906	10,687	9,140	9,519
Payables for acquisition of a subsidiary (note 31)		—	—	—	24,000
Value-added tax payable		6,834	10,808	9,730	9,627
Staff costs and welfare accruals		67,197	87,085	102,629	83,839
		198,960	250,657	295,839	304,641
		202,026	260,584	313,488	340,096

(a) The credit terms of trade payables vary according to the terms agreed with different suppliers. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the ageing analyses of the trade payables based on invoice date are 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>
0 to 30 days	2,663	8,231	9,198	25,853
31 to 60 days	180	921	4,021	2,277
61 to 90 days	9	15	1,595	781
Over 90 days	214	760	2,835	6,544
	3,066	9,927	17,649	35,455

22. AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) Amounts due from related parties

	As at 1 January	As at 31 December			As at 30 June
	2017	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Ultimate holding company	—	—	—	140	—
Companies controlled by Xiamen C&D	219,088	1,470,384	1,287,366	1,342,671	385,471
Associates of Xiamen C&D	—	1,666	2,287	1,418	2,256
	219,088	1,472,050	1,289,653	1,344,229	387,727

(b) Amounts due to related parties

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Companies controlled by Xiamen C&D	45,140	11	322	254,806

The amounts due from/(to) related parties are non-trade nature, unsecured, interest-free and repayable on demand, except for amounts due from related parties of RMB212,779,000, RMB1,285,063,000, RMB812,620,000 and RMBNil, bearing interests ranging from 5.93% to 6.42%, 5.93% to 6.8%, 6.3% to 6.8% and N/A per annum as at 31 December 2017, 2018 and 2019 and 30 June 2020 respectively. Subsequent to 30 June 2020, all outstanding balance of amounts due from/(to) related parties had been settled.

The amount due from an immediate holding company in the statements of financial position of the Company is unsecured, interest-free and repayable on demand.

23. RECEIPTS UNDER SECURITISATION ARRANGEMENTS

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from property management services, less amounts repaid. These securities bear an effective interest rates ranging from 5.93% to 6.64% per annum and are repayable in July 2026. The Group holds all subordinated tranche securities and the senior tranche securities were guaranteed by C&D Real Estate. In July 2020, October 2020 and November 2020, receipts under securitisation arrangements of RMB480,000,000, RMB390,000,000 and RMB50,000,000 have been early redeemed respectively. The guarantee from C&D Real Estate was released in November 2020.

24. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020 are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total minimum lease payments:				
Within one year	660	2,910	3,198	3,088
After 1 year but within 2 years	660	660	2,978	2,614
After 2 years but within 5 years	1,100	440	2,250	2,250
After 5 years	—	—	—	10,144
	2,420	4,010	8,426	18,096
Future finance charge	(278)	(279)	(787)	(6,021)
Present value of lease liabilities	2,142	3,731	7,639	12,075

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of minimum lease payments:				
Within one year	545	2,708	2,787	2,752
After 1 year but within 2 years	574	605	2,717	2,427
After 2 years but within 5 years	1,023	418	2,135	2,192
After 5 years	—	—	—	4,704
	2,142	3,731	7,639	12,075
Less: Portion due within one year included under current liabilities	(545)	(2,708)	(2,787)	(2,752)
Portion due after one year included under non-current liabilities	1,597	1,023	4,852	9,323

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the total cash outflows for the leases are RMB6,435,000, RMB8,008,000, RMB10,944,000, RMB4,417,000 (unaudited) and RMB5,339,000, respectively.

25. DEFERRED TAXATION

The amounts recognised in the consolidated statements of financial position are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets recognised in the consolidated statements of financial position	1,875	4,205	5,892	5,420
Deferred tax liabilities recognised in the consolidated statements of financial position	—	(538)	(1,343)	(9,943)
Net deferred tax assets/(liabilities)	1,875	3,667	4,549	(4,523)

The movement of net deferred tax assets and (liabilities) are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,128	1,875	3,667	4,549
Credited/(charged) to profit or loss (note 9)	747	1,792	882	(8,763)
Acquisition through business combination	—	—	—	(309)
At the end of the year/period	1,875	3,667	4,549	(4,523)

The movement in deferred tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses	Impairment loss on trade and other receivables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	—	1,128	1,128
Credited to profit or loss	463	284	747
At 31 December 2017 and 1 January 2018	463	1,412	1,875
Credited to profit or loss	1,985	345	2,330
At 31 December 2018 and 1 January 2019	2,448	1,757	4,205
Credited to profit or loss	1,271	416	1,687
At 31 December 2019 and 1 January 2020	3,719	2,173	5,892
(Charged)/credited to profit or loss	(2,994)	795	(2,199)
Acquisition through business combination (<i>note 31</i>)	1,727	—	1,727
At 30 June 2020	<u>2,452</u>	<u>2,968</u>	<u>5,420</u>

Deferred tax liabilities

	Fair value adjustments arising on business combination	Change in fair value of financial assets measured at FVTPL	Withholding tax	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017, 31 December 2017 and 1 January 2018	—	—	—	—
Charged to profit or loss	—	(538)	—	(538)
At 31 December 2018 and 1 January 2019	—	(538)	—	(538)
Charged to profit or loss	—	(805)	—	(805)
At 31 December 2019 and 1 January 2020	—	(1,343)	—	(1,343)
Charged to profit or loss	—	(3,665)	(2,899)	(6,564)
Acquisition through business combination (<i>note 31</i>)	(2,036)	—	—	(2,036)
At 30 June 2020	<u>(2,036)</u>	<u>(5,008)</u>	<u>(2,899)</u>	<u>(9,943)</u>

Pursuant to the EIT Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB71,619,000, RMB120,769,000, RMB181,730,000 and RMB209,781,000, respectively, because the Group controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has not recognised deferred tax assets in respect of tax losses of approximately RMB1,980,000, RMB3,252,000, RMB5,484,000 and RMB7,852,000, respectively. Of the total unrecognised tax losses, approximately RMB1,980,000, RMB3,252,000, RMB5,484,000 and RMB7,852,000 may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	<u>Number of shares</u>	<u>Nominal value per share</u> <i>United States dollar</i> <i>("US\$")</i>	<u>Nominal value of shares</u> <i>US\$</i>
Authorised			
Ordinary shares of the Company:			
At 1 January 2017, 31 December 2017, 2018 and 2019 and 30 June 2020	<u>50,000</u>	<u>1</u>	<u>50,000</u>
	<u>Number of shares</u>	<u>Nominal value per share</u> <i>US\$</i>	<u>Equivalent nominal value of shares</u> <i>RMB'000</i>
Issued and fully paid:			
Ordinary shares of the Company:			
At 1 January 2017, 31 December 2017, 2018 and 2019 and 30 June 2020	<u>2,000</u>	<u>1</u>	<u>12</u>
	<u>As at 31 December</u>	<u>As at 30 June</u>	
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Presented as	<u>12</u>	<u>12</u>	<u>12</u>

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are presented in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

Other reserve

Other reserve as at 1 January 2017 includes the investments costs of subsidiaries engaged in the Excluded Companies and share capital of subsidiaries engaged in the Spin-off Business prior to the completion of the Reorganisation.

Other reserve mainly represents the excess of investment cost over the share capital and share premium of Xiamen Huijia, Yijiayuan Xiamen and Xiamen Zaijiayiju (collectively referred to as the “common control entities”) upon the completion of the Huijia Acquisition, Yijiayuan Acquisition and Xiamen Zaijiayiju Acquisition (collectively referred to as the “Transactions”) totalling RMB113,986,000 as at 31 December 2018. The Transactions were accounted for using merger accounting as detailed in note 1.2.

During the years ended 31 December 2017, 2018, 2019 and six months ended 30 June 2020, deemed distribution amounting to RMB43,701,000, RMB50,000,000, RMBNil and RMB227,200,000 respectively represent considerations paid for the registered capital of the Excluded Companies. The amounts were accounted for as deduction of reserve.

During the years ended 31 December 2017, 2018, 2019 and six months ended 30 June 2020, deemed contribution amounting to RMBNil, RMB123,700,000, RMB49,062,000 and RMB48,653,000 respectively mainly represent dividends received from the Excluded Companies. The amounts were accounted for as addition of reserve.

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statements of changes in equity.

Movements of the Company's reserves

	Exchange reserve	Accumulated losses	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
At 1 January 2017, 31 December 2017 and 1 January 2018	—	—	—
Loss and total comprehensive expense for the year	—	(7)	(7)
At 31 December 2018, 1 January 2019, 31 December 2019 and 1 January 2020	—	(7)	(7)
Currency translation differences	(1)	—	(1)
At 30 June 2020	<u>(1)</u>	<u>(7)</u>	<u>(8)</u>

28. COMMITMENTS**(a) Commitments for short-term lease***Lease commitments — as lessee*

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has recognised right-of-use assets for non-cancellable leases where the Group is a lessee, except for short-term leases. The future aggregate minimum lease payments under non-cancellable short-term leases not recognised in the Historical Financial Information are 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>
Within one year	<u>1,209</u>	<u>1,547</u>	<u>2,753</u>	<u>3,411</u>

(b) Capital commitments

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's capital commitment are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
— subscribed capital in associates	—	24,500	11,270	1,470

29. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.26. In addition to the transactions/information disclosed elsewhere in these Historical Financial Information, during the Track Record Period, the Group had the following material transactions with related parties:

(a) During the Track Record Period, the related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Group
Shanghai Zhongyue Real Estate Development Co., Ltd. (上海中悅房地產開發有限公司)	Companies controlled by Xiamen C&D
Shanghai Zhongcheng Real Estate Development Co., Ltd. (上海眾承房地產開發有限公司)	Associates of Xiamen C&D
Shanghai Zhaosheng Real Estate Development Co., Ltd. (上海兆升房地產開發有限公司)	Companies controlled by Xiamen C&D
Shanghai Zhaofa Real Estate Development Co., Ltd. (上海兆發房地產開發有限公司)	Companies controlled by Xiamen C&D
Shanghai Zhaoyu Investment Development Co., Ltd. (上海兆禦投資發展有限公司)	Companies controlled by Xiamen C&D
Shanghai Shanxidi Real Estate Development Co., Ltd. (上海山溪地房地產開發有限公司)	Companies controlled by Xiamen C&D
Shanghai C&D Zhaoyu Asset Management Co., Ltd. (上海建發兆昱資產管理有限公司)	Companies controlled by Xiamen C&D
Shanghai C&D Materials Co., Ltd. (上海建發物資有限公司)	Companies controlled by Xiamen C&D
Shanghai C&D Wine Sales Management Co., Ltd. (上海建發酒業銷售管理有限公司)	Companies controlled by Xiamen C&D
Shanghai Yikun Real Estate Development Co., Ltd. (上海益坤房地產開發有限公司)	Companies controlled by Xiamen C&D
China Communications (Changsha) Real Estate Co., Ltd. (中交(長沙)置業有限公司)	Associates of Xiamen C&D
Xianyou Zhaoting Real Estate Co., Ltd. (仙遊兆挺置業有限公司)	Companies controlled by Xiamen C&D
Lead Real Estate (Fuzhou) Co., Ltd. (勵德置業(福州)有限公司)	Companies controlled by Xiamen C&D
Beijing C&D Wine Co., Ltd. (北京建發酒業有限公司)	Companies controlled by Xiamen C&D
Nanjing Dejian Real Estate Development Co., Ltd. (南京德建房地產開發有限公司)	Companies controlled by Xiamen C&D
Nanjing Jiayang Real Estate Development Co., Ltd. (南京嘉陽房地產開發有限公司)	Associates of Xiamen C&D
Nanning Zhaoyue Real Estate Development Co., Ltd. (南寧兆悅房地產開發有限公司)	Companies controlled by Xiamen C&D
Nanning Zhaoying Real Estate Development Co., Ltd. (南寧兆盈房地產開發有限公司)	Companies controlled by Xiamen C&D
Nanning Dingchi Real Estate Investment Co., Ltd. (南寧市鼎馳置業投資有限責任公司)	Companies controlled by Xiamen C&D

Related parties	Relationship with the Group
Nanping Zhaoheng Wuyi Real Estate Development Co., Ltd. (南平兆恒武夷房地產開發有限公司)	Associates of Xiamen C&D
Nanping Zhaorong Real Estate Co., Ltd. (南平市兆榮房地產有限公司)	Companies controlled by Xiamen C&D
Nanping City Jianyang District Zhaosheng Real Estate Co., Ltd. (南平市建陽區兆盛房地產有限公司)	Companies controlled by Xiamen C&D
Nanping Jianyang Jiaying Real Estate Co., Ltd. (南平市建陽區嘉盈房地產有限公司)	Companies controlled by Xiamen C&D
Nanping Yuecheng Center Commercial Management Co., Ltd. (南平悅城中心商業管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Shituo Mining Co., Ltd. (廈門世拓礦業有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaotou Real Estate Development Co., Ltd. (廈門兆投房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaoxu Construction Development Co., Ltd. (廈門兆旭建設發展有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaoyuelong Real Estate Development Co., Ltd. (廈門兆玥瓏房地產開發有限公司)	Associates of Xiamen C&D
Xiamen Zhaoconglong Real Estate Development Co., Ltd. (廈門兆琮隆房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaoqilong Real Estate Development Co., Ltd. (廈門兆祁隆房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaorong Real Estate Development Co., Ltd. (廈門兆蓉房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaoyu Real Estate Development Co., Ltd. (廈門兆裕房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaohe Enterprise Management Co., Ltd. (廈門兆赫企業管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaoyang Housing Relocation Service Co., Ltd. (廈門兆陽房屋征遷服務有限公司)	Companies controlled by Xiamen C&D
Xiamen Zhaolu Real Estate Development Co., Ltd. (廈門兆鸞房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Lihe Engineering Management Co., Ltd. (廈門利和工程管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Liyue Enterprise Management Co., Ltd. (廈門利悅企業管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Licheng Enterprise Management Co., Ltd. (廈門利承企業管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Pinzhi Investment Co., Ltd. (廈門品置投資有限公司)	Companies controlled by Xiamen C&D
Xiamen Jiayu Real Estate Development Co., Ltd. (廈門嘉禦房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen International Wine Operation Center Co., Ltd. (廈門國際酒業運營中心有限公司)	Companies controlled by Xiamen C&D
Xiamen Chengrun Construction Development Co., Ltd. (廈門城潤建設發展有限公司)	Companies controlled by Xiamen C&D
Xiamen Aocheng Automobile Sales Co., Ltd. (廈門奧成汽車銷售有限公司)	Companies controlled by Xiamen C&D
Xiamen Binjie Automobile Co., Ltd. (廈門賓捷汽車有限公司)	Companies controlled by Xiamen C&D
Xiamen Fengshang Commercial Real Estate Management Co., Ltd. (廈門峰尚商業地產經營管理有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Fengdao Commercial Asset Management Co., Ltd. (廈門建發峰道商業資產管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Heshan Construction Development Co., Ltd. (廈門市禾山建設發展有限公司)	Companies controlled by Xiamen C&D

