



SINO-OCEAN SERVICE HOLDING LIMITED

Stock Code : 6677

GLOBAL OFFERING



農銀國際
ABC INTERNATIONAL



BOC INTERNATIONAL



招銀國際
CMB INTERNATIONAL

海通國際
HAITONG

ICBC



工银国际



絲路國際
SILK ROAD INTERNATIONAL

IMPORTANT

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



远洋服务

Sino-Ocean Service Holding Limited 遠洋服務控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 296,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 29,600,000 Shares (subject to reallocation)
Number of International Offer Shares	: 266,400,000 Shares including 30,488,000 Reserved Shares under the Preferential Offering (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$6.70 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Nominal Value	: HK\$0.1 per Share
Stock Code	: 6677

Joint Sponsors (in alphabetical order)



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



Joint Bookrunners and Joint Lead Managers (in alphabetical order)



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

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

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, December 10, 2020 (Hong Kong time) and, in any event, not later than Wednesday, December 16, 2020 (Hong Kong time) unless otherwise announced. The Offer Price will not be more than HK\$6.70 and is currently expected to be not less than HK\$5.50 per Offer Share. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Wednesday, December 16, 2020 (Hong Kong time) or such other date as announced, the Global Offering will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Hong Kong Offer Shares commences on the Stock Exchange. Such grounds are set forth in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

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

December 7, 2020

EXPECTED TIMETABLE⁽¹⁾

Dispatch of **BLUE** Application Forms to Qualifying
Sino-Ocean Shareholders on or beforeMonday, December 7, 2020

Hong Kong Public Offering and Preferential Offering
commence and **WHITE** and **YELLOW** Application
Forms available from9:00 a.m. on
Monday, December 7, 2020

Latest time for completing electronic applications
under the **HK eIPO White Form** service
through one of the ways below⁽²⁾

- (1) the designated website www.hkeipo.hk
- (2) the **IPO App**, which can be downloaded by searching
“**IPO App**” in App Store or Google Play or
downloaded at www.hkeipo.hk/IPOApp or
www.tricorglobal.com/IPOApp11:30 a.m. on
Thursday, December 10, 2020

Latest time for completing applications under
the **HK eIPO Blue Form** service through
the designated website at www.hkeipo.hk⁽²⁾11:30 a.m. on
Thursday, December 10, 2020

Application lists open⁽³⁾11:45 a.m. on
Thursday, December 10, 2020

Latest time for (a) lodging **WHITE**, **YELLOW** and **BLUE**
Application Forms, (b) completing payment for
HK eIPO White Form applications and **HK eIPO Blue**
Form applications by effecting internet banking
transfer(s) or PPS payment transfer(s), and (c) giving
electronic application instructions to HKSCC⁽⁴⁾12:00 noon on
Thursday, December 10, 2020

Application lists close⁽³⁾12:00 noon on
Thursday, December 10, 2020

Expected Price Determination Date⁽⁵⁾Thursday, December 10, 2020

- (1) Announcement of the Offer Price, the level of
indications of interest in the International Offering,
the level of applications in the Hong Kong Public
Offering and the Preferential Offering and the basis
of allocation of the Hong Kong Offer Shares and
the Reserved Shares to be published on
or beforeWednesday, December 16, 2020

EXPECTED TIMETABLE⁽¹⁾

- (2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — E. Publication of Results” fromWednesday, December 16, 2020
- (3) Announcement containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.sinooceanservice.com.cn⁽⁶⁾ respectively fromWednesday, December 16, 2020

Results of allocations in the Hong Kong Public Offering and the Preferential Offering will be available at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult or at “Allotment Result” in the **IPO App** with a “search by ID” function fromWednesday, December 16, 2020

Dispatch/Collection of Share certificates⁽⁷⁾ and refund cheques/e-Auto Refund payment instructions (if applicable) on or beforeWednesday, December 16, 2020

Dealings in the Shares on the Stock Exchange expected to commence onThursday, December 17, 2020

Notes:

- (1) All dates and times refer to Hong Kong dates and times, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service or the **HK eIPO Blue Form** service through the designated website at www.hkeipo.hk or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 10, 2020, the application lists will not open or close on that day. See the section headed “How to apply for Hong Kong Offer Shares and Reserved Shares — D. Effect of Bad Weather on the Opening and Closing of the Application Lists.”
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should see the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — A. Applications for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS.”
- (5) The Price Determination Date is expected to be on or around Thursday, December 10, 2020 and, in any event, no later than Wednesday, December 16, 2020 unless otherwise announced. If, for any reason, the Offer Price is not agreed by the parties to the Price Determination Agreement by Wednesday, December 16, 2020, or such other date as announced, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (7) The Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date, which is expected to be Thursday, December 17, 2020, provided that the Global Offering has become unconditional in all respects. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Shares certificates or prior to the Shares certificates becoming valid do so entirely at their own risk.

Applicants who apply through the **HK eIPO White Form** service and **HK eIPO Blue Form** service by paying the application monies through a single bank account, may have e-Auto Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service and **HK eIPO Blue Form** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **HK eIPO White Form** and **HK eIPO Blue Form** Service Provider by ordinary post and at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Reserved Shares,” respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

The **BLUE** Application Forms have been dispatched to all Qualifying Sino-Ocean Shareholders save for certain core connected persons of the Company who will not participate in the Preferential Offering. In addition, Qualifying Sino-Ocean Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under Sino-Ocean’s corporate communications policy.

If a Qualifying Sino-Ocean Shareholder has elected to receive corporate communications from Sino-Ocean in printed form under Sino-Ocean’s corporate communications policy or has not been asked to elect the means of receiving Sino-Ocean’s corporate communications, a printed copy of this prospectus in the elected language version(s) will be dispatched to such Qualifying Sino-Ocean Shareholder.

If a Qualifying Sino-Ocean Shareholder (a) has elected to receive an electronic version to corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Sino-Ocean, an electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of the Company at www.sinooceanservice.com.cn and the Stock Exchange at www.hkexnews.hk under the section entitled “HKEXnews > Listed Company Information > Latest Listed Company Information.” A Qualifying Sino-Ocean Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Tricor Investor Services Limited or by email to Tricor Investor Services Limited at is-enquiries@hk.tricorglobal.com. Tricor Investor Services Limited will promptly,

EXPECTED TIMETABLE⁽¹⁾

upon request, send by ordinary post a printed copy of this prospectus to such Qualifying Sino-Ocean Shareholder, free of charge, although such Qualifying Sino-Ocean Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Qualifying Sino-Ocean Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank(s) and the designated offices of each of the Joint Global Coordinators as set forth in “How to Apply for Hong Kong Offer Shares and Reserved Shares.” Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying Sino-Ocean Shareholders as specified in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering. Information contained in our website, located at <http://www.sinooceanservice.com.cn>, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively, and are recognized as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management. Our market share in terms of total GFA under management and revenue in the overall PRC property management market in 2019 was 0.2% and 0.3%, respectively, according to China Index Academy.