Related parties	Relationship with the Group
Xiamen C&D Youkehui Network Technology Co., Ltd. (廈門建發優客會網路科技有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Bonded Logistics Co., Ltd. (廈門建發保稅物流責任有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Insurance Agency Co., Ltd. (廈門建發保險代理有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Zhaoxin Construction and Operation Management Co., Ltd. (廈門建發兆信建設運營管理有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Agricultural Products Co., Ltd. (廈門建發農產品有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Chemical Co., Ltd. (廈門建發化工有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Healthcare Investment Co., Ltd. (廈門建發醫療健康投資有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Pharmaceutical Co., Ltd. (廈門建發醫藥有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Raw Material Trading Co., Ltd. (廈門建發原材料貿易有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D International Travel Service Group Co., Ltd. (廈門建發國際旅行社集團有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D International Wine Group Co., Ltd. (廈門建發國際酒業集團有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Urban Service Engineering Management Co., Ltd. (廈門建發城服工程管理有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Home Furniture Co., Ltd. (廈門建發家居有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Hengyuan Cultural Development Co., Ltd. (廈門建發恒遠文化發展有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Hengchi Financial Information Technology Service Co., Ltd. (廈門建發恒馳金融資訊技術服務有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Auction Co., Ltd. (廈門建發拍賣行有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Emerging Industries Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限責任公司)	Companies controlled by Xiamen C&D
Xiamen C&D Tourism Group Co., Ltd. (廈門建發旅遊集團股份有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Automobile Co., Ltd. (廈門建發汽車有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Shipping Service Co. Ltd. (廈門建發船舶服務有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Products Co., Ltd. (廈門建發物產有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Materials Co., Ltd. (廈門建發物資有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Mineral Resources Co., Ltd. (廈門建發礦業資源有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Paper Co., Ltd. (廈門建發紙業有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Meijiu Huijiu Co., Ltd. (廈門建發美酒匯酒業有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Co., Ltd. (廈門建發股份有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Energy Co., Ltd. (廈門建發能源有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Shipping Co., Ltd. (廈門建發航運有限公司)	Associates of Xiamen C&D
Xiamen C&D Ship Trading Co., Ltd. (廈門建發船舶貿易有限公司)	Companies controlled by Xiamen C&D

<u>Related parties</u>	<u>Relationship with the Group</u>
Xiamen C&D Light Industry Co., Ltd. (廈門建發輕工有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Trading Co., Ltd. (廈門建發通商有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Communications Co., Ltd. (廈門建發通訊有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Wine Sales Management Co., Ltd. (廈門建發酒業銷售管理有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Metal Co., Ltd. (廈門建發金屬有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D	Ultimate holding company
Xiamen Jianyu Industrial Co., Ltd. (廈門建宇實業有限公司)	Companies controlled by Xiamen C&D
Xiamen Jianyida Co., Ltd. (廈門建益達有限公司)	Companies controlled by Xiamen C&D
Xiamen Hongai Nursing Institute Co., Ltd. (廈門弘愛養護院有限公司)	Companies controlled by Xiamen C&D
Xiamen Hongai Rehabilitation Hospital Co., Ltd. (廈門弘愛康復醫院有限公司)	Companies controlled by Xiamen C&D
Xiamen Hengxunjie Industry and Trade Co., Ltd. (廈門恒迅捷工貿有限公司)	Companies controlled by Xiamen C&D
Xiamen Hengchi Huitong Financial Leasing Co., Ltd. (廈門恒馳匯通融資租賃有限公司)	Companies controlled by Xiamen C&D
Xiamen C&D Hotel Management Co., Ltd. (廈門悅華酒店管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Xingyuan Financial Leasing Co., Ltd. (廈門星原融資租賃有限公司)	Companies controlled by Xiamen C&D
Xiamen Shengmao Co., Ltd. (廈門晟茂有限責任公司)	Companies controlled by Xiamen C&D
Xiamen Xinhongyu Medical Equipment Financial Leasing Co., Ltd. (廈門弘欣裕醫療設備融資租賃有限公司)	Companies controlled by Xiamen C&D
Xiamen Huli Chengyi Park Management Co., Ltd. (廈門湖裡城頤公園管理有限公司)	Companies controlled by Xiamen C&D
Xiamen Huli C&D Urban Construction Group Co., Ltd. (廈門湖裡建發城建集團有限公司)	Companies controlled by Xiamen C&D
Xiamen Ruihexing Housing Relocation Service Co., Ltd. (廈門瑞禾興房屋征遷服務有限公司)	Companies controlled by Xiamen C&D
Xiamen Yiyue Real Estate Co., Ltd. (廈門益悅置業有限公司)	Companies controlled by Xiamen C&D
Xiamen Shenglong Resources Co., Ltd. (廈門盛隆資源有限公司)	Companies controlled by Xiamen C&D
Xiamen Huihuang Decoration Engineering Co., Ltd. (廈門輝煌裝修工程有限公司)	Associates of Xiamen C&D
Xiamen Jinshen Real Estate Development Co., Ltd. (廈門錦深房地產開發有限公司)	Companies controlled by Xiamen C&D
Xiamen Yihao Hotel Management Co., Ltd. (廈門頤豪酒店管理有限公司)	Companies controlled by Xiamen C&D
Heyitong (Xiamen) Information Technology Co., Ltd. (和易通(廈門)資訊科技有限公司)	Associates of Xiamen C&D
Taicang Jianjin Real Estate Development Co., Ltd. (太倉建晉房地產開發有限公司)	Companies controlled by Xiamen C&D
Ningde Zhaotou Real Estate Co., Ltd. (寧德兆投房地產有限公司)	Companies controlled by Xiamen C&D
Ningde Jiaxing Real Estate Development Co., Ltd. (寧德嘉行房地產開發有限公司)	Associates of Xiamen C&D
Changshu Jianshang Real Estate Development Co., Ltd. (常熟建尚房地產開發有限公司)	Companies controlled by Xiamen C&D
Guangzhou Jianxin Microfinance Co., Ltd. (廣州建信小額貸款有限公司)	Companies controlled by Xiamen C&D

Related parties	Relationship with the Group
Guangzhou Jiansui Real Estate Development Co., Ltd. (廣州建穗房地產開發有限公司)	Companies controlled by Xiamen C&D
CCB Development (Xiamen) Procurement Tendering Co., Ltd. (建信發展(廈門)採購招標有限公司)	Companies controlled by Xiamen C&D
C&D (Shanghai) Co., Ltd. (建發(上海)有限公司)	Companies controlled by Xiamen C&D
C&D (Guangzhou) Co., Ltd. (建發(廣州)有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Shenzhen Co., Ltd. (建發房地產集團(深圳)有限公司)	Companies controlled by Xiamen C&D
C&D International Investment Group Limited (建發國際投資集團有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Shanghai Co., Ltd. (建發房地產集團上海有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Nanjing Co., Ltd. (建發房地產集團南京有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Nanning Co., Ltd. (建發房地產集團南寧有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Hefei Co., Ltd. (建發房地產集團合肥有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Chengdu Co., Ltd. (建發房地產集團成都有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Co., Ltd. (建發房地產集團有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Hangzhou Real Estate Co., Ltd. (建發房地產集團杭州置業有限公司)	Companies controlled by Xiamen C&D
C&D Real Estate Group Changsha Co., Ltd. (建發房地產集團長沙有限公司)	Companies controlled by Xiamen C&D
C&D Logistics (Shanghai) Co., Ltd. (建發物流(上海)有限公司)	Companies controlled by Xiamen C&D
C&D Logistics Group Co., Ltd. (建發物流集團有限公司)	Companies controlled by Xiamen C&D
Jian'ou Zhongheng Real Estate Co., Ltd. (建甌中恒房地產有限公司)	Companies controlled by Xiamen C&D
Jian'ou Fayun Real Estate Co., Ltd. (建甌發雲房地產有限公司)	Companies controlled by Xiamen C&D
Jian'ou Jiajing Real Estate Co., Ltd. (建甌嘉景房地產有限公司)	Companies controlled by Xiamen C&D
Jianyang Zhaoyang Real Estate Co., Ltd. (建陽兆陽房地產有限公司)	Companies controlled by Xiamen C&D
Jianyang Jiasheng Real Estate Co., Ltd. (建陽嘉盛房地產有限公司)	Companies controlled by Xiamen C&D
Zhangjiagang Free Trade Zone Xinyue Real Estate Co., Ltd. (張家港保稅區鑫悅房地產有限公司)	Companies controlled by Xiamen C&D
Zhangjiagang Jianfeng Real Estate Development Co., Ltd. (張家港建豐房地產開發有限公司)	Companies controlled by Xiamen C&D
Zhangjiagang Jianxiang Real Estate Development Co., Ltd. (張家港建祥房地產開發有限公司)	Companies controlled by Xiamen C&D
Chengdu Zhaocheng Real Estate Development Co., Ltd. (成都兆城房地產開發有限公司)	Companies controlled by Xiamen C&D
Chengdu Huayilong Real Estate Development Co., Ltd. (成都華翊龍房地產開發有限公司)	Associates of Xiamen C&D
Chengdu Fengshang Ruicheng Commercial Management Co., Ltd. (成都峰尚睿誠商業管理有限公司)	Associates of Xiamen C&D
Chengdu C&D Real Estate Co., Ltd. (成都建發置業有限公司)	Companies controlled by Xiamen C&D
Chengdu Shenghecheng Real Estate Co., Ltd. (成都盛和城置業有限公司)	Companies controlled by Xiamen C&D
Wuxi Jianyue Real Estate Development Co., Ltd. (無錫建悅房地產開發有限公司)	Companies controlled by Xiamen C&D

Related parties	Relationship with the Group
Wuxi Runmin Real Estate Development Co., Ltd. (無錫潤民置業發展有限公司)	Associates of Xiamen C&D
Changfuli (Xiamen) Co., Ltd. (昌富利(廈門)有限公司)	Companies controlled by Xiamen C&D
Hangzhou Jinxiang Real Estate Co., Ltd. (杭州錦祥房地產有限公司)	Associates of Xiamen C&D
Wuyishan Jiaheng Real Estate Co., Ltd. (武夷山嘉恒房地產有限公司)	Associates of Xiamen C&D
Wuhan Zhaoyuecheng Real Estate Development Co., Ltd. (武漢兆悅城房地產開發有限公司)	Associates of Xiamen C&D
Wuhan Zhaoyuema Real Estate Development Co., Ltd. (武漢兆悅茂房地產開發有限公司)	Companies controlled by Xiamen C&D
Yongan Zhaoshun Real Estate Co., Ltd. (永安兆順房地產有限公司)	Companies controlled by Xiamen C&D
Yongan Tianhe Real Estate Development Co., Ltd. (永安天和房地產開發有限公司)	Companies controlled by Xiamen C&D
Yongtai Kaicheng Real Estate Development Co., Ltd. (永泰開成房地產開發有限公司)	Companies controlled by Xiamen C&D
Quanzhou Zhaoyue Real Estate Co., Ltd. (泉州兆悅置業有限公司)	Companies controlled by Xiamen C&D
Quanzhou Lilong Real Estate Co., Ltd. (泉州利龍置業有限公司)	Companies controlled by Xiamen C&D
Shenzhen Mingju Nanzhuang Real Estate Co., Ltd. (深圳市名巨南莊房地產有限公司)	Companies controlled by Xiamen C&D
Zhangzhou Fanhua Industrial Co., Ltd. (漳州泛華實業有限公司)	Companies controlled by Xiamen C&D
Zhuhai Doumen Huiye Real Estate Development Co., Ltd. (珠海市門門匯業房產開發有限公司)	Companies controlled by Xiamen C&D
Zhuhai Yuefa Real Estate Co., Ltd. (珠海悅發置業有限公司)	Companies controlled by Xiamen C&D
Zhuhai Doumen Yifa Real Estate Co., Ltd. (珠海門門益發置業有限公司)	Companies controlled by Xiamen C&D
Fuzhou Zhaoxing Real Estate Development Co., Ltd. (福州兆興房地產開發有限公司)	Companies controlled by Xiamen C&D
Fuzhou Zhaojin Real Estate Development Co., Ltd. (福州兆晉房地產開發有限公司)	Companies controlled by Xiamen C&D
Fuzhou Zhaozhen Real Estate Development Co., Ltd. (福州兆臻房地產開發有限公司)	Companies controlled by Xiamen C&D
Fuzhou Pingjin Real Estate Co., Ltd. (福州平晉房地產有限公司)	Companies controlled by Xiamen C&D
Fuzhou C&D International Travel Service Co., Ltd. (福州建發國際旅行社有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaofeng Real Estate Co., Ltd. (福建兆豐房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaofa Real Estate Co., Ltd. (福建兆發房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaohu Real Estate Co., Ltd. (福建兆和房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaojia Real Estate Co., Ltd. (福建兆嘉房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaorun Real Estate Co., Ltd. (福建兆潤房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaosheng Real Estate Co., Ltd. (福建兆盛房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaorui Real Estate Co., Ltd. (福建兆睿房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaofu Real Estate Co., Ltd. (福建兆福房地產有限公司)	Companies controlled by Xiamen C&D

Related parties	Relationship with the Group
Fujian Zhaoxiang Real Estate Co., Ltd. (福建兆翔房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaolian Real Estate Co., Ltd. (福建兆聯房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Zhaochi Real Estate Co., Ltd. (福建兆馳房地產有限公司)	Companies controlled by Xiamen C&D
Fujian Del Medical Industry Co., Ltd. (福建德爾醫療實業有限公司)	Companies controlled by Xiamen C&D
Fujian Xinjiabo Real Estate Development Co., Ltd. (福建心家泊房地產開發有限公司)	Companies controlled by Xiamen C&D
Fujian Longcheng Times Square Operation Management Co., Ltd. (福建龍城時代廣場經營管理有限公司)	Companies controlled by Xiamen C&D
Suzhou Zhaokun Real Estate Development Co., Ltd. (蘇州兆坤房地產開發有限公司)	Companies controlled by Xiamen C&D
Suzhou Zhaoyue Real Estate Development Co., Ltd. (蘇州兆悅房地產開發有限公司)	Companies controlled by Xiamen C&D
Suzhou Zhaoxiang Real Estate Development Co., Ltd. (蘇州兆祥房地產開發有限公司)	Companies controlled by Xiamen C&D
Putian Zhaoxi Real Estate Co., Ltd. (莆田兆璽置業有限公司)	Companies controlled by Xiamen C&D
Lianjiang Zhaoyue Real Estate Development Co., Ltd. (連江兆悅房地產開發有限公司)	Companies controlled by Xiamen C&D
Lianjiang Zhaorun Real Estate Development Co., Ltd. (連江兆潤房地產開發有限公司)	Companies controlled by Xiamen C&D
Lianjiang Zhaorui Real Estate Development Co., Ltd. (連江兆瑞房地產開發有限公司)	Companies controlled by Xiamen C&D
Changsha Zhaofa Real Estate Co., Ltd. (長沙兆發房地產有限公司)	Companies controlled by Xiamen C&D
Changsha Zhaoyue Real Estate Co., Ltd. (長沙兆悅房地產有限公司)	Companies controlled by Xiamen C&D
Changsha Zhaosheng Real Estate Co., Ltd. (長沙兆盛房地產有限公司)	Companies controlled by Xiamen C&D
Changsha Zhaoxi Real Estate Co., Ltd. (長沙兆禧房地產有限公司)	Companies controlled by Xiamen C&D
Changsha Yuefa Real Estate Co., Ltd. (長沙悅發房地產有限公司)	Companies controlled by Xiamen C&D
Changsha Yuanmao Real Estate Co., Ltd. (長沙源茂置業有限公司)	Associates of Xiamen C&D
Qingdao C&D Materials Co., Ltd. (青島建發物資有限公司)	Companies controlled by Xiamen C&D
Longyan Liheng Real Estate Development Co., Ltd. (龍岩利恒房地產開發有限公司)	Companies controlled by Xiamen C&D
Longyan Lihong Real Estate Development Co., Ltd. (龍岩利泓房地產開發有限公司)	Companies controlled by Xiamen C&D
Longyan Lirui Real Estate Development Co., Ltd. (龍岩利瑞房地產開發有限公司)	Companies controlled by Xiamen C&D
Longyan Lilian Real Estate Development Co., Ltd. (龍岩利聯房地產開發有限公司)	Companies controlled by Xiamen C&D
Longyan Lirong Real Estate Development Co., Ltd. (龍岩利榮房地產開發有限公司)	Associates of Xiamen C&D

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

During the Track Record Period, the transactions with related parties of the Group carried in the ordinary course of business were 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)	
Revenue from provision of property management services					
Ultimate holding company	4,126	3,935	3,789	1,852	1,910
Companies controlled by Xiamen C&D	47,276	47,445	46,695	20,559	19,393
Associates of Xiamen C&D	59	55	289	—	185
Revenue from provision of community value-added and synergy services					
Ultimate holding company	2,147	1,140	845	201	171
Companies controlled by Xiamen C&D	4,059	4,746	3,258	677	2,232
Associates of Xiamen C&D	128	61	75	7	3
Revenue from provision of value-added services to non-property owners					
Companies controlled by Xiamen C&D	83,892	120,081	182,911	70,526	98,360
Associates of Xiamen C&D	—	9,572	16,881	9,927	15,164
Interest income received from related parties					
Companies controlled by Xiamen C&D (note 6)	9,716	75,839	76,500	36,545	43,405
Rentals paid for short-term lease					
Ultimate holding company	1,696	1,696	1,696	848	898
Rentals paid for lease liabilities					
Ultimate holding company	—	1,247	2,143	1,071	1,071

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(b) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following 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)	
Salaries and allowances	1,037	1,391	1,458	768	736
Discretionary bonuses	465	611	675	—	—
Retirement benefit scheme contributions	96	115	117	57	54
	<u>1,598</u>	<u>2,117</u>	<u>2,250</u>	<u>825</u>	<u>790</u>

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The tables below set out the reconciliation of liabilities arising from financing activities for each of the Track Record Period.

	Amounts due to related parties			
	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	9,751	45,140	11	322
Cash flows:				
— Repayments	—	(45,129)	—	—
— Additions	35,389	—	311	254,484
At the end of the year/period	<u>45,140</u>	<u>11</u>	<u>322</u>	<u>254,806</u>
	Receipts under securitisation arrangements			
	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	—	1,228,820	1,025,639	902,774
Cash flows:				
— Repayments	—	(205,095)	(124,905)	—
— Additions	1,250,000	—	—	—
Other non-cash movements	(21,180)	1,914	2,040	—
At the end of the year/period	<u>1,228,820</u>	<u>1,025,639</u>	<u>902,774</u>	<u>902,774</u>

	Lease liabilities			
	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	2,658	2,142	3,731	7,639
Cash flows:				
— Capital element of lease payments paid	(516)	(1,764)	(2,956)	(432)
— Interest element of lease payments paid	(143)	(205)	(244)	(42)
Non-cash:				
— Interest expenses (<i>note 6</i>)	143	205	244	206
— Entering into new leases	—	3,353	6,864	—
— Acquisition through business combination (<i>note 31</i>)	—	—	—	4,704
At the end of the year/period	<u>2,142</u>	<u>3,731</u>	<u>7,639</u>	<u>12,075</u>

31. BUSINESS COMBINATION

On 24 June 2020, the Group has entered into an agreement to acquired an additional equity interest of 51% of Xiamen Bairui at the consideration of RMB24,000,000, the acquisition was completed on 29 June 2020. Xiamen Bairui was previously an associate of the Group (see note 15). After the acquisition, the Group held effective equity interest of 100% of Xiamen Bairui.

Accordingly, the Group re-measured the fair value of its previously held interests in Xiamen Bairui at the date of acquisition and recognised the resulting gain of RMB2,993,000 on the re-measurement of the Group's previously held interests in Xiamen Bairui to acquisition-date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Details of the carrying value and fair value of the Group's previously held interests in Xiamen Bairui at the acquisition date are summarised as follows:

	RMB'000
Share of net assets	19,511
Less: Fair value of previously held interests	<u>(22,504)</u>
Gain on re-measurement of previously held interest in an associate	<u>(2,993)</u>

Details of the aggregate fair values of the identifiable assets and liabilities of Xiamen Bairui as at the date of acquisition are as follows:

	Xiamen Bairui
	<i>RMB'000</i>
Property, plant and equipment (<i>note 13</i>)	15,499
Right-of-use assets (<i>note 14</i>)	12,622
Deferred tax assets (<i>note 25</i>)	1,727
Trade and other receivables	1,255
Restricted bank deposits	25,354
Cash and cash equivalents	3,189
Trade and other payables	(6,976)
Income tax liabilities	(4)
Lease liabilities	(4,704)
Deferred tax liabilities (<i>note 25</i>)	<u>(2,036)</u>
Net assets acquired	<u>45,926</u>
Less: fair value of previously held interests	<u>(22,504)</u>
	23,422
Less: cash consideration (<i>note 21</i>)	<u>(24,000)</u>
Goodwill (<i>note 16</i>)	<u><u>(578)</u></u>
Cash consideration paid	—
Cash and cash equivalents acquired	<u>3,189</u>
Cash inflow arising on acquisition through business combination	<u><u>3,189</u></u>

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 RMB452,807,000 and RMB60,117,000 respectively.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and other price risk).

The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

32.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

The Group

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
— Trade and other receivables	54,066	62,744	72,374	156,122
— Amounts due from related parties	1,472,050	1,289,653	1,344,229	387,727
— Restricted bank deposits	131	710	726	26,146
— Cash and cash equivalents	28,345	32,370	57,121	1,388,624
	<u>1,554,592</u>	<u>1,385,477</u>	<u>1,474,450</u>	<u>1,958,619</u>
Financial assets at FVTPL				
— Subordinated tranche securities	28,820	30,970	34,190	48,850
	<u>1,583,412</u>	<u>1,416,447</u>	<u>1,508,640</u>	<u>2,007,469</u>
Financial liabilities				
Financial liabilities measured at amortised cost				
— Trade and other payables	195,192	249,776	303,758	330,469
— Amounts due to related parties	45,140	11	322	254,806
— Receipts under securitisation arrangements	1,228,820	1,025,639	902,774	902,774
— Lease liabilities	2,142	3,731	7,639	12,075
	<u>1,471,294</u>	<u>1,279,157</u>	<u>1,214,493</u>	<u>1,500,124</u>

The Company

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
— Amount due from an immediate holding company	12	5	5	4

32.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amounts as at 31 December 2017, 2018 and 2019 and 30 June 2020 as disclosed in note 32.1.

(i) Trade receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms except for the customers of smart community services with credit period ranged from 5 to 60 days, and related party customers with no credit terms. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at each reporting date based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

(ii) Amounts due from related parties

The Group expects that the credit risk associated with amounts due from related parties are considered to be low after considering the factors as set out in note 2.10, since related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Thus, the impact of ECL is insignificant to the Historical Financial Information.

(iii) Other receivables other than amounts due from related parties

For other receivables other than amounts due from related parties, management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Thus, ECL recognised during the Track Record Period was limited to 12-month ECL and the ECL model also incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of individual property owner or the debtor;
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the loss allowance provisions were determined, based on due date, as follows. The expected losses rates below also incorporated forward-looking information. As there is no significant change in the business operation, actual loss rates for trade receivables, customer profile and the adjustments for forward-looking macroeconomic data during the Track Record Period, the change in the expected loss rates for the provision matrix is insignificant throughout the Track Record Period.

		As at 31 December					
		2017			2018		
Expected loss rate		Gross carrying amount	Loss allowance provision	Net carrying amount	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables							
— third parties							
Within 1 year	5%	26,371	(1,319)	25,052	31,540	(1,578)	29,962
1 to 2 years	10%	5,209	(521)	4,688	6,488	(649)	5,839
2 to 3 years	30%	3,677	(1,103)	2,574	2,975	(892)	2,083
3 to 4 years	50%	1,478	(739)	739	2,542	(1,271)	1,271
4 to 5 years	80%	529	(423)	106	1,046	(837)	209
Over 5 years	100%	533	(533)	—	752	(752)	—
		<u>37,797</u>	<u>(4,638)</u>	<u>33,159</u>	<u>45,343</u>	<u>(5,979)</u>	<u>39,364</u>
		As at 31 December			As at 30 June 2020		
		2019			2020		
Expected loss rate		Gross carrying amount	Loss allowance provision	Net carrying amount	Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables							
— third parties							
Within 1 year	5%	37,995	(1,866)	36,129	80,194	(4,001)	76,193
1 to 2 years	10%	6,333	(633)	5,700	9,199	(920)	8,279
2 to 3 years	30%	2,902	(871)	2,031	3,327	(998)	2,329
3 to 4 years	50%	2,048	(1,024)	1,024	2,117	(1,058)	1,059
4 to 5 years	80%	1,921	(1,537)	384	1,944	(1,555)	389
Over 5 years	100%	1,552	(1,552)	—	2,391	(2,391)	—
		<u>52,751</u>	<u>(7,483)</u>	<u>45,268</u>	<u>99,172</u>	<u>(10,923)</u>	<u>88,249</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has adopted average expected loss rate of 5%, 4%, 4% and 4% on the gross carrying amounts of other receivables amounted to RMB19,640,000, RMB23,362,000, RMB27,535,000 and RMB24,587,000 respectively. The loss allowance as at 31 December 2017, 2018 and 2019 and 30 June 2020 are RMB1,010,000, RMB1,049,000, RMB1,208,000 and RMB948,000 respectively.