Our history can be traced back to 1997 when we commenced property management services with an initial focus on properties developed by the Sino-Ocean Group, a leading comprehensive property developer in China. Since then, we have expanded our geographic coverage from the Beijing-Tianjin-Hebei region to the Bohai Rim region and other regions across China, with a focus on first-tier and second-tier cities in China. Headquartered in Beijing, we had 175 subsidiaries and branch offices across 24 provinces, municipalities and autonomous regions in China as of the Latest Practicable Date. We are a leading property management service provider in terms of the amounts of contracted GFA and GFA under management among the 35 Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region, according to China Index Academy. We have a strong presence in the Beijing-Tianjin-Hebei region and the Bohai Rim region, and our GFA under management in each of these two regions accounted for 32.9% and 28.8% of our total GFA under management as of June 30, 2020, respectively.

As of June 30, 2020, our total contracted GFA reached 61.9 million sq.m., covering 54 cities across 24 provinces, municipalities and autonomous regions in China, and we managed 210 properties in China with a total GFA under management of 42.3 million sq.m., including 155 residential communities and 55 non-residential properties. Our property management services cover a wide range of property types, including residential communities, commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). In addition to property management services, we provide value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to

SUMMARY

property developers and other property management companies, and a variety of community value-added services to property owners and residents of the properties under our management, including community asset value-added services, community living services and property brokerage services.

The Listing constitutes a spin-off from our Controlling Shareholder, Sino-Ocean, whose shares are listed on the Main Board of the Stock Exchange.

BUSINESS MODEL

Our services include three main business lines, namely: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, which form an integrated service offering to our customers along the value chain of property management.

- ***Property management services.*** We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services. Our property management portfolio covers both residential and non-residential properties including commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). During the Track Record Period, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.
- ***Value-added services to non-property owners.*** We provide value-added services to non-property owners (mainly property developers and other property management companies), including (i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units; (ii) consultancy services to assist with the overall planning and management of pre-sale activities; and (iii) property engineering services.
- ***Community value-added services.*** We provide community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs which mainly include: (i) community asset value-added services such as carpark management, utility management and community space operation services; (ii) community living services, such as home decoration services, purchase assistance, turnkey furnishing and move-in services, housekeeping as well as other bespoke services; and (iii) property brokerage services.

SUMMARY

The table below sets forth the breakdown of our total revenue by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>			
Property management services	830,111	68.4	1,051,601	65.3	1,219,641	66.6	581,620	68.6	647,666	71.7
Value-added services to non-property owners . .	204,703	16.9	317,377	19.7	372,643	20.4	167,651	19.8	154,309	17.1
Community value-added services	178,214	14.7	241,331	15.0	237,291	13.0	98,771	11.6	101,719	11.2
Total revenue	<u>1,213,028</u>	<u>100.0</u>	<u>1,610,309</u>	<u>100.0</u>	<u>1,829,575</u>	<u>100.0</u>	<u>848,042</u>	<u>100.0</u>	<u>903,694</u>	<u>100.0</u>

The growth in total revenue during the Track Record Period was primarily attributable to an increase in revenue from all of our business lines. In particular, revenue from property management services increased during the Track Record Period primarily attributable to an increase in our total GFA under management and an increase in the number of properties managed by us as we expanded our business scale.

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

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(unaudited)</i>			
Property management services	125,507	15.1	137,038	13.0	167,162	13.7	109,896	18.9	157,568	24.3
Value-added services to non-property owners . .	36,669	17.9	51,619	16.3	68,036	18.3	32,712	19.5	35,401	22.9
Community value-added services	89,170	50.0	134,340	55.7	141,481	59.6	60,287	61.0	64,147	63.1
Total	<u>251,346</u>	<u>20.7</u>	<u>322,997</u>	<u>20.1</u>	<u>376,679</u>	<u>20.6</u>	<u>202,895</u>	<u>23.9</u>	<u>257,116</u>	<u>28.5</u>

SUMMARY

The following table sets forth a breakdown of our gross profit and gross profit margin of our property management services by source of projects for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Properties developed by the Sino-Ocean Group	114,531	16.1	102,756	14.4	85,874	12.6	65,815	20.3	84,330	23.8
Properties owned by the substantial shareholder of the Sino-Ocean Group . . .	—	—	—	—	—	—	—	—	1,440	10.3
Properties developed by the joint ventures and associates of the Sino-Ocean Group	4,081	6.0	15,444	8.7	52,423	16.9	27,181	17.8	42,821	27.1
Properties developed/owned by other third parties ⁽¹⁾	6,895	14.0	18,838	11.6	28,865	12.8	16,900	16.1	28,977	23.9
Total	125,507	15.1	137,038	13.0	167,162	13.7	109,896	18.9	157,568	24.3

Note:

- (1) Refers to (i) property developers other than Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

Our gross profit margin for managing properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders was historically often higher than those for properties developed or owned by other third parties primarily due to the differences in property management fees charged for different types and locations of properties managed. For details, see the section headed “Business — Our Business Model — Property Management Services — Property Management Fees — Pricing of Property Management Fees.”

SUMMARY

During the Track Record Period, our overall gross profit margin was 20.7%, 20.1%, 20.6% and 28.5% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Among the business lines, our community value-added services generally record a higher gross profit margin as we can utilize our existing resources from provision of property management services and incur less direct cost, in particular, staff cost.

The significant increase in overall gross profit margin from 23.9% for the six months ended June 30, 2019 to 28.5% for the six months ended June 30, 2020 was mainly attributable to the increased contribution by property management services which recorded a higher gross profit margin for the six months ended June 30, 2020 and an increase in gross profit margin of all business lines since we had a lesser increase in cost of sales than revenue primarily due to a decrease in staff cost as (i) we were entitled to certain exemptions from contributions of social insurance mainly in relation to the pension plans by the local government in response to the outbreak of COVID-19 which lowered our staff cost by RMB21.2 million; and (ii) we strengthened our cost control by optimizing the allocation of labor and lowered our staff cost by RMB4.2 million.