Movements of the Group's loss allowance on trade receivables are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	3,364	4,638	5,979	7,483
Provision for ECL allowance	<u>1,274</u>	<u>1,341</u>	<u>1,504</u>	<u>3,440</u>
Balance at the end of the year/period	<u>4,638</u>	<u>5,979</u>	<u>7,483</u>	<u>10,923</u>

Movements of the Group's loss allowance on other receivables based on 12-month ECL are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	1,148	1,010	1,049	1,208
(Reversal of)/Provision for ECL allowance	(138)	39	159	(260)
Balance at the end of the year/period	1,010	1,049	1,208	948

For cash and cash equivalents and restricted bank deposits, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

32.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to related parties, lease liabilities and receipts under securitisation arrangements and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The Group

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted contractual amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017						
Trade and other payables	195,192	—	—	—	195,192	195,192
Amounts due to related parties	45,140	—	—	—	45,140	45,140
Receipts under securitisation arrangements	68,582	68,582	498,663	1,021,696	1,657,523	1,228,820
Lease liabilities	660	660	1,100	—	2,420	2,142
	309,574	69,242	499,763	1,021,696	1,900,275	1,471,294

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted contractual amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018						
Trade and other payables	249,776	—	—	—	249,776	249,776
Amounts due to related parties	11	—	—	—	11	11
Receipts under securitisation arrangements	59,139	181,624	540,569	559,360	1,340,692	1,025,639
Lease liabilities	2,910	660	440	—	4,010	3,731
	<u>311,836</u>	<u>182,284</u>	<u>541,009</u>	<u>559,360</u>	<u>1,594,489</u>	<u>1,279,157</u>
	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted contractual amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019						
Trade and other payables	303,758	—	—	—	303,758	303,758
Amounts due to related parties	322	—	—	—	322	322
Receipts under securitisation arrangements	53,274	53,274	517,777	561,310	1,185,635	902,774
Lease liabilities	3,198	2,978	2,250	—	8,426	7,639
	<u>360,552</u>	<u>56,252</u>	<u>520,027</u>	<u>561,310</u>	<u>1,498,141</u>	<u>1,214,493</u>
	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Over 5 years	Total undiscounted contractual amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2020						
Trade and other payables	330,469	—	—	—	330,469	330,469
Amounts due to related parties	254,806	—	—	—	254,806	254,806
Receipts under securitisation arrangements	53,412	53,412	506,880	546,132	1,159,836	902,774
Lease liabilities	3,088	2,614	2,250	10,144	18,096	12,075
	<u>641,775</u>	<u>56,026</u>	<u>509,130</u>	<u>556,276</u>	<u>1,763,207</u>	<u>1,500,124</u>

32.4 Interest rate risk

The Group's interest-bearing assets and liabilities are mainly amounts due from related parties, receipts under securitisation arrangements and lease liabilities, which are at fixed rates and it exposes the Group to fair value interest-rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

The following table details the interest rate profile of the Group's interest-bearing financial assets and liabilities at each reporting date.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial instruments with fixed rate				
Financial assets	212,779	1,285,063	812,620	—
Financial liabilities	(1,230,962)	(1,029,370)	(910,413)	(914,849)
	<u>(1,018,183)</u>	<u>255,693</u>	<u>(97,793)</u>	<u>(914,849)</u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group has no financial liabilities bearing floating interest rate.

32.5 Other price risk

The Group has been exposed to the price risk of subordinated tranche securities in connection with the financial assets measured at FVTPL. The Group manages the equity price risk by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's directors review and approve all equity investment decisions.

If the price of subordinated tranche securities had been 5% increased/decreased, post-tax profit for the year ended 31 December 2017, 2018 and 2019 and 30 June 2020 would have been increased/decreased by approximately RMB1,081,000, RMB1,161,000, RMB1,282,000 and RMB1,832,000 respectively.

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the relevant risk variables had occurred at each reporting date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at each reporting date. It is also assumed that the fair values of the Group's subordinated tranche securities would change in accordance with the historical correlation with the relevant risk variables, and that all other variables remain constant.

32.6 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates mainly in PRC and majority of the transactions are denominated and settled in the functional currency of respective entities within the Group, RMB. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group did not have significant foreign currency risk from its operations.

32.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement. The financial assets measured at fair value on a recurring basis are grouped into the fair value hierarchy as follows:

	<u>Level 3</u>
	<i>RMB'000</i>
As at 31 December 2017	
Financial assets at FVTPL	
Subordinated tranche securities	<u>28,820</u>
As at 31 December 2018	
Financial assets at FVTPL	
Subordinated tranche securities	<u>30,970</u>
As at 31 December 2019	
Financial assets at FVTPL	
Subordinated tranche securities	<u>34,190</u>
As at 30 June 2020	
Financial assets at FVTPL	
Subordinated tranche securities	<u>48,850</u>

The fair values of the Group's subordinated tranche securities as at 31 December 2017, 2018 and 2019 and 30 June 2020 have been arrived at on the basis of valuation carried out by Cushman & Wakefield International Property Advisers (Guangzhou) Co., Ltd., an independent professional qualified valuer.

The methods and valuation techniques used for the purpose of measuring fair values categorised in Level 3 are unchanged during the Track Record Period and are described below:

			<u>Range of unobservable inputs</u>			
<u>Valuation technique</u>	<u>Unobservable input</u>	<u>As at 31 December</u>			<u>As at 30 June</u>	
		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Subordinated tranche securities	Discounted cash flow method	Discount rate	6.64%	6.53%	5.95%	6.37%
		Discount factor	<u>0.58</u>	<u>0.62</u>	<u>0.68</u>	<u>0.98</u>

Future cash flows are estimated based on applying the expected yields of the financial instruments and the expected rate of return that reflects the credit risks of the financial instrument. The higher the discount rate, the lower the fair value; the higher the discount factor, the higher the fair value.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Subordinated tranche securities
	<i>RMB'000</i>
As at 1 January 2017	—
Addition	<u>28,820</u>
As at 31 December 2017 and 1 January 2018	28,820
Fair value gain recognised in profit or loss	<u>2,150</u>
As at 31 December 2018 and 1 January 2019	30,970
Fair value gain recognised in profit or loss	<u>3,220</u>
As at 31 December 2019 and 1 January 2020	34,190
Fair value gain recognised in profit or loss	<u>14,660</u>
As at 30 June 2020	<u><u>48,850</u></u>

No sensitivity analysis is disclosed for the impact of changes in the relevant unobservable data under discounted cash flow method in respect of subordinated tranche securities as the management considers that the exposure is insignificant to the Group.

Fair value gain on subordinated tranche securities is recognised in profit or loss and included under "Other income" (note 5).

There have been no transfers into or out of Level 3 during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020.

32.8 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017, 2018 and 2019 and 30 June 2020.

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as receipts under securitisation arrangements less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

During the Track Record Period, the Group's strategy in monitoring its capital structure was to maintain a sufficient cash level to meet its liquidity requirements. In order to maintain or adjust the cash level, the Group may issue new shares, raise new debts financing or sell assets to increase the cash level.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

34. CONTINGENT LIABILITIES

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group and the Company did not have any significant contingent liabilities.

35. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2020:

(i) Outbreak of Coronavirus Disease 2019 (“COVID-19”)

The Group 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 its obligations under all existing property management services contracts and other business contracts; and (iv) the Group has sufficient cash and cash equivalents to maintain its operations.

(ii) In July 2020, October 2020 and November 2020, receipts under securitisation arrangements of RMB480,000,000, RMB390,000,000 and RMB50,000,000 were early redeemed by the Group respectively and it is estimated that a loss on early redemption of approximately RMB17,000,000 would be recognised. The guarantee by C&D Real Estate in relation to the senior tranche securities was released in November 2020.

(iii) Subsequent to 30 June 2020, all outstanding balance of amounts due from/(to) related parties had been settled.

(iv) On 18 November 2020, Xiamen Yirui entered into an equity transfer agreement with a related company of Shanghai Bairen, pursuant to which Xiamen Yirui has conditionally agreed to sell, and the related company of Shanghai Bairen has conditionally agreed to acquire 20% equity interests of Xiamen Bairui at a cash consideration of RMB10,000,000 and the net assets value of Xiamen Bairui at the completion date was approximately RMB44,259,000. The disposal of 20% equity interests of Xiamen Bairui was completed in December 2020.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to the listing document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in the listing document and the Accountant's Report set out in Appendix I to the listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, and is set out below to illustrate the effect of the Spin-off on the consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020 as if the Listing had taken place on that date.

The 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 net tangible assets of the Group as at 30 June 2020 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to the listing document, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020	Unaudited pro forma adjusted consolidated net tangible assets per share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 2)</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on 1,176,711,106 shares assumed to be in issue immediately prior to the Listing	<u>346,454</u>	<u>346,454</u>	<u>0.29</u>	<u>0.33</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020 is extracted from the Accountant's Report of the Company as set out in Appendix I to the listing document, which is based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020 of approximately RMB347,032,000 with an adjustment for the goodwill of RMB578,000 as at 30 June 2020.

- (2) The unaudited pro forma adjusted consolidated net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 1,176,711,106 shares assumed to be in issue immediately prior to the Listing, not taking into account any shares which may be issued or repurchased by the Company pursuant to the general mandate to issue shares or the general mandate to repurchase shares.
- (3) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.14. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2020 to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.
- (5) Subsequent to 30 June 2020, listing expenses totaling RMB28,491,000 is expected to be incurred by the completion of the Spin-off and the Listing, of which an estimated amount of RMB17,185,000 will be borne by C&D International Investment Group Limited, and RMB11,306,000 will be charged to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ending 31 December 2020. In addition, pursuant to the equity transfer agreement entered into with a related company of Shanghai Bairen Health Industry Co., Ltd. on 18 November 2020, the Group has conditionally agreed to transfer 20% equity interests of Xiamen Bairui Health Industry Company Limited (“**Xiamen Bairui**”) at a cash consideration of RMB10,000,000 and the net assets value of Xiamen Bairui at the completion date was approximately RMB44,259,000. The disposal of 20% equity interests of Xiamen Bairui was completed in December 2020. Furthermore, in July 2020, October 2020 and November 2020, receipts under securitisation arrangements of RMB480,000,000, RMB390,000,000 and RMB50,000,000 were early redeemed by the Group respectively and it is estimated that a loss on early redemption of approximately RMB17,000,000 would be recognised (the “**Transactions**”).

The Transactions have not been included in the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2020. Had the Transactions been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per share would be approximately RMB0.27 (equivalent to HK\$0.31).

The following is the text of the assurance report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in the listing document.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



**TO THE DIRECTORS OF C&D PROPERTY MANAGEMENT GROUP CO., LTD (FORMERLY
KNOWN AS LI CHI INTERNATIONAL LIMITED AND C&D PROPERTY DEVELOPMENT
GROUP CO., LTD)**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of C&D Property Management Group Co., Ltd (formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd) (the “Company”) and its subsidiaries (collectively referred to as 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 net tangible assets as at 30 June 2020 and related notes (“Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of Appendix II to the listing document issued by the Company dated 28 December 2020 (the “Listing Document”) in connection with the proposed listing of the Company’s shares (the “Listing”). 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 Appendix II to the Listing Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Listing on the Group’s financial position as at 30 June 2020 as if the Listing had taken place at 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 historical financial information for the six months ended 30 June 2020, on which an Accountant’s Report set out in Appendix I to the Listing document has been published.

Directors’ responsibilities 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”).

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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 listing of shares at 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted historical financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, 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.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Lin Ching Yee Daniel

Practising Certificate No.: P02771

28 December 2020

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of the Company and of certain aspects of the BVI company law.

The Company was incorporated in the BVI as a BVI business company with limited liability under the BVI Business Companies Act on 4 May 2016. The Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association was filed on 23 December 2020.

1.1 Classes of shares

The Company is authorised to issue a maximum of 3,000,000,000 shares of a single class with a par value of HK\$0.01.

1.2 Capacity and power

The objects for which the Company is established are unrestricted. The Company shall have full capacity and power to carry out any object not prohibited by the BVI Business Companies Act or any other law of the BVI.

1.3 Liability of members

Pursuant to the Memorandum of Association, the liability of each member is limited to:

- (a) the amount from time to time unpaid on such member's shares;
- (b) any liability expressly provided for in the Memorandum of Association or the Articles of Association; and
- (c) any liability to repay a distribution pursuant to section 58(1) of the BVI Business Companies Act.

There is no provision in the Memorandum of Association or the Articles of Association which provides for the increase of a member's liability to the Company.

1.4 Rights of shares

Under the Memorandum of Association, each share confers on the holder:

- (d) the right to one (1) vote on any resolution of members or special resolution of members;
- (e) the right to an equal share in any dividend paid by the Company; and
- (f) the right to an equal share in the distribution of the surplus assets of the Company.

1.5 Alteration of Memorandum of Association

The Company may by a special resolution of members alter its Memorandum of Association with respect to any objects, powers or other matters specified therein.

The Memorandum of Association is available for inspection at the address specified in the section headed “Documents Available for Inspection” in Appendix V to this listing document.

2. ARTICLES OF ASSOCIATION

The Articles of Association were filed on 23 December 2020. A summary of certain provisions of the Articles of Association is set out below.

2.1 Shares

(a) *Variation of rights of existing shares or classes of shares*

If at any time the authorised shares of the Company are divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the BVI Business Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths (3/4) in nominal value of the issued shares of that class or with the sanction of a special resolution of members passed at a separate meeting of the holders of the shares of that class. In each such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, provided that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third (1/3) in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(b) *Alteration to the number of shares the Company is authorised to issue*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by resolution of members, increase the maximum number of shares the Company is authorised to issue.

The Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorised to issue by the number of shares so cancelled subject to the provisions of the BVI Business Companies Act.

(c) Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer must be left at the registered office of the Company or at such other place as the Directors may appoint and all such instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) has been paid to the Company;
- (b) the instrument of transfer is lodged with the Company accompanied by the certificate of the shares to which it relates (which shall upon registration of the transfer be cancelled), and such other evidence as the Directors 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);
- (c) the instrument of transfer is in respect of only one (1) class of shares;
- (d) in the case of a transfer to joint holders, the number of joint holders to which the share is to be transferred does not exceed four (4);
- (e) the shares concerned are free from any lien in favour of the Company; and
- (f) if applicable, the instrument of transfer is properly stamped.

If the Directors refuse to register a transfer of any share, they shall, within two (2) months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on no less than ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by announcement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times

for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

(d) Power of the Company to purchase its own shares

The Company is empowered by the BVI Business Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members by resolution of members as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

(e) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles of Association relating to the ownership of shares in the Company by a subsidiary.

(f) Calls on shares and forfeiture of shares

The Directors may, from time to time, make such calls as they think fit upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 20% per annum, as the Directors may determine, but the Directors may waive payment of such interest in whole or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid, together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not earlier than the expiration of 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which, as at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 20% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any deduction or allowance for the value of the shares forfeited, as at the date of forfeiture.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Directors shall have power to appoint any person as a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company, any Director so appointed as an addition to the board of directors shall hold office only until the next general meeting of the Company, and in each case such Director shall then be eligible for re-election at the relevant meeting.

The Company may by resolution of members remove any Director (including a managing director or other executive director) before the expiration of his period of office notwithstanding anything to the contrary in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by resolution of members appoint another

person in his stead. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by resolution of members elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company, any Director appointed as an addition to the board shall hold office only until the next following general meeting of the Company and in each case such Director shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the relevant meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven (7) days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than ten (10) Business Days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) he resigns his office by notice in writing to the Company at its registered office or its principal place of business in Hong Kong;
- (ii) an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) he is removed from office by notice in writing served upon him signed by not less than three-fourths (3/4) in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) he shall be removed from office by a resolution of members under the Articles of Association.

At every annual general meeting of the Company one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to, but not less than, one-third (1/3), shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the BVI Business Companies Act and the Memorandum of Association and the Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased authorised shares) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by resolution of members and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in relation to dividend, voting, return applicable to shares or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the BVI Business Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(c) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities expressly conferred upon them by the Articles of Association, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the BVI Business Companies Act expressly directed or required to be exercised or done by resolution of members, subject nevertheless to the provisions of the BVI Business Companies Act and of the Articles of Association and to any regulation from time to time made by resolution of members not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled amounts owing on the shares in the Company or any part thereof.

(e) Remuneration

The Directors shall be entitled to receive, by way of remuneration for their services, such sum as shall from time to time be determined by resolution of members or by the Directors, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred while engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(f) Compensation or payment for loss of office

Payment 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 or past Director is contractually or statutorily entitled) must first be approved by resolution of members.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Financial assistance to purchase shares

Subject to all applicable laws, the Company may give, directly or indirectly, by means of a loan, a guarantee, a gift, an indemnity, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any shares or warrants in the Company or any company which is its holding company.

(i) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or (ii) any of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

2.3 Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world and may determine the quorum necessary for the transaction of business. Questions arising at any meeting of the Directors shall be determined by a majority of votes, and in case of an equality of votes, the chairman of such meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

No alteration or amendment to the Memorandum of Association or the Articles of Association may be made except by special resolution of members, except the members may from time to time amend the Memorandum of Association or the Articles of Association to increase the maximum number of shares the Company is authorised to issue by resolution of members.

The existing shareholders shall not alter the constitutional documents to increase an existing shareholder's liability to the Company unless such increase is agreed by such shareholder in writing.

A change of name of the Company shall constitute an amendment of the Memorandum of Association and the Articles of Association, and may only be changed with the sanction of a special resolution of members.

2.5 Meetings of members

(a) Special resolution and resolution of members

A “special resolution of members” is defined in the Articles of Association as a resolution passed by a majority of not less than three-fourths (3/4) of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorised representative(s) or, where proxies are allowed, by proxy(ies) at a general meeting of which notice specifying the intention to propose the resolution as a special resolution of members has been duly given and includes a special resolution of members approved in writing signed by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution of members so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

A “resolution of members” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of the members of the Company as, being entitled to do so, vote in person or, in the case of any member being a corporation, by its duly authorised representative(s) or, where proxies are allowed, by proxy(ies) at a general meeting held in accordance with the Articles of Association and includes a resolution of members approved in writing signed by all the members of the Company aforesaid.

(b) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one (1) vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one (1) of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one (1) of such joint holders be present at any meeting personally or by proxy, the person so present being the more or most senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll, provided that the chairman of the general meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one (1) 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 the Articles of Association shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

(c) Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

(d) Notice of meetings and business to be conducted

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two (2) or more members deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth (1/10) of the number of issued shares in the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one (1) member which is a recognised clearing house (or its nominee(s))

deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth (1/10) of the number of issued shares in the Company which carries the right of voting at general meetings of the Company.

An annual general meeting shall be called by not less than 21 days' (and not less than 20 clear Business Days') notice in writing and any extraordinary general meeting shall be called by not less than 14 days' (and not less than 10 clear Business Days') notice in writing. Subject to the requirements under the Listing Rules, the notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or by their proxies; and
- (ii) in the case of any other meeting, by a majority in number of the members entitled to attend and vote thereat or by their proxies, being a majority together holding not less than 95% in nominal value of the shares having that right.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two (2) members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing

body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.1(a) above.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote on his behalf and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or such other form that complies with the Listing Rules as the Directors may from time to time approve, provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority on the proxy to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.6 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the BVI Business Companies Act.

The Directors shall from time to time determine whether, to what extent, at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the BVI Business Companies Act or any other relevant law or regulation or as authorised by the Directors or by the resolution of members.

The Directors shall cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit and loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company may by resolution of members delegate the fixing of such remuneration to the Directors.

2.7 Dividends and other methods of distribution

Subject to the BVI Business Companies Act and Articles of Association, the Directors may resolve to declare and pay dividends on the issued shares in the Company in any currency, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of the Company's assets will exceed its liabilities and the Company is able to pay its debts as they fall due.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes, no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company interim dividends. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company by resolution of members have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members entitled to such dividend shall 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk. The payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two (2) consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

All dividends or bonuses unclaimed for six (6) years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors, with the sanction of a resolution of members, may direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in relation to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.8 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on no less than ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members of the Company held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.9 Rights of the minorities in relation to fraud or oppression

There is no provision in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.10 Procedure on liquidation

The Company may, by special resolution of members, approve a liquidation plan and appoint a voluntary liquidator for the voluntary winding up of the Company in accordance with the BVI Business Companies Act.

If the Company shall be wound up, and the assets available for distribution among the members of the Company as such shall be insufficient to repay the whole of the amounts paid up on the issued shares in the Company, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the amounts paid up on the issued shares in the Company, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for

distribution among the members of the Company shall be more than sufficient to repay the whole of the amounts paid up on the issued shares in the Company at the commencement of the winding up, the excess shall be distributed among the members of the Company in proportion to the amounts paid up on the issued shares in the Company at the commencement of the winding up on the shares held by them respectively. The foregoing applies without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of members and any other sanction required by the BVI Business Companies Act, divide among the members of the Company *in specie* or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the BVI Business Companies Act, shall think fit, provided that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.11 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if and provided that: (a) all cheques or warrants, not being less than three (3) in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three (3) month period referred to in paragraph (d) below received any indication of the whereabouts or existence of the member of the Company; (c) during the 12 year period, at least three (3) dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member of the Company; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares, and a period of three (3) months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company, and upon receipt by the Company of such net proceeds it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

3. BRITISH VIRGIN ISLANDS COMPANY LAW AND TAXATION

The Company operates subject to the laws of the BVI. Set out below is a summary of certain provisions of BVI company law and taxation, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of BVI company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Incorporation

The Company was incorporated in the BVI as a BVI business company under the BVI Business Companies Act on 4 May 2016. The Company is required to pay an annual fee to the Registrar of Corporate Affairs in the BVI which is based on the number of shares the Company is authorised to issue.

3.2 Shares

The concept of share capital does not apply to a BVI Business Company. A company limited by, or otherwise authorised to issue shares, shall state in its memorandum of association the maximum number (or that the company is authorised to issue an unlimited number of shares) and classes of shares that the company is authorised to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is authorised to issue is not exceeded (where relevant). On any such division or combination of shares, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares.

The directors of a company may, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorisation in the memorandum of association of the company and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided that such consideration is not less than par value where the share is a par value share. Under the BVI Business Companies Act, the liability of a shareholder to the company, as shareholder, is limited to (i) any amount unpaid on a share held by the shareholder; (ii) any liability expressly provided for in the memorandum of association or articles of association of the company; and (iii) any liability to repay a distribution under section 58(1) of the BVI Business Companies Act (which relates to the recovery of a distribution made when a company did not satisfy the statutory solvency test).

If so authorised by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class of shares.

The BVI Business Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the BVI Business Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

Under the provisions in the BVI Business Companies Act, the directors may make an offer for the company to purchase, redeem or otherwise acquire shares in the company, provided that the offer is either (a) to all shareholders and would, if successful, leave the relative voting and distribution rights unaffected, or (b) to one or more shareholders and consented to in writing by all shareholders, or is otherwise permitted by the memorandum of association or articles of association. Where the offer is to one or more shareholders, the directors must pass a resolution to the effect that, in their opinion, the purchase, redemption or other acquisition would benefit the remaining shareholders, and the proposed offer is fair and reasonable to the company and the remaining shareholders.

Where an acquisition by a company of its own shares would be treated as a distribution, the conditions imposed on distributions (as set out in paragraph 3.4 below) must be met. The purchase, redemption or other acquisition by a company of its own shares is not deemed to be a distribution where it is effected pursuant to, *inter alia*, a right of a shareholder to have his shares redeemed or exchanged for money or other property of the company or where the share is redeemable at the option of the company.

3.3 Financial assistance

There is no statutory restriction in the BVI on the provision of financial assistance by a company 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 due care, skill and diligence that they are acting in good faith, for a proper purpose and in the interests of the company, that such assistance can be given.

3.4 Dividends and distributions

The directors of a company may only declare a distribution by the company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 56 of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

3.5 Shareholders' remedies

The BVI Business Companies Act has introduced a series of remedies available to shareholders. Where a company engages in activity which breaches the BVI Business Companies Act or the company's memorandum of association and articles of association, the court can issue a restraining or compliance order. Shareholders can also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for shareholders' remedies has also been incorporated into the BVI Business Companies Act, namely where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

3.6 Mergers and consolidations

Under the BVI Business Companies Act, two or more companies, each a "constituent company", may merge or consolidate.

A merger involves merging two or more companies into one of the constituent companies that will remain as the surviving company and a consolidation involves two or more companies consolidating into a new company. Subject to the memorandum of association and articles of association of the company a merger or consolidation must be authorised by a resolution of shareholders of every class of shares entitled to vote on the merger or consolidation.

There are different procedures depending on the type of merger that is taking place. Under the BVI Business Companies Act, a merger may occur between any of the following:

- (a) two or more companies incorporated under the BVI Business Companies Act;
- (b) one or more companies incorporated under the BVI Business Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity;
- (c) one or more companies incorporated under the BVI Business Companies act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity;
- (d) a parent company and one or more of its subsidiaries where the companies are incorporated under the BVI Business Companies Act;
- (e) a parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the BVI Business Companies Act, and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity; or

- (f) a parent company and one or more of its subsidiaries where one or more of the companies are incorporated under the BVI Business Companies Act, and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity.

Under the BVI Business Companies Act, a shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from:

- (a) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares; or
- (b) a consolidation, if the company is a constituent company.

The BVI Business Companies Act sets out the procedures that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the fair value of the shares owned by the dissenting shareholder shall be fixed by the appraisers in accordance with the BVI Business Companies Act.

3.7 Redemption of minority shares

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, shareholders of a company holding 90% of the votes of the outstanding shares entitled to vote; and shareholders of a company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing it to redeem the shares held by the remaining shareholders. Upon receiving this direction, the company must redeem the shares it has been directed to redeem and must give written notice to each shareholder stating the redemption price and the manner by which the redemption will be effected.

The shareholders having their shares compulsorily redeemed are entitled to receive fair value for their shares and may dissent from the compulsory redemption. The BVI Business Companies Act sets out the procedures that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the fair value of the shares owned by the dissenting shareholder shall be fixed by the appraisers in accordance with the BVI Business Companies Act.

3.8 Disposition of assets

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50% in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The BVI Business Companies Act sets out the procedures that must be followed in relation to effecting such a disposal.

3.9 Accounting and auditing requirements

The BVI Business Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

3.10 Register of members

Under the BVI Business Companies Act, a company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However, either the register of members or a copy of the register of members of the company has to be kept at the office of its registered agent in the BVI.

There is no mandatory requirement under the BVI Business Companies Act for a company to make any filings of shareholders' information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the shareholders are, accordingly, not a matter of public record and are not available for public inspection.

3.11 Inspection of books and records

Subject to the BVI Business Companies Act, a shareholder of a company will have general right under the BVI Business Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

3.12 Special resolutions

The BVI Business Companies Act does not define "special resolution". However, a company's memorandum of association and articles of association may make provisions for varying threshold levels of votes required to pass a resolution and require that certain matters may only be approved if passed by a certain percentage of votes.

3.13 Subsidiary owning shares in parent

The BVI Business Companies Act does not prohibit a BVI company acquiring and holding shares in its parent company. The directors of any subsidiary making such acquisition must discharge their duties of care and to act honestly and in good faith and in what the director believes to be in the best interests of the company.

Under the BVI Business Companies Act:

- (a) a director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association and articles of association of the company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company;
- (b) a director of a company that is a subsidiary, but not a wholly-owned subsidiary, may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company and with the prior agreement of the shareholders, other than its holding company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company; and
- (c) a director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the memorandum of association or articles of association of the company, act in a manner which he believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

3.14 Indemnification

BVI law in general does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, subject to the conditions set out in the BVI Business Companies Act (for example, the officer or director has acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, that officer or director had no reasonable cause to believe that his conduct was unlawful).