We manage a diverse portfolio of properties covering (i) residential communities; and (ii) non-residential properties, including commercial properties such as office buildings, shopping malls and hotels and public and other properties such as hospitals, public service facilities, government buildings and schools. The table below sets forth the breakdown of our revenue from property management services by property type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Residential										
communities	579,286	69.8	718,905	68.4	818,004	67.1	388,287	66.8	423,067	65.3
Non-residential										
properties										
– Commercial										
properties	250,825	30.2	296,956	28.2	335,908	27.5	163,886	28.1	181,713	28.1
– Public and other										
properties	–	–	35,740	3.4	65,729	5.4	29,447	5.1	42,886	6.6
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

SUMMARY

During the Track Record Period, the properties under our management were developed or owned mainly by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholder, while the rest were developed or owned by other third parties. The table below sets forth the breakdown of our revenue generated from the management of properties by source of projects for the periods indicated and our contracted GFA, GFA under management and number of properties under management, as of the dates indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Properties developed by the Sino-Ocean Group	712,698	85.8	711,462	67.7	683,183	56.0	324,262	55.8	354,366	54.7
Properties owned by the substantial shareholders of the Sino-Ocean Group	-	-	-	-	-	-	-	-	14,007	2.1
Properties developed by the joint ventures and associates of the Sino-Ocean Group	68,019	8.2	177,329	16.8	310,744	25.5	152,665	26.2	157,838	24.4
Properties developed/owned by other third parties ⁽¹⁾	49,394	6.0	162,810	15.5	225,714	18.5	104,693	18.0	121,455	18.8
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

	As of December 31,									As of June 30,					
	2017			2018			2019			2020					
	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management
	'000 sq.m.	'000 sq.m.	%	'000 sq.m.	'000 sq.m.	%	'000 sq.m.	'000 sq.m.	%	'000 sq.m.	'000 sq.m.	%	'000 sq.m.	'000 sq.m.	%
Properties developed by the Sino-Ocean Group	28,042	23,416	79.4	76	33,287	24,621	66.0	76	37,567	24,724	61.0	82	38,325	25,378	60.0
Properties owned by the substantial shareholders of the Sino-Ocean Group	-	-	-	-	-	-	-	871	-	-	-	-	1,030	98	0.2
Properties developed by the joint ventures and associates of the Sino-Ocean Group	2,749	2,114	7.2	13	4,522	3,157	8.5	21	7,655	4,651	11.5	25	7,833	4,827	11.4
Properties developed/owned by other third parties ⁽¹⁾	4,820	3,969	13.4	19	12,623	9,524	25.5	75	13,311	11,154	27.5	90	14,730	11,997	28.4
Total	35,611	29,499	100.0	108	50,432	37,302	100.0	172	59,404	40,529	100.0	197	61,918	42,300	100.0

SUMMARY

Note:

- (1) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

During the Track Record Period, we charged property management fees substantially on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis.

During the Track Record Period, our average property management fee charged for residential communities was approximately RMB2.5, RMB2.4, RMB2.6 and RMB2.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our average property management fee charged for commercial properties was approximately RMB14.2, RMB15.9, RMB17.4 and RMB17.3 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our average property management fee charged for properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders was approximately RMB3.7, RMB3.8, RMB4.0 and RMB4.1 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our average property management fee charged for properties developed or owned by other third parties was approximately RMB1.5, RMB1.7, RMB2.1 and RMB2.0 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management and community value-added services; 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 the Sino-Ocean Group. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our single largest customer amounted to RMB239.4 million, RMB247.6 million, RMB250.3 million and RMB98.6 million, respectively, representing 19.7%, 15.4%, 13.7% and 10.9% of our total revenue, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers, who were mostly banking and financial institutions, government bureaus or agency and property developers, amounted to RMB258.7 million, RMB273.9 million, RMB290.2 million and RMB158.2 million, respectively, representing 21.3%, 17.1%, 15.9% and 17.5% of our total revenue, respectively.

Our major suppliers primarily included (i) sub-contractors providing security, cleaning, greening and gardening services for our property management and value-added services, (ii) vendors of tools and materials needed for our daily operations and property engineering services, (iii) utility providers; and (iv) property developers for selling carpark spaces. During

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the Track Record Period, most of our top five suppliers were sub-contractors for our property management services business. Our single largest supplier in 2017, 2019 and for the six months ended June 30, 2020 was Beijing Best Technology Service Co., Ltd. (“**Beijing Best Technology**”), a provider of cleaning services. Beijing Best Technology was an Independent Third Party in 2017 and became our joint venture in 2018. Our single largest supplier in 2018 was the Sino-Ocean Group, providing leasing and catering services for our staff canteens as well as sales services for unsold carpark spaces. Purchases from our respective single largest supplier for the Track Record Period amounted to RMB24.0 million, RMB87.7 million, RMB107.0 million and RMB46.9 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 2.5%, 6.8%, 7.4% and 7.2% of our total cost of sales, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers for the Track Record Period amounted to RMB66.6 million, RMB247.2 million, RMB256.9 million and RMB108.1 million, respectively, representing 7.0%, 19.2%, 17.7% and 16.7% of our total cost of sales, respectively.

COMPETITIVE STRENGTHS

We believe that our success is mainly attributable to the following competitive strengths: (i) a comprehensive property management service provider with extensive geographic coverage, a rapidly growing track record and strong brand recognition; (ii) strong leverage on the diversified project portfolio and high-quality landbank of our Controlling Shareholder, Sino-Ocean, as well as its subsidiaries, joint ventures and associates and its substantial shareholders, leading to our highly visible and sustainable growth opportunities; (iii) broad sources of revenue generating channels attributable to diversified property management portfolio with cutting edge property management services to high-end commercial properties and multiple service offerings; (iv) high levels of customer satisfaction, brand recognition and average property management fees underpinned by our high-quality property management services; (v) effective standardization and automation, digitization and smart management contributing to enhanced operational and cost efficiency; and (vi) experienced and professional management team supported by an effective human resources system.