3.15 Economic substance

The BVI enacted the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the "ES Act"), which became effective on 1 January 2019, and the Rules on Economic Substance in the Virgin Islands, containing rules and guidance relating to the interpretation of the ES Act and how the International Tax Authority (the "ITA") will carry out its obligations, were released on 9 October 2019, and were further updated on 10 February 2020. A BVI company is required to report to the ITA on a periodic basis to enable the ITA to monitor compliance with the economic substance requirements, if it is carrying on one or more relevant activities. If this is the case, it may be required to adopt adequate economic substance in the BVI.

3.16 Liquidation

A company is placed in liquidation either by an order of the court or by a resolution of directors or shareholders. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), to settle the list of creditors and to discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

3.17 Stamp duty on transfers

No stamp duty is payable in the BVI on transfers of shares of BVI companies incorporated or registered under the BVI Business Companies Act.

3.18 Taxation

Companies incorporated or registered under the BVI Business Companies Act are currently exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

3.19 Exchange controls

There are no foreign exchange controls or foreign exchange regulations under the currently applicable laws of the BVI.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisers on BVI law, have sent to the Company a letter of advice summarising certain aspects of the BVI Business Companies Act. This letter, together with a copy of the BVI Business Companies Act, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V to this listing document. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the BVI under the BVI Business Companies Act as a BVI business company with limited liability on 4 May 2016.

Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company on 20 July 2020 under Part 16 of the Companies Ordinance. Our principal place of business in Hong Kong is at Room 3517, 35/F., Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Cheung Cheung (張翔) who resides at Flat A, 5/F Block 8, Ocean Shores, 88 O King Road, Tseung Kwan O, N.T., Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in BVI, its operations are subject to the BVI Business Companies Act and other BVI legislations and to its constitution, which comprises of the Memorandum of Association and Articles of Association. A summary of certain relevant parts of the Memorandum of Association and the Articles of Association and certain relevant aspects of the BVI Business Companies Act is set out in the section headed "Summary of the Constitution of the Company and BVI Business Companies Act" in Appendix III to this listing document.

2. Changes in maximum number of authorised Shares of our Company**(a) Changes in number of authorised and issued shares**

- (i) As at the date of incorporation, our Company was authorised to issue a maximum of 50,000 ordinary shares with or without par value. The following sets out the changes in our Company's shares since the date of its incorporation:
 - (a) On 27 May 2016, 2,000 ordinary shares of par value of US\$1.00 each were allotted, issued and credited as fully paid to CDI as the initial subscriber.
 - (b) Pursuant to the written resolutions of the sole Shareholder of our Company dated 25 September 2020, (i) the maximum number of shares that our Company was authorised to issue was changed to 3,000,050,000 shares comprising 50,000 shares with par value of US\$1.00 each and 3,000,000,000 shares with par value of HK\$0.01 each; (ii) 1,560,000 shares were allotted and issued to CDI at par value of HK\$0.01 each for cash; and (iii) the 2,000 ordinary shares of US\$1.00 par value each in our Company originally held by CDI were repurchased by our Company and cancelled.
 - (c) Pursuant to the written resolutions of the sole Shareholder of our Company dated 23 November 2020, (i) the maximum number of Shares of our Company that our Company is authorised to issue will further be changed to 3,000,000,000 Shares with par value of HK\$0.01 each of a single class; and (ii) our Company will further allot and issue 1,175,151,106 Shares to CDI at

par value of HK\$0.01 for cash. Upon completion of the allotment and as at the Latest Practicable Date, the number of total issued Shares of our Company was 1,176,711,106 Shares wholly-owned by CDI.

Save as disclosed above, there has been no alteration in the maximum number of authorised Shares of our Company within the two years immediately preceding the date of this listing document.

3. Resolutions in Writing of the Sole Shareholder Passed on 23 December 2020

Written resolutions were passed by CDI, our then sole Shareholder on 23 December 2020 pursuant to which, among other things:

- (a) the Listing was approved and our Directors were authorised to sign and execute such documents and do all such acts and things incidental to the Listing or as he or she considered necessary, desirable or expedient in connection with the implementation or giving effect to the Listing;
- (b) the adoption of the Memorandum of Association and Articles of Association (the terms of which are summarised in the section headed “Summary of the Constitution of the Company and BVI Business Companies Act” in Appendix III to this listing document) with effect from the Listing Date was approved;
- (c) subject to the fulfilment of the conditions of the Spin-off, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted or issued, (such approval to include authorisation of our Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired) provided that the aggregate nominal amount of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, or pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on the Shares, shall not exceed 20% of the aggregate number of Shares in issue as at the Listing Date. Such mandate will expire at the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and Articles of Association or any applicable laws to be held; or

- (iii) the revocation or variation of the authority given to our Directors by an ordinary resolution of our Shareholders;
- (d) subject to the fulfilment of the conditions of the Spin-off, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to make repurchases of Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate number of Shares in issue as at the Listing Date. Such mandate will expire whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and Articles of Association or any applicable laws to be held; or
 - (iii) the revocation or variation of the authority given to our Directors by an ordinary resolution of our Shareholders; and
- (e) subject to the fulfilment of the conditions of the Spin-off and the passing of the resolutions referred to in sub-paragraphs (c) and (d) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (c) by the addition to the aggregate number of our Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of our Shares repurchased by us pursuant to sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate number of our Shares in issue as at the Listing Date.

4. The Reorganisation

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to the paragraph headed “History, Reorganisation and Corporate Structure — Reorganisation” in this listing document.

5. Changes in Share Capital of Our Subsidiaries

The subsidiaries of our Company are listed in the section headed “Accountant’s Report” in Appendix I to this listing document.

The following alterations in the share capital of our Company's subsidiary took place within the two years immediately preceding the date of this listing document:

<u>Name of subsidiary</u>	<u>Date of change</u>	<u>Registered capital before change</u>	<u>Registered capital after change</u>
C&D Property	18 October 2018	RMB20,000,000	RMB50,000,000
Xiamen Yirui	18 June 2019	RMB25,000,000	RMB100,000,000
Xiamen Zhaohui	2 December 2019	RMB500,000	RMB10,000,000
Shanghai Yixiang Property Management Company Limited* (上海怡祥物業管理有限公司)	10 February 2020	RMB3,000,000	RMB11,300,000
Xiamen Lirong	17 April 2020	RMB1,000,000	RMB30,000,000

Except the alterations as shown above and the disclosure in the section headed "History, Reorganisation and Corporate Structure" in this listing document, there are no other changes in the share capital of our subsidiaries within the two years immediately preceding the date of this listing document.

6. Securities Repurchase Mandate

This paragraph includes information required by the Stock Exchange to be included in this listing document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholder's approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up 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 the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the BVI Business Companies Act and other applicable laws and regulations of the BVI and the Listing Rules. Our Company may not repurchase 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.

The Articles of Association and the laws of BVI provide that our Company may not repurchase its own shares unless (i) the value of our Company's assets exceeds its liabilities; and (ii) our Company is able to pay its debts as they fall due.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or their respective close associates of any of them, and a core connected person (as defined in the Listing Rules) shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 1,176,711,106 Shares in issue immediately upon completion of the Spin-off, our Directors would be authorised under the Repurchase Mandate to repurchase up to 117,671,110 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the Listing Rules, the BVI Business Companies Act and other applicable laws and regulations of the BVI. There might be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this listing document) in the event that the Repurchase Mandate is exercised in full at any time during the period in which the Repurchase Mandate remains in force. Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and the Articles of Association, the BVI Business Companies Act and other applicable law and regulations from time to time in force in the BVI.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of The Code on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert (as interpreted according to the Takeovers Code), 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. Save for the foregoing, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules) could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has any present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

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 immediately preceding the date of this listing document and are or may be material:

- (i) the equity transfer agreement dated 26 December 2018 entered into between 廈門品傳置業顧問有限公司 and 建發物業服務集團有限公司, pursuant to which 建發物業服務集團有限公司 acquired 100% equity interest of 廈門在家怡居信息科技有限公司 from 廈門品傳置業顧問有限公司 at a consideration RMB513,008.42;
- (ii) the equity transfer agreement dated 26 December 2018 entered into between 怡家園(廈門)物業管理有限公司 and 建發物業服務集團有限公司, pursuant to which 建發物業服務集團有限公司 acquired 100% equity interest of 廈門怡悅新管理諮詢有限公司 from 怡家園(廈門)物業管理有限公司 at a consideration of RMB977,569.49;
- (iii) the cooperation agreement dated 26 April 2019 entered into between 怡家園(廈門)物業管理有限公司 and 龍海市月港建設發展有限公司, pursuant to which 怡家園(廈門)物業管理有限公司 formed the joint venture with 龍海市月港建設發展有限公司 in the total capital commitment of RMB1,000,000;

- (iv) the cooperation agreement dated 17 September 2019 entered into among 南平建設集團有限公司, 匯嘉(廈門)物業管理有限公司, 南平建設集團物業管理有限公司 and 南平匯嘉物業管理有限公司, pursuant to which 匯嘉(廈門)物業管理有限公司 formed the joint venture with 南平建設集團有限公司, 南平建設集團物業管理有限公司 and 南平匯嘉物業管理有限公司 in the total capital commitment of RMB2,450,000;
- (v) the equity transfer agreement dated 25 May 2020 entered into between 廈門怡悅新管理諮詢有限公司 and 廈門品傳置業顧問有限公司, pursuant to which 廈門怡悅新管理諮詢有限公司 acquired 5% equity interest of 成都怡家園物業管理有限公司 from 廈門品傳置業顧問有限公司 at a consideration of RMB984,590.00;
- (vi) the equity transfer agreement dated 25 May 2020 entered into between 廈門怡悅新管理諮詢有限公司 and 廈門品傳置業顧問有限公司, pursuant to which 廈門怡悅新管理諮詢有限公司 acquired 10% equity interest of 長沙怡盛物業管理有限公司 from 廈門品傳置業顧問有限公司 at a consideration of RMB545,390.00;
- (vii) the equity transfer agreement dated 25 May 2020 entered into between 廈門怡悅新管理諮詢有限公司 and 上海兆瑞投資發展有限公司, pursuant to which 廈門怡悅新管理諮詢有限公司 acquired 5% equity interest of 上海怡祥物業管理有限公司 from 上海兆瑞投資發展有限公司 at a consideration of RMB47,500.00;
- (viii) the equity transfer agreement dated 10 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門建發集團有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門建發集團有限公司 its 20% equity interest of 廈門建發優客會網絡科技有限公司 at a consideration of RMB32,380.00;
- (ix) the equity transfer agreement dated 17 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 55% equity interest of 上海建發兆昱資產管理有限公司 at a consideration of RMB9,661,328.18;
- (x) the equity transfer agreement dated 17 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 30% equity interest of 廈門建發家居有限公司 at a consideration of RMB2,894,116.41;
- (xi) the equity transfer agreement dated 22 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 100% equity interest of 廈門利和工程管理有限公司 at a consideration of RMB4,954,895.00;
- (xii) the equity transfer agreement dated 22 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 95% equity interest of 廈門利悅企業管理有限公司 at a consideration of RMB608.99;

- (xiii) the equity transfer agreement dated 22 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 90% equity interest of 廈門兆陽房屋征遷服務有限公司 at a consideration of RMB2,976,258.64;
- (xiv) the equity transfer agreement dated 22 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 95% equity interest of 廈門兆旭建設發展有限公司 at a consideration of RMB46,331,175.80;
- (xv) the equity transfer agreement dated 24 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 100% equity interest of 廈門建發廣悅商業管理有限公司 at a consideration of RMB4,999,303.20;
- (xvi) the equity transfer agreement dated 28 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 100% equity interest of 廈門建發兆誠建設運營管理有限公司 at a consideration of RMB19,499,966.22;
- (xvii) the equity transfer agreement dated 28 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 100% equity interest of 廈門萬鑫聯商業保理有限公司 at a consideration of RMB199,980,565.54;
- (xviii) the equity transfer agreement dated 28 June 2020 entered into between 廈門益睿投資管理有限公司 and 廈門益悅置業有限公司, pursuant to which 廈門益睿投資管理有限公司 transferred to 廈門益悅置業有限公司 its 100% equity interest of 廈門建發一品文化發展有限公司 at a consideration of RMB2,351.18;
- (xix) the equity transfer agreement dated 24 June 2020 entered into between 廈門益睿投資管理有限公司 and 上海佰仁健康產業有限公司, pursuant to which 廈門益睿投資管理有限公司 acquired 51% equity interest of 廈門市伯睿健康產業有限公司 from 上海佰仁健康產業有限公司 at a consideration of RMB24,000,000.00;
- (xx) the Deed of Indemnity; and
- (xxi) the sponsor agreement dated 23 December 2020 entered into between our Company and the Sole Sponsor relating to the engagement of the Sole Sponsor by our Company in connection with the Listing.

2. Intellectual Property Rights of our Group

(a) Trademarks owned

As at the Latest Practicable Date, our Group obtained intellectual property rights for its operations and was the registered owner of the following trademarks which were material to our business:

Trademark	Class	Place of Registration	Registration Number	Date of Registration	Date of Expiry	Registered Owner
	9	PRC	40240672	21 June 2020	20 June 2030	Xiamen Zhaohui
	38	PRC	40230658	28 March 2020	27 March 2030	Xiamen Zhaohui
	45	PRC	40220106	28 March 2020	27 March 2030	Xiamen Zhaohui
慧眼晶晶	42	PRC	37150502	21 November 2019	20 November 2029	Xiamen Zhaohui
慧眼晶晶	45	PRC	37149427	21 November 2019	20 November 2029	Xiamen Zhaohui
慧眼晶晶	9	PRC	37156807	21 November 2019	20 November 2029	Xiamen Zhaohui
慧眼晶晶	35	PRC	37159882	21 November 2019	20 November 2029	Xiamen Zhaohui
慧眼晶晶	38	PRC	37147918	21 November 2019	20 November 2029	Xiamen Zhaohui
	9	PRC	20577302	7 November 2017	6 November 2027	Xiamen Zhaohui
	42	PRC	20577301	28 August 2017	27 August 2027	Xiamen Zhaohui
ZHAOHUI 兆慧科技	9	PRC	20577304	28 August 2017	27 August 2027	Xiamen Zhaohui
ZHAOHUI 兆慧科技	42	PRC	20577303	28 August 2017	27 August 2027	Xiamen Zhaohui
溢佰颐养	45	PRC	40839431	21 April 2020	20 April 2030	Xiamen Bairui
溢佰颐养	43	PRC	40836208	21 April 2020	20 April 2030	Xiamen Bairui
溢佰颐养	36	PRC	40819701	21 April 2020	20 April 2030	Xiamen Bairui
溢佰颐养	44	PRC	40817298	21 April 2020	20 April 2030	Xiamen Bairui
怡家园物业 YIJIAYUAN PROPERTY	36	PRC	23281511	7 March 2018	6 March 2028	Yijiayuan
	36	PRC	23280854	7 March 2018	6 March 2028	Yijiayuan
	36	PRC	16226203	7 April 2016	6 April 2026	Yijiayuan

Trademark	Class	Place of Registration	Registration Number	Date of Registration	Date of Expiry	Registered Owner
	37	PRC	24779748	21 June 2018	20 June 2028	Huijia
	36	PRC	24765064	21 June 2018	20 June 2028	Huijia
HUIJIA PROPERTY MANAGEMENT 汇嘉物业	36	PRC	24765386	21 June 2018	20 June 2028	Huijia
HUIJIA PROPERTY MANAGEMENT 汇嘉物业	37	PRC	24775789	21 June 2019	20 June 2029	Huijia
	35	PRC	18020535	21 January 2017	20 January 2027	Xiamen Zaijiayiju

(b) Trademarks applications pending

Trademark	Class	Place of Application	Application Number	Date of Application	Applicant
建发溢佰养老	36	PRC	48128292	16 July 2020	Xiamen Bairui
建发溢佰养老	43	PRC	48145147	16 July 2020	Xiamen Bairui
建发溢佰养老	44	PRC	48157258	16 July 2020	Xiamen Bairui
建发溢佰养老	45	PRC	48124475	16 July 2020	Xiamen Bairui
佰忆时光	36	PRC	50781185	28 October 2020	Xiamen Bairui
佰忆时光	43	PRC	50784882	28 October 2020	Xiamen Bairui
佰忆时光	44	PRC	50807089	28 October 2020	Xiamen Bairui
佰忆时光	45	PRC	50786407	28 October 2020	Xiamen Bairui

(c) Trademarks licensed

As at the Latest Practicable Date, our Group was the licensee of the following trademarks which were material to our business:

Trademark	Class	Place of Registration	Registration Number	Date of Registration	Date of Expiry	Registered Owner
C&D	39	PRC	1049861	7 July 1997	6 July 2027	Xiamen C&D
C&D	40	PRC	1031720	14 June 1997	13 June 2027	Xiamen C&D
建发	36	PRC	1043550	28 June 1997	27 June 2027	Xiamen C&D
建发	39	PRC	1049896	7 July 1997	6 July 2027	Xiamen C&D
建发	35	PRC	1037815	21 June 1997	20 June 2027	Xiamen C&D
建发	40	PRC	1031719	14 June 1997	13 June 2027	Xiamen C&D

Pursuant to the trademark licensing agreement entered into with Xiamen C&D dated 23 December 2020, we are entitled to use the following trademarks. For details of the trademark licensing agreement, please refer to the section headed “Continuing Connected Transactions” in this listing document.

Trademark	Class	Place of Registration	Registration Number	Date of Registration	Date of Expiry	Registered Owner
 建发	9	PRC	1917374	14 December 2012	13 December 2022	Xiamen C&D
建发	35	PRC	38556091	14 April 2020	13 April 2030	Xiamen C&D
建发	35	PRC	5109394	28 April 2019	27 April 2029	Xiamen C&D
建发	36	PRC	38570825	21 January 2020	20 January 2030	Xiamen C&D
 建发	36	PRC	1764915	7 May 2012	6 May 2022	Xiamen C&D
建发	37	PRC	38552584	21 January 2020	20 January 2030	Xiamen C&D
建发	37	PRC	5109393	28 July 2019	27 July 2029	Xiamen C&D
建发	37	PRC	1055701	14 July 2017	13 July 2027	Xiamen C&D

Trademark	Class	Place of Registration	Registration Number	Date of Registration	Date of Expiry	Registered Owner
建发	38	PRC	38570832	21 January 2020	20 January 2030	Xiamen C&D
建发	38	PRC	5109392	28 July 2019	27 July 2029	Xiamen C&D
建发	39	PRC	38570835	28 January 2020	27 January 2030	Xiamen C&D
 建发	39	PRC	1723902	28 February 2012	27 February 2022	Xiamen C&D
建发	42	PRC	38550522	21 January 2020	20 January 2030	Xiamen C&D
建发	42	PRC	5109385	14 June 2019	13 June 2029	Xiamen C&D
建发	42	PRC	1061689	21 July 2017	20 July 2027	Xiamen C&D
建发	43	PRC	38550526	7 February 2020	6 February 2030	Xiamen C&D
建发	43	PRC	5109384	7 August 2019	6 August 2029	Xiamen C&D
建发	45	PRC	38546075	28 January 2020	27 January 2030	Xiamen C&D
建发	45	PRC	5109382	28 July 2019	27 July 2029	Xiamen C&D
C&D	9	PRC	5109426	7 November 2019	6 November 2029	Xiamen C&D
 C & D	9	PRC	1917225	21 November 2012	20 November 2022	Xiamen C&D
C&D	35	PRC	5109405	28 February 2020	27 February 2030	Xiamen C&D
C&D	36	PRC	42280793	21 August 2020	20 August 2030	Xiamen C&D
 C & D	36	PRC	1764913	7 May 2012	6 May 2022	Xiamen C&D
C&D	36	PRC	1043516	28 June 2017	27 June 2027	Xiamen C&D

<u>Trademark</u>	<u>Class</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Date of Registration</u>	<u>Date of Expiry</u>	<u>Registered Owner</u>
	37	PRC	42287678	21 August 2020	20 August 2030	Xiamen C&D
	37	PRC	1079780	14 August 2017	13 August 2027	Xiamen C&D
	38	PRC	42258348	7 August 2020	6 August 2030	Xiamen C&D
 C & D	38	PRC	1744404	7 April 2012	6 April 2022	Xiamen C&D
	38	PRC	5109402	28 July 2019	27 July 2029	Xiamen C&D
	39	PRC	42275250	7 August 2020	6 August 2030	Xiamen C&D
	43	PRC	5109397	7 August 2019	6 August 2029	Xiamen C&D
	42	PRC	1061687	21 July 2017	20 July 2027	Xiamen C&D
	45	PRC	42276861	7 August 2020	6 August 2030	Xiamen C&D

Pursuant to the trademark licensing agreement entered into with Xiamen C&D dated 23 December 2020, we are entitled to use the following trademarks which will be material to our business upon the application of the trademarks being approved. For details of the trademark licensing agreement, please refer to the section headed “Continuing Connected Transactions” in this listing document.

Trademark	Class	Place of Application	Application Number	Date of Application	Applicant
建發物業	45	PRC	49645467	10 September 2020	Xiamen C&D
建发物業	45	PRC	49647978	10 September 2020	Xiamen C&D
建發物業	42	PRC	49662506	10 September 2020	Xiamen C&D
建发物業	42	PRC	49647943	10 September 2020	Xiamen C&D
建發物業	37	PRC	49641900	10 September 2020	Xiamen C&D
建发物業	37	PRC	49648738	10 September 2020	Xiamen C&D
建發物業	36	PRC	49637387	10 September 2020	Xiamen C&D
建发物業	36	PRC	49644717	10 September 2020	Xiamen C&D
建發物業	35	PRC	49647359	10 September 2020	Xiamen C&D
建发物業	35	PRC	49652781	10 September 2020	Xiamen C&D

(d) Patents owned

As at the Latest Practicable Date, our Group was the registered owner of the following patents:

Patent	Class	Place of Registration	Patent Number	Date of Expiry	Registered Owner
A method of visualisation design* (一種視覺化視圖設計方法)	Invention patent	PRC	ZL201610819250.7	13 September 2036	Xiamen Zhaohui
A dual-engine rapid software development system* (一種雙引擎快速軟體發展系統)	Invention patent	PRC	ZL201610819281.2	13 September 2036	Xiamen Zhaohui
A GPRS NFC door access device based on ibeacon assisted positioning* (一種基於ibeacon輔助定位的GPRS近場開門裝置)	Utility model patent	PRC	ZL201820245274.0	11 February 2028	Xiamen Zhaohui
A smart control system for pedestrian passage* (一種人行通道智慧管控系統)	Utility model patent	PRC	ZL201821666177.5	15 October 2028	C&D Property
Switch Panel (Chocolate Brown)* (開關面板(巧克力))	Design patent	PRC	ZL202030137475.1	9 April 2030	Xiamen Zhaohui
Switch Panel* (開關面板(新中式))	Design patent	PRC	ZL202030328736.8	23 June 2030	Xiamen Zhaohui

(e) Patents applications pending

As at the Latest Practicable Date, our Group applied for the registration of the following patents which were material to our business:

<u>Patent</u>	<u>Class</u>	<u>Place of Application</u>	<u>Application Number</u>	<u>Date of Application</u>	<u>Applicant</u>
A smart switch for key level reset* (一種按鍵水準重定的智慧開關)	Utility model patent	PRC	202020819320.0	15 May 2020	Xiamen Zhaohui
A method of constructing community security by accurate identification of unknown persons based on multi-dimensional facial analysis* (一種基於多維度人臉分析精準識別陌生人構建社區安防的方法)	Invention patent	PRC	202011189930.8	30 October 2020	Xiamen Zhaohui
A method, system, equipment and storage medium for facial database synthesis* (一種人臉底庫合成方法、系統、設備及存儲介質)	Invention patent	PRC	202011210340.9	3 November 2020	Xiamen Zhaohui

(f) Software Copyright

As at the Latest Practicable Date, our Group was the registered owner of the following software copyrights:

<u>Software Copyright</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>
Web-based visualiser platform for web visualisation* (基於WEB視覺化的視圖設計器平臺)	Xiamen Zhaohui	PRC	2016SR321717	11 August 2016
Rapid development platform based on dual-engine mechanism* (基於雙擎機制的快速開發平臺)	Xiamen Zhaohui	PRC	2016SR320230	7 November 2016
Supplier Resources Management Platform* (供方資源管理平臺)	Xiamen Zhaohui	PRC	2016SR320216	7 November 2016
Engineering Collaboration Management System* (工程協同管理系統)	Xiamen Zhaohui	PRC	2016SR281704	30 September 2016
Softcan Rapid Development Platform* (Softcan快速開發平臺)	Xiamen Zhaohui	PRC	2016SR281712	30 September 2016

<u>Software Copyright</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>
Surveillance camera cloud platform for old city transformation* (舊城改造天眼雲平臺)	Xiamen Zhaohui	PRC	2016SR320197	7 November 2016
C&D Smart Living (Android Version) System* (建發慧生 活(Android版)系統)	Xiamen Zhaohui	PRC	2017SR670281	6 December 2017
Smart Community APP (IOS) System* (智慧社區APP(IOS)系統)	Xiamen Zhaohui	PRC	2017SR221016	1 June 2017
Smart Community APP (Android) System* (智慧社區 APP(Android)系統)	Xiamen Zhaohui	PRC	2017SR220953	1 June 2017
Intelligent Community Service Management Platform* (智慧社區服務管理平臺)	Xiamen Zhaohui	PRC	2017SR220974	1 June 2017
Smart Bluetooth Door Access System* (智慧藍牙開門系統)	Xiamen Zhaohui	PRC	2017SR251413	9 June 2017
Zhaohui Android Mobile Bluetooth Door Access System* (兆慧Android手機藍 牙開門系統)	Xiamen Zhaohui	PRC	2017SR269875	15 June 2017
Zhaohui Smart Eye Cloud Platform* (兆慧智慧眼雲平臺)	Xiamen Zhaohui	PRC	2018SR933813	22 November 2018
Zhaohui Smart Eye App Software* (兆慧智慧眼APP軟件)	Xiamen Zhaohui	PRC	2018SR926417	20 November 2018
Zhaohui SAAS Public Service Platform* (兆慧SAAS公共服務平臺)	Xiamen Zhaohui	PRC	2018SR925524	20 November 2018
Zhaohui Cloud Statement Service Platform* (兆慧雲報表服務平臺)	Xiamen Zhaohui	PRC	2018SR925516	20 November 2018