BUSINESS STRATEGIES

We aim to be a leading comprehensive property management service provider with a focus on mid-to-high-end properties and be the creator of healthy life in China. We seek to continue to increase our market share and recognition by implementing the following strategies: (i) further expand the scale and diversity of our property management business and property management portfolio through multiple channels; (ii) continue to provide and develop diversified and differentiated high-quality value-added services with a focus on exploring service value and preserving and appreciating asset value as well as expanding our service scope; (iii) further enhance our standardized and automated operations with upgraded information technology and smart management to maximize cost efficiency and enhance

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service standards; (iv) establish a strong reputation of high-quality property management services and enhance brand awareness; and (v) further improve our human resources training and incentive system to support sustainable development of our business.

SUMMARY OF FINANCIAL INFORMATION

The following tables set forth our summary of financial information for the Track Record Period and should be read together with the consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus, including the accompanying notes, and the information sets forth in the section headed "Financial Information."

Summary Consolidated Statements of Comprehensive Income

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Revenue	1,213,028	100.0	1,610,309	100.0	1,829,575	100.0	848,042	100.0	903,694	100.0
Cost of sales	(961,682)	(79.3)	(1,287,312)	(79.9)	(1,452,896)	(79.4)	(645,147)	(76.1)	(646,578)	(71.5)
Gross profit	251,346	20.7	322,997	20.1	376,679	20.6	202,895	23.9	257,116	28.5
Selling and marketing expenses . .	(5,834)	(0.5)	(10,413)	(0.6)	(9,002)	(0.5)	(3,003)	(0.4)	(2,052)	(0.2)
Administrative expenses	(102,594)	(8.5)	(132,200)	(8.2)	(143,878)	(7.9)	(56,959)	(6.7)	(74,212)	(8.2)
Net impairment losses on										
financial assets	(19,666)	(1.6)	(24,818)	(1.5)	(14,186)	(0.8)	(11,404)	(1.3)	(14,139)	(1.6)
Other income	2,984	0.2	110,526	6.8	225,397	12.3	112,260	13.3	107,106	11.8
Other gains, net	15,191	1.3	3,486	0.2	3,093	0.2	1,733	0.2	1,761	0.2
Fair value gains/(losses) on										
investment properties	1,041	0.1	(180)	(0.1)	1,085	0.1	214	0.0	557	0.1
Operating profit	142,468	11.7	269,398	16.7	439,188	24.0	245,736	29.0	276,137	30.6
Finance cost	(900)	(0.0)	(84,137)	(5.2)	(173,117)	(9.4)	(86,164)	(10.2)	(79,671)	(8.8)
Share of (losses)/profit from										
investment in joint ventures . .	(231)	(0.0)	149	0.0	333	0.0	117	0.0	1,268	0.1
Profit before income tax	141,337	11.7	185,410	11.5	266,404	14.6	159,689	18.8	197,734	21.9
Income tax expense	(36,269)	(3.0)	(41,472)	(2.6)	(61,128)	(3.4)	(37,517)	(4.4)	(43,620)	(4.8)
Profit for the year/period	105,068	8.7	143,938	8.9	205,276	11.2	122,172	14.4	154,114	17.1
Profit and total comprehensive income attributable to:										
Owners of the Company	104,168	8.6	137,153	8.5	206,504	11.3	125,991	14.9	150,766	16.7
Non-controlling interests	900	0.1	6,785	0.4	(1,228)	(0.1)	(3,819)	(0.5)	3,348	0.4
	105,068	8.7	143,938	8.9	205,276	11.2	122,172	14.4	154,114	17.1

SUMMARY

During the Track Record Period, profit for the year/period was RMB105.1 million, RMB143.9 million, RMB205.3 million and RMB154.1 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The increase in 2018 was primarily due to an increase in revenue of all business lines which was in line with our business growth. The increase in 2019 was primarily due to an increase in revenue, coupled with an increase in gross profit margin as we adopted various cost control measures. Profit for the six months ended June 30, 2020 increased by 26.1% to RMB154.1 million from RMB122.2 million for the six months ended June 30, 2019 as we recorded a higher gross profit margin which was mainly attributable to a decrease in staff cost.

During the Track Record Period, as a subsidiary of Sino-Ocean (China) and in accordance with its capital management plan, we entered into an asset-backed securities arrangement with a third-party investment bank and brokerage firm in the PRC by securitizing our rights of receiving property management fees in respect of certain properties under our management, and our payment obligations under the priority level of the asset-backed securities were guaranteed by Sino-Ocean (China). We then utilized the proceeds from issuance of such securities to provide loans to Sino-Ocean (China) with an interest-bearing rate of 8.04% per annum, which was in line with our capital management policy.

The Sino-Ocean Group obtained funding from us through the asset-backed securities in addition to traditional bank loans since it would like to (i) enhance its asset liquidity; (ii) enjoy comparatively more flexible use of proceeds than bank loans; and (iii) broaden its financing channels and enhance its brand name and visibility in the capital market. Through diversified and expanded financing channels, the Sino-Ocean Group intended to optimize its asset structure and reduce its financing costs.

Resulting from the issuance of asset-backed securities and the loans to Sino-Ocean (China), we incurred interest expense of nil, RMB81.9 million, RMB171.0 million and RMB79.3 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and recorded interest income of nil, RMB107.0 million, RMB214.3 million and RMB98.5 million for the respective periods. All of these interest expense and income were non-recurring in nature and we are not planning to enter into similar arrangements going forward. For details, please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — The interest income from loans due from related parties during the Track Record Period was non-recurring in nature.” As of September 30, 2020, Sino-Ocean (China) had repaid to us all outstanding amounts under the loans. As of the Latest Practicable Date, all the asset-backed securities and guarantees had been redeemed and released.

Excluding the other income in relation to the loans to Sino-Ocean (China), our operating profits would have been RMB142.5 million, RMB162.4 million, RMB224.9 million and RMB177.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with an operating profit margin of 11.7%, 10.1%, 12.3% and 19.7% for the respective periods. And excluding the other income in relation to the loans to Sino-Ocean (China) and the finance expenses in relation to the asset-backed securities, our profit for the year/period would have been RMB105.1 million, RMB125.1 million, RMB172.8 million and RMB139.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with a net profit margin of 8.7%, 7.8%, 9.4% and 15.5% for the respective periods.

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Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	140,206	3,360,810	3,122,771	356,502
Current assets	1,113,990	978,222	1,034,172	4,102,905
Total assets	1,254,196	4,339,032	4,156,943	4,459,407
Current liabilities	851,226	1,341,110	1,552,422	4,053,776
Net current assets/(liabilities)	262,764	(362,888)	(518,250)	49,129
Non-current liabilities	30,168	2,468,037	2,164,255	25,363
Total liabilities	881,394	3,809,147	3,716,677	4,079,139
Equity attributable to owners of the Company	365,028	500,942	417,938	358,921
Equity attributable to non- controlling interests	7,774	28,943	22,328	21,347
Total equity	372,802	529,885	440,266	380,268

We had net current liabilities as of each of December 31, 2018 and 2019. Our net current liabilities of RMB362.9 million as of December 31, 2018 were primarily attributable to our issuance of asset-backed securities in mid-2018, including the carrying amount of a current portion of RMB369.0 million, while all proceeds from issuance of such securities were provided as an entrusted loan to Sino-Ocean (China), but meanwhile we had repaid RMB203.0 million in 2018 in relation to the asset-back securities. Our net current liabilities of RMB518.3 million as of December 31, 2019 were primarily attributable to our asset-backed securities, of which a current amount of RMB404.0 million remained outstanding as of December 31, 2019, and certain advances made by the Sino-Ocean Group in 2019.

Our net assets amounted to RMB372.8 million, RMB529.9 million, RMB440.3 million and RMB380.3 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our increase in net assets as of December 31, 2018 as compared to December 31, 2017 was primarily due to our acquisition of Changsha Xiangcheng and Shandong Liantai in 2018 and our business expansion. The decrease in net assets as of December 31, 2019 as compared to December 31, 2018 was primarily due to our dividends paid to the Sino-Ocean Group and non-controlling Shareholders in 2019. The further decrease in net assets as of June 30, 2020 as compared to December 31, 2019 was primarily due to (i) our dividends paid to the Sino-Ocean Group and non-controlling Shareholders during the first half of 2020; and (ii) the deemed distribution arising from the acquisition of Ocean Homeplus Property Service Corporation Limited, partially offset by (i) the capital injection from Shine Wind as part of the Reorganization; and (ii) contribution from the Sino-Ocean Group arising from the acquisitions of 50% equity interest in Chengdu Qianhao and Beijing Indigo from the joint ventures of the Sino-Ocean Group.

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Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Operating cash flows before					
movements in working capital .	161,964	210,673	261,782	161,569	203,239
Change in working capital	(400)	(133,930)	(3,867)	(138,348)	(87,188)
Income tax paid	(57,744)	(38,471)	(51,301)	(31,300)	(50,322)
Net cash generated from/(used					
in) operating activities	103,820	38,272	206,614	(8,079)	65,729
Net cash (used in)/generated					
from investing activities	(1,421)	(3,090,133)	419,367	194,577	300,540
Net cash (used in)/					
generated from financing					
activities	(66,525)	2,765,744	(617,191)	(230,822)	(64,296)
Net increase/(decrease) in cash					
and cash equivalents	35,874	(286,117)	8,790	(44,324)	301,973
Cash and cash equivalents at					
beginning of the year/period . .	664,866	700,740	414,623	414,623	423,413
Exchange gains on cash and cash					
equivalents	—	—	—	—	105
Cash and cash equivalents at					
end of the year/period	700,740	414,623	423,413	370,299	725,491

Net cash used in operating activities for the six months ended June 30, 2019 was RMB8.1 million, which primarily reflected our profit before income tax of RMB159.7 million as mainly positively adjusted for finance cost of RMB86.2 million and net impairment losses on financial assets of RMB11.4 million; and negatively adjusted for interest income from loans due from related parties in the amount of RMB108.2 million, changes in working capital in the amount of RMB138.3 million and income tax payment of RMB31.3 million. Such changes in working capital mainly consisted of an increase of RMB118.3 million in trade and note receivables due to the payment pattern of certain property owners and residents.

We recorded a decrease in cash and cash equivalents from RMB700.7 million as of December 31, 2017 to RMB414.6 million as of December 31, 2018. This decrease was mainly attributable to the net cash flows used in repayment of borrowings in the amount of RMB203.0 million, in relation to the asset-backed securities and payment for acquisition of two subsidiaries in the amount of RMB69.5 million.

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Our cash and cash equivalents balance increased from RMB423.4 million as of December 31, 2019 to RMB725.5 million as of June 30, 2020 primarily due to the net cash flows generated from investing activities in the amount of RMB300.5 million for the six months ended June 30, 2020, which was primarily due to repayment of RMB306.0 million from Sino-Ocean (China) in relation to the loan provided to them in 2019.

Key Financial Ratios

	As of/Year ended December 31,			As of/ Six months ended June 30, 2020
	2017	2018	2019	
Current ratio ⁽¹⁾	1.3	0.7	0.7	1.0
Quick ratio ⁽²⁾	1.2	0.6	0.6	1.0
Return on equity ⁽³⁾ (%)	28.2	27.2	46.6	N/A
Return on total assets ⁽⁴⁾ (%)	8.4	3.3	4.9	N/A
Gearing ratio ⁽⁵⁾ (%)	N/A	454.5	483.1	439.9

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as of the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as of the date indicated.
- (3) Return on equity is calculated by dividing profit for the year by total equity as of the closing of the relevant year and multiplied by 100%.
- (4) Return on total assets is calculated by dividing profit for the year by total assets as of the closing of the relevant year and multiplied by 100%.
- (5) Gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by total equity as of the date indicated and multiplied by 100%.

Our gearing ratio as of December 31, 2017, 2018, 2019 and June 30, 2020 was nil, 454.5%, 483.1% and 439.9%, respectively. We did not have any gearing ratio as of December 31, 2017 as we were in a net cash position. Our gearing ratio increased significantly from nil as of December 31, 2017 to 454.5% as of December 31, 2018 since we issued asset-backed securities with a total amount of RMB3,152.7 million in 2018 and Beijing Junde provided loans of RMB10.0 million to Beijing Yuanhe in 2018. Our gearing ratio further increased from 454.5% as of December 31, 2018 to 483.1% as of December 31, 2019, which was primarily attributable to a decrease in total equity as we declared and paid dividends in 2019. Our gearing ratio decreased from 483.1% as of December 31, 2019 to 439.9% as of June 30, 2020, which was primarily due to a decrease in our net debt since Sino-Ocean (China) repaid a portion of the loan to us during the six months ended June 30, 2020, which resulted in higher cash and cash equivalents as of June 30, 2020.