<u>Software Copyright</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>
Zhaohui Car Park Public Service Platform* (兆慧車場公共服務平臺)	Xiamen Zhaohui	PRC	2018SR926420	20 November 2018
Zhaohui SAAS Cloud Document Service Platform* (兆慧SAAS雲文件服務平臺)	Xiamen Zhaohui	PRC	2018SR926389	20 November 2018
Zhaohui Smart Eye Butler Software Application* (兆慧智慧眼管家小程序軟件)	Xiamen Zhaohui	PRC	2018SR926386	20 November 2018
Zhaohui SAAS Cloud Process Service Platform* (兆慧SAAS雲流程服務平臺)	Xiamen Zhaohui	PRC	2018SR925508	20 November 2018
Zhaohui Intelligent Project Management Platform APP Software* (兆慧智慧工程管理平臺APP軟件)	Xiamen Zhaohui	PRC	2020SR0317124	8 April 2020
Zhaohui Smart Eye Population Flow Control Platform* (兆慧慧眼流動人口管控平臺)	Xiamen Zhaohui	PRC	2020SR0315780	8 April 2020
Zhaohui Intelligent Engineering System* (兆慧智慧工程系統)	Xiamen Zhaohui	PRC	2020SR0315685	8 April 2020
Zhaohui Urban Renewal Management Platform* (兆慧城市更新管理平臺)	Xiamen Zhaohui	PRC	2020SR0320559	9 April 2020
Zhaohui Smart Eye Police Control Platform* (兆慧慧眼警務要素管控平臺)	Xiamen Zhaohui	PRC	2020SR0320160	9 April 2020
Zhaohui Intelligent Engineering Group Management Platform* (兆慧智慧工程集團管理平臺)	Xiamen Zhaohui	PRC	2020SR0319692	9 April 2020
Zhaohui Smart Eye Door Access APP* (兆慧慧眼開門小程序)	Xiamen Zhaohui	PRC	2020SR0360388	22 April 2020
Zhaohui Face Capture APP* (兆慧慧眼人臉採集小程序)	Xiamen Zhaohui	PRC	2020SR0360394	22 April 2020

<u>Software Copyright</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Number</u>	<u>Registration Date</u>
Zhaohui Face Search System* (兆慧慧眼人臉搜索系統)	Xiamen Zhaohui	PRC	2020SR0363465	23 April 2020
Zhaohui Smart Eye Jing Jing APP* (兆慧慧眼晶晶小程序)	Xiamen Zhaohui	PRC	2020SR0365752	23 April 2020
Zhaohui Smart Eye Distribution Platform* (兆慧慧眼布控平臺)	Xiamen Zhaohui	PRC	2020SR0365746	23 April 2020
Zhaohui Smart Eye Cloud Platform* (兆慧慧眼雲平臺)	Xiamen Zhaohui	PRC	2020SR0365758	23 April 2020
Zhaohui Smart Eye Access Control Panel* (兆慧慧眼門禁管家平臺)	Xiamen Zhaohui	PRC	2020SR0363979	23 April 2020
Jianfa Smart Home APP software* (建發智家APP軟件)	Xiamen Zhaohui	PRC	2020SR1093239	14 September 2020

(g) Domain name

As at the Latest Practicable Date, our Group had registered the following domain names which were material to its business:

<u>Domain Name</u>	<u>Registered Owner</u>	<u>Date of expiry</u>
cndservice.com	C&D Property	1 April 2022
zzyjyyg.com	Zhangzhou Yijiayuan Yuegang	14 November 2021

C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

1. Directors

(a) *Particulars of Directors' service contracts**Executive Directors and non-executive Directors*

Our executive Directors, Ms. Qiao Haixia and Mr. Huang Danghui, and our non-executive Directors, Mr. Zhuang Yuekai and Mr. Lin Weiguo, have been appointed for an initial term of three years commencing from 22 September 2020, which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his/her appointment, until terminated by either party giving not less than three months' written notice to the other. The designation is subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of our non-executive Directors agrees to waive their director's fee.

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of three years, which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his appointment, until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to an annual director's fee as follows:

<u>Name</u>	<u>Annual director's fee</u> HK\$
Mr. Cheung Kwok Kwan (張國鈞)	100,000
Mr. Lee Cheuk Yin Dannis (李卓然)	100,000
Mr. Li Kwok Tai James (李國泰)	100,000
Mr. Wu Yat Wai (胡一威)	100,000

Save for the above director's fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors remuneration

- (i) For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, the aggregate amount of salaries and bonuses, contribution to retirement scheme, medical insurance and other social insurance granted by us to our Directors were RMB1.2 million, RMB1.5 million, RMB1.7 million and RMB0.6 million, respectively.
- (ii) For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, no emoluments had been paid and no benefits in kind had been granted by our Group to our Directors at the time.
- (iii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive Directors and our independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2020 are expected to be RMB1.2 million.
- (iv) For each of the three years ended 31 December 2019 and the six months ended 30 June 2020, none of our Directors at the time or any past directors of any member of our Group has been paid any sum of money (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director at the time has waived or agreed to waive any emoluments for each of the three years ended 31 December 2019 and the six months ended 30 June 2020.

(c) Interests of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Spin-off, the interests and/or short positions (as applicable) of our Directors and the chief executive of our Company in our Shares or underlying Shares or debentures of our Company and any interests and/or short positions (as applicable) in the shares or underlying shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which will (i) have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO); (ii) be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 as set out in Appendix 10 to the Listing Rules, in each case 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>Capacity/ Nature of interest</u>	<u>Number of issued Shares/ underlying Shares held</u>	<u>Approximate percentage of interest in our Company ^(Note 1)</u>
Mr. Zhuang Yuekai	Founder of a discretionary trust	60,412,000 ^(Note 2)	5.13%
Mr. Lin Weiguo	Interest of controlled corporation	60,412,000 ^(Note 2)	5.13%
Ms. Qiao Haixia	Beneficiary of a trust	810,004 ^(Note 2)	0.07%
	Beneficiary owner	32,000	0.003%
Mr. Huang Danghui	Beneficiary of a trust	540,023 ^(Note 2)	0.05%

Notes:

1. The percentage of shareholding was calculated based on our Company's total number of 1,176,711,106 Shares in issue upon completion of the CDI Distribution and the Spin-off.
2. Immediately following the completion of the CDI Distribution and the Spin-off, these Shares will be registered in the name of Diamond Firetail Limited ("**Diamond Firetail**"), a company incorporated in the BVI and a wholly-owned subsidiary of Equity Trustee Limited ("**Equity Trustee**"). Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai is one of the founders of the said discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia and Mr. Huang Danghui are beneficiaries of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

Save as disclosed above, none of our Directors or the chief executive of our Company will, immediately following the completion of the Spin-off, have an interest and/or short position (as applicable) in the Shares or the underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares or the underlying shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which will (i) have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange.

(ii) Directors' positions in substantial shareholders

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of our Company which are required to be notified to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of Shareholder	Position held
Mr. Zhuang Yuekai	Xiamen C&D	Vice general manager and member of the party committee
	C&D Real Estate	Chairman of the board and secretary of the party committee
	CDI	Chairman of the board and executive director
Mr. Lin Weiguo	C&D Real Estate	Director, deputy general manager and a member of the party committee
	CDI	Executive director and chief executive officer
Ms. Qiao Haixia	C&D Real Estate	Member of the party committee

Save as disclosed above, as at the Latest Practicable Date, none of our Directors were directors or employees of a company which had an interest or short positions in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO.

(d) Interests of substantial shareholders of our Company

For information on the persons who will, immediately following the completion of the Spin-off, 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of Shares carrying the rights to vote in all circumstances at general meetings of our Company, please see the section headed "Substantial Shareholders" in this listing document.

(e) Interests of substantial shareholders in shares and underlying shares of any other member of our Group

Our Directors, to its best knowledge, are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Spin-Off, be interested, directly or indirectly, in 10% or more of the nominal amount of any class of Shares carry rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or any option in respect of such securities.

2. Agency Fees or Commissions Received

No commissions, discounts, brokerages or other special terms have been granted by our Group to any person (including our Directors and experts referred to in the paragraph headed “— E. Other Information — 9. Qualifications of experts” in this section below) in connection with the issue or sale of any capital or security of our Company or any member of our Group within the two years immediately preceding the date of this listing document.

3. Personal Guarantees

Our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities (if any) granted to our Group.

4. Disclaimers

Save as disclosed in this listing document:

- (a) none of our Directors nor any of the experts referred to in the paragraph headed “— E. Other Information — 9. Qualifications of experts” in this section below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors nor any of the experts referred to in the paragraph headed “— E. Other Information — 9. Qualifications of experts” in this section below is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to business of our Group;
- (c) none of the experts referred to in the paragraph headed “— E. Other Information — 9. Qualifications of experts” in this section below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (d) none of our Directors is interested in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with the business of our Group; and
- (e) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the number of issued Shares have any interests in our Company’s five largest suppliers and five largest customers.

D. UNDERTAKING BY OUR CONTROLLING SHAREHOLDERS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

As set out in the paragraph headed “Waivers from Strict Compliance with the Listing Rules — Share Issue Restriction” in this listing document, pursuant to Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely, Well Land, Well Honour, C&D Real Estate, C&D Inc. and Xiamen C&D has undertaken to the Stock Exchange and to our Company that (a) other than pursuant to the Spin-off and any deemed disposal of Shares upon any issue of securities by our Company, each of them will not, in the period commencing on the date by reference to which the disclosure of its shareholding is made in this listing document and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this listing document to be the beneficial owner and (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 options, rights, interests or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, each of them would cease to be our Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding or the shareholding of the companies controlled by it in our Company is made in this listing document and ending on the date which is 12 months from the Listing Date, it will: (a) when each of them 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.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group in Hong Kong, the PRC or BVI.

2. Tax and other Indemnity

C&D Real Estate has entered into the Deed of Indemnity with our Company (for ourselves and as trustee for each of our Company’s present subsidiaries) to indemnify our Group in respect of, among other things, (i) any estate duty which is or becomes payable by any member of our Group by virtue of section 35 or under the provisions of section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong which might be incurred by any member of our Group on or before the Listing Date; (ii) any amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or

things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Listing Date; (iii) all loss, payments, suits, settlement payment, cost, liability, damages or expenses, penalties and fines suffered, imposed or incurred by our subsidiaries in the PRC on or before the Listing Date in connection with the incidents of non-compliance in relation to, amongst others, (a) our failure to register for and/or contribute to social insurance and housing provident fund on behalf of our employees as disclosed in the paragraph headed “Business — Employees — Social insurance and housing provident fund contributions” in this listing document; and (b) our failure to file the lease agreements with the local housing administration authorities or relocation of any of such leased properties as disclosed in the paragraph headed “Business — Properties” in this listing document, that may be adjudicated or requested by the relevant PRC authorities and/or courts for our subsidiaries in the PRC; and (iv) any loss, payments, suits, settlement payment, cost, liability, damages or expenses which may arise as a result of the potential litigation(s) (if any) against our subsidiaries in the PRC which may be initiated by certain software, server and operating system providers as disclosed in the paragraph headed “Business — Intellectual Property Rights” in this listing document.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on its business, financial condition or results of operations.

4. Taxation of holders of Shares

(a) BVI

Under the present laws of BVI, transfers and other disposals of Shares are exempted from the BVI stamp duty so long as our Company does not hold interests in land in BVI.

(b) Hong Kong

Dealings in our Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and the seller is 0.1%. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

5. Preliminary Expenses

The preliminary expenses of our Company were HK\$20,900.

6. Promoters

Our Company has no promoter. Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document, no cash, securities or other benefits have been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters in connection with the Spin-off or the related transactions as described in this listing document.

7. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of USD1.5 million for acting as the sponsor for the Listing.

8. Registration Procedures

The principal register of members of our Company will be maintained in BVI by Tricor Services (BVI) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share register in Hong Kong and may not be registered on the principal register of members in BVI.

9. Qualifications of Experts

The qualifications of the experts who have given opinions and/or whose names are included in this listing document are as follows:

<u>Name</u>	<u>Qualification</u>
China Index Academy	Industry consultant
China International Capital Corporation Hong Kong Securities Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Grant Thornton Hong Kong Limited	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Harney Westwood & Riegels	BVI attorneys-at-law
Tenet & Partners	PRC Legal Advisers to our Company

10. Consents of Experts

Each of China Index Academy, the Sole Sponsor, Grant Thornton Hong Kong Limited, Harney Westwood & Riegels and Tenet & Partners has given and has not withdrawn its written consent to the issue of this listing document with copies of its reports, letters, opinions, summaries of opinions (as the case may be) and/or references to its names included herein in the form and context in which they respectively appear.

11. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2020, being the date to which the latest audited financial statements of our Group were made, and up to the date of this listing document.

12. Miscellaneous

Save as disclosed in this listing document,

- (a) within two years immediately preceding the date of this listing document:
 - (i) no share or loan of our Company or share or loan capital of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) no share or loan of our Company or share of loan capital of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) our Company has no outstanding convertible debt securities or debentures.
- (d) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months preceding the date of this listing document.
- (e) there is no arrangement under which future dividends are waived or agreed to be waived.
- (f) there are no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.
- (g) none of the equity or debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13/F, Gloucester Tower, The Landmark, 15 Queen's Road 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 listing document:

- (a) the Memorandum of Association and the Articles of Association of our Company;
- (b) the Accountant's Report prepared by Grant Thornton Hong Kong Limited, the text of which is set out in the section headed "Accountant's Report" in Appendix I to this listing document;
- (c) the report on the unaudited pro forma financial information prepared by Grant Thornton Hong Kong Limited, the text of which is set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this listing document;
- (d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2019 and the six months ended 30 June 2020;
- (e) the letter from Harney Westwood & Riegels, our Company's BVI legal adviser, summarising the constitution of our Company and certain aspects of the BVI Business Companies Act referred to in the section headed "Summary of the Constitution of the Company and BVI Business Companies Act" in Appendix III to this listing document;
- (f) the BVI Business Companies Act;
- (g) the PRC legal opinions issued by Tenet & Partners, our Company's PRC Legal Advisers in respect of certain aspects of our Group;
- (h) the industry report issued by China Index Academy, our industry consultant;
- (i) the material contracts referred to in the paragraph headed "General Information — B. Further Information about the Business of our Company — 1. Summary of material contracts" in Appendix IV to this listing document;
- (j) the written consents referred to in the paragraph headed "General Information — E. Other Information — 10. Consents of experts" in Appendix IV to this listing document; and
- (k) the service contracts referred to in the paragraph headed "General Information — C. Further Information about Directors and Shareholders — 1. Directors" in Appendix IV to this listing document.

C&D Property Management Group Co., Ltd
建發物業管理集團有限公司