SUMMARY

During the Track Record Period, we had fully utilized the proceeds from issuance of asset-backed securities in 2018 to provide loans to Sino-Ocean (China). Accordingly, we recorded significant amounts of finance expenses in relation to the asset-backed securities and interest income in relation to the loans provided. Assuming that such asset-backed securities have been excluded from our net debt and such finance expenses and interest income have been excluded from our financial results, we would be in a net cash position as of each of December 31, 2018, 2019 and June 30, 2020 and our total equity as of each of December 31, 2018, 2019 and June 30, 2020 would have been RMB511.1 million, RMB407.8 million and RMB365.9 million, respectively, and our gearing ratios would have been nil, nil and nil as of the respective dates.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Sino-Ocean, through its wholly-owned subsidiary Shine Wind, is interested in approximately 90.1% of the issued share capital of our Company. Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), our Company will be owned as to approximately 67.57% by Sino-Ocean through Shine Wind. As such, both Sino-Ocean and Shine Wind are our Controlling Shareholders as of the Latest Practicable Date and will remain as our Controlling Shareholders upon the Listing. As of the Latest Practicable Date, none of our Controlling Shareholders and their close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Group's business which would require disclosure in this prospectus under Rule 8.10 of the Listing Rules. See the sections headed "Relationship with Controlling Shareholders" for further details on our relationships with the Sino-Ocean Group and "Connected Transactions" for further details on the continuing connected transaction between our Company and Sino-Ocean and its associates upon the Listing. Our Listing will constitute a spin-off from Sino-Ocean, our Controlling Shareholder. The board of directors of Sino-Ocean considers that the Spin-off is in the interests of Sino-Ocean and its shareholders taken as a whole as the Spin-off is expected to create greater value for them. The Spin-off is not subject to the shareholders' approval of Sino-Ocean. For more information, see the section headed "History, Reorganization and Corporate Structure — Reasons for the Spin-off."

DELISTING OF SHARES OF OCEAN HOMEPLUS FROM NEEQ

Considering that the Listing on the Stock Exchange will further raise our brand awareness, enhance our corporate image and strengthen our corporate governance, Ocean Homeplus had resolved to voluntarily delist the shares of Ocean Homeplus from NEEQ. The delisting from NEEQ was completed on March 2, 2018. For details of the reasons for delisting from NEEQ, see the section headed "History, Reorganization and Corporate Structure — Delisting of Shares of Ocean Homeplus from NEEQ and Reasons for Seeking Listing on the Stock Exchange."

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PRE-IPO INVESTMENTS

As of the Latest Practicable Date, Smart Estate and Wealth Best, being the Pre-IPO Investors, held approximately 4.9% and 5% of our issued share capital, respectively. Immediately following the completion of the Capitalization Issue and the Global Offering, Smart Estate and Wealth Best will hold 3.68% and 3.75% of our total issued share capital (assuming the Over-allotment Option is not exercised), respectively, or approximately 3.55% and 3.62% of our total issued share capital (assuming the Over-allotment Option is exercised in full), respectively. The special rights granted shall be terminated upon the Listing, and our Shares held by the Pre-IPO Investors are subject to a lock-up period of six months after the date of the Listing. For further details, see the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments.”

GLOBAL OFFERING STATISTICS

The statistics below are based on the assumption that 296,000,000 Offer Shares are issued under the Global Offering:

	Based on the low end of the indicative Offer Price Range of HK\$5.50 per Share	Based on the high end of the indicative Offer Price Range of HK\$6.70 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$6,512.0 million	HK\$7,932.8 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$1.55	HK\$1.85

Notes:

- (1) The calculation of market capitalization is based on 1,184,000,000 Shares will be in issue immediately following the completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section headed “Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets” and on the basis of 1,184,000,000 Shares to be in issue immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

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DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB83.2 million, RMB1.0 million, RMB294.9 million and RMB292.1 million for the years ended December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, of which RMB83.2 million, RMB1.0 million, RMB294.9 million and RMB124.6 million were settled, respectively. The remaining declared dividends are expected to be settled before the Listing. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

Subject to the provisions of the Articles of Association and the Companies Laws, we currently target to distribute to our Shareholders no less than 25% of our profit for the year attributable to owners of the Company from the year ending December 31, 2020 onwards. The payment and amounts of dividends (if any) depend on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. The proposed payment of dividends is subject to recommendation of the Board at its absolute discretion, and any declaration of final dividend for the year will be subject to the approval of our Shareholders. For more information on our dividend policy, see the section headed “Financial Information — Dividends and Dividend Policy.”

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$6.10 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), will be HK\$1,697.9 million, after deducting all underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We currently intend to use such net proceeds for the following purposes:

- Approximately 60%, or HK\$1,018.8 million, will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering;
- Approximately 20%, or HK\$339.6 million, will be used to develop smart community through upgrading of our systems for smart management;
- Approximately 10%, or HK\$169.8 million, will be used to enhance our level of digitization and our internal information technology infrastructure; and
- Approximately 10%, or HK\$169.8 million, will be used for working capital and general corporate purpose.

SUMMARY

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. For further details, see the section headed “Future Plans and Use of Proceeds.”

RISK FACTORS

Our business is subject to certain risks involved in our operation, 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 Global Offering. We believe that the following are some of the major risks that we face: (i) our historical results may not be indicative of our future prospects and results of operation and our future growth may not materialize 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; (ii) we may not be able to procure new property management service contracts as planned, in a timely manner or at desirable price and a substantial portion of our properties under management during the Track Record Period was developed by the Sino-Ocean Group, and any adverse development in the operations of the Sino-Ocean Group or its ability to develop new properties may affect our ability to procure new property management service contracts; (iii) we may experience increases in our operating costs, in particular, labor and sub-contracting costs, which may materially and adversely affected our profitability and results of operations; (iv) our industry is highly competitive 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; (v) our business operations and financial performance have been and may continue to be affected by the outbreak of COVID-19; and (vi) our future acquisitions of or investment in other companies may not be successful and we may face difficulties in integrating acquired operations with our existing business.

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material change in our Group’s revenue model, cost structure and GFA under management. Set forth below are certain key development after June 30, 2020 regarding our business and financial position:

- On August 21, 2020, we entered into a strategic cooperation agreement with Sino-Ocean Capital Limited, an associate of Sino-Ocean, to provide customized property management services for its real estate projects including commercial properties, industrial parks, logistic centers and data centers with an additional contracted GFA of no less than approximately 2.0 million sq.m. each year.

SUMMARY

- On August 21, 2020, we entered into another strategic cooperation agreement with Sino-Ocean (China), Huazhu Enterprise Management Co., Ltd., a leading hotel operator in the PRC, and Chengjia Hotel Management Co., Ltd., a service apartment operator in the PRC. Pursuant to the agreement, among others, we will provide property management services for the properties of Huazhu Enterprise Management Co., Ltd. and Chengjia Hotel Management Co., Ltd..
- As of September 30, 2020, Sino-Ocean (China) had fully repaid the loan provided to them by us in 2019.
- As of October 31, 2020, we had obtained 12 new property management contracts. Six of which were obtained from the Sino-Ocean Group (including its joint ventures and associates) (including five residential properties and one commercial property) with a contracted GFA of approximately 0.7 million sq.m. and the remaining six were obtained from other third parties (including three residential properties and three public and other properties) with a contracted GFA of approximately 1.2 million sq.m.. Four of these new property management contracts (all residential properties) were obtained through tendering process while the rest of them were obtained through commercial negotiation. All of these properties were not yet delivered for our management as of October 31, 2020.
- As of the Latest Practicable Date, we had 77 properties contracted but not yet delivered or fully delivered by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders with an aggregate Reserved GFA of 16.0 million sq.m.
- As of the Latest Practicable Date, we had redeemed all the asset-backed securities and the relevant guarantees had been released.

Impact of the COVID-19 Outbreak

An outbreak of respiratory illness caused by a novel coronavirus was first emerged in late 2019 and continues to expand within the PRC and globally. As of the Latest Practicable Date, COVID-19 had spread across China and to other countries and territories globally, and causing a large number of death toll and infected cases. Since the outbreak of COVID-19, the PRC government has introduced a series of measures in order to prevent and control the pneumonia epidemic, including but not limited to lock-down measures, travel restrictions, restrictions on enterprises from resuming work, management and control over commencement schedules of construction in new and existing construction sites and mandatory quarantine requirements on infected individual and anyone deemed potentially infected.

The negative impact of COVID-19 to our property management services was and is expected to be minimal as we continued to record a steady growth of revenue, except for our less timeliness of collection of property management fees. For details, see the section headed “Business — Our Business Model — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.”

SUMMARY

For our value-added services to non-property owners, due to the delay in construction, sales and marketing activities and delivery of some of the property development projects by our customers caused by temporary lock-down in response to the COVID-19 outbreak in the first half of 2020, we had experienced a decrease in revenue from our value-added services to non-property owners, including a decrease in revenue from pre-delivery services by 12.2% in the first half of 2020 as compared to the same period in 2019. However, we have recorded a slight increase in revenue from consultancy services.

For our community value-added services, we had experienced a relatively slower growth in revenue from our community value-added services attributable to an increase in revenue from community asset value-added services by 10.3% and partially offset by a decrease in revenue for our community living services by 12.9% and a decrease in revenue for property brokerage services by 31.3% in the first half of 2020 as compared to the same period in 2019, resulting from a decrease in demand as affected by the outbreak of COVID-19.

During the first half of 2020, we incurred less selling and marketing expenses since we have been focusing on implementing and enhancing hygiene and precautionary measures across the properties under our management and canceled most of the community events and activities as affected by the outbreak of COVID-19.

Our Directors confirmed that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability as (i) the property management industry is an industry involving community necessities services; (ii) our employees and workers of our sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (iii) we are able to discharge our obligations under all existing property management service contracts and other business contracts; (iv) the delivery date of the pipeline properties developed by the Sino-Ocean Group and other third parties was not, or is not expected to be, materially delayed; and (v) our Group has sufficient cash and cash equivalents to maintain our operation. In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, taking into account (i) our cash and cash equivalent including our expected cash generated from operating activities; (ii) the expected 10% of the net proceeds from the Global Offering designated for working capital and general corporate purpose; (iii) realization of liquid assets; (iv) additional financial resources available to us; (v) estimated settlement of trade and note receivables as well as other receivables based on historical settlement pattern; and (vi) estimated settlement of trade payables and borrowings when due, our Directors are of the opinion that we will have available sufficient working capital for our present capital requirements for at least 13 months following the date of this prospectus.

For further details, see the section headed “Business — Impact of the Outbreak of COVID-19 on our Business.”

SUMMARY

No Material Adverse Change

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

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of RMB16.5 million, of which RMB16.3 million was charged to our consolidated statements of comprehensive income and the remaining amount of RMB0.2 million was recorded as prepayment which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting fees) of approximately RMB74.8 million (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised) by the completion of the Global Offering, of which an estimated amount of approximately RMB21.4 million is expected to be charged to our consolidated statements of comprehensive income for the year ending December 31, 2020 and an estimated amount of approximately RMB53.4 million is expected to be capitalized for the year ending December 31, 2020, respectively. Our total listing expenses (including underwriting fees) are expected to be approximately RMB91.3 million, representing approximately 6.0% of our gross proceeds from the Global Offering (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised). We do not expect these listing expenses to have a material impact on our business and results of operations for the year ending December 31, 2020.

DEFINITIONS

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

“Affiliate”	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
“Application Form(s)”	WHITE Application Form, YELLOW Application Form and GREEN Application Form or, where the context so requires, any of them, relating to the Hong Kong Public Offering and BLUE Application Form relating to the Preferential Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, which was conditionally adopted on November 25, 2020 with effect from the Listing Date, a summary of which is set forth in Appendix IV to this prospectus, as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of the Qualifying Sino-Ocean Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering determined on the basis of their respective shareholdings in Sino-Ocean on the Record Date
“Audit Committee”	the audit committee of our Board
“Beijing Indigo”	Beijing Indigo Property Services Co., Ltd. (北京頤堤港物業服務有限公司), a limited liability company established in the PRC and is owned as to 50% by our Group and as to 50% by Linkage Power Limited, an Independent Third Party
“Beijing Jiuyiqi”	Beijing Jiuyiqi Information Technology Co., Ltd. (北京九一七信息技術有限公司), a limited liability company established in the PRC on October 22, 2015 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Beijing Junde”	Beijing Junde Land Development Co., Ltd. (北京駿德置業有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of Sino-Ocean
“Beijing Yi Space”	Beijing Yi Space Business Management Co., Ltd. (北京億空間企業管理有限公司), a limited liability company established in the PRC on August 31, 2015 and indirect wholly-owned subsidiary of our Company
“Beijing Yiyang”	Beijing Yiyang Times Building Technology Co., Ltd. (北京億洋時代樓宇科技有限公司), a limited liability company established in the PRC on September 17, 2015, and an indirect wholly-owned subsidiary of our Company
“Beijing Yuanhe”	Beijing Yuanhe Zhishang Technology Service Co., Ltd. (北京遠和志尚科技服務有限公司), a limited liability company established in the PRC on September 1, 2017, and an indirect wholly-owned subsidiary of our Company
“Beijing Yuanjing”	Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. (北京遠景瑞祥管理諮詢有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of Sino-Ocean
“Beijing Yuankun”	Beijing Yuankun Real Estate Development Co., Ltd. (北京遠坤房地產開發有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of Sino-Ocean
“Beneficial Sino-Ocean Shareholder(s)”	any beneficial owner of Sino-Ocean Shares whose Sino-Ocean Shares are registered, as shown in the register of members of Sino-Ocean, in the name of a registered Sino-Ocean Shareholder on the Record Date
“BLUE Application Form”	the application form to be sent to Qualifying Sino-Ocean Shareholders for the subscription of the Reserved Shares pursuant to the Preferential Offering
“Board” or “Board of Directors”	the board of directors of our Company
“BOMA”	the Building Owners and Managers Association

DEFINITIONS

“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalization Issue”	the issue of 887,889,000 Shares to be made on the capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Share Capital — Capitalization Issue”
“Cayman Companies Law” or “Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands
“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 Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changsha Xiangcheng”	Changsha Xiangcheng Property Management Co., Ltd. (長沙相成物業管理有限公司), a limited liability company established in the PRC on June 12, 2006 and is owned as to 60% by Ocean Homeplus and as to 40% by Mr. Yong Peilin, an Independent Third Party. It is an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Chengdu Qianhao”	Chengdu Qianhao Property Service Co., Ltd. (成都乾豪物業服務有限公司), a limited liability company established in the PRC and is owned as to 50% by our Group and as to 50% by Great Ascend Limited, an Independent Third Party
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“China Index Academy”	China Index Academy, our industry consultant and an Independent Third Party
“China Life”	China Life Insurance (Group) Company (中國人壽保險(集團)公司), a company established in the PRC, and the holding company of China Life Insurance
“China Life Insurance”	China Life Insurance Company Limited (中國人壽保險股份有限公司), a company established in the PRC, and a substantial shareholder of Sino-Ocean directly holding approximately 29.59% of the total issued share capital of Sino-Ocean as of the Latest Practicable Date
“Circular No. 37”	Circular of the SAFE on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Vehicles (Hui Fa [2014] No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (匯發[2014]37號), promulgated by SAFE and became effective on July 4, 2014
“close associate”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Sino-Ocean Service Holding Limited (遠洋服務控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 15, 2020
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, refers to any of Sino-Ocean and Shine Wind
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	coronavirus disease 2019, a disease caused by the severe acute respiratory syndrome coronavirus 2
“Dajia Insurance”	Dajia Insurance Group Co., Ltd. (大家保險集團有限責任公司), a company established in the PRC, and the holding company of Dajia Life Insurance
“Dajia Life Insurance”	Dajia Life Insurance Co., Ltd. (大家人壽保險股份有限公司), a company established in the PRC, and a substantial shareholder of Sino-Ocean directly holding approximately 29.58% of the total issued share capital of Sino-Ocean as of the Latest Practicable Date
“Deed of Indemnity”	the deed of indemnity dated November 30, 2020 executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each member of our Group), details of which are set forth in the section headed “Statutory and General Information — D. Other information — 2. Tax and Other Indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated November 30, 2020 executed by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each member of our Group), details of which are set forth in the section headed “Relationship with Controlling Shareholders — Non-Competition Undertaking”
“Director(s)” or “our Directors”	a director of our Company

DEFINITIONS

“EDI License”	the value-added telecommunications business operating license (增值電信業務經營許可證) for online data processing and transaction processing service
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Extreme Conditions”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Listing Date
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater Bay Area”	the Guangdong-Hong Kong-Macau Greater Bay Area
“Greater China Region”	the region comprising of the PRC, Hong Kong and Macau
“ GREEN Application Form”	the application form to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group,” “our Group,” “we,” “our” or “us”	our Company and its subsidiaries or, in respect of the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
“Hangzhou New Era”	Hangzhou Yuanyang New Era Property Management Co., Ltd. (杭州遠洋新時代物業管理有限公司), a limited liability company established in the PRC on April 29, 1999 and is owned as to 60% by Ocean Homeplus and as to 40% by Hangzhou Real Estate Development Group Co., Ltd., an Independent Third Party. It is an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ HK eIPO Blue Form ”	the application for Reserved Shares to be issued in a Qualifying Sino-Ocean Shareholder’s own name by submitting applications online through the designated website of the HK eIPO Blue Form at www.hkeipo.hk
“ HK eIPO Blue Form Service Provider ”	the HK eIPO Blue Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk or in the IPO App
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk or in the IPO App
“HKFRSs”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 29,600,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed “Structure of the Global Offering”

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set forth in the section headed “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 4, 2020 relating to the Hong Kong Public Offering entered into by our Company, Sino-Ocean, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters. For further details, see the section headed “Underwriting — Underwriting Arrangements and Expenses”
“ICP License”	a value-added telecommunications business operation license issued by the relevant PRC government authorities with a service scope of information services
“Independent Third Party”	any entity or person who, to the best knowledge of our Directors, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 266,400,000 Offer Shares being initially offered by our Company pursuant to the International Offering (including, for the avoidance of doubt, 30,488,000 Reserved Shares for the Preferential Offering), together with any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering”

DEFINITIONS

“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the Securities Act, as further described in the section headed “Structure of the Global Offering” (for the avoidance of doubt, of the International Offer Shares initially being offered under the International Offering, the Reserved Shares are made available for subscription by the Qualifying Sino-Ocean Shareholders under the Preferential Offering)
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, Sino-Ocean and the International Underwriters, as further described in the section headed “Underwriting — International Offering”
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Joint Global Coordinators”	the joint global coordinators as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“Joint Sponsors”	Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited

DEFINITIONS

“Latest Practicable Date”	November 28, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“LEED”	Leadership in Energy and Environment Design
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about December 17, 2020, on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“M&A Rules”	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), MOFCOM, SAT, SAMR, CSRC and SAFE on August 8, 2006 and re-issued by MOFCOM on June 22, 2009
“Maximum Offer Price”	HK\$6.70 per Offer Share, being the maximum subscription price in the Offer Price Range
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, which was conditionally adopted on November 25, 2020 with effect from the Listing Date, a summary of which is set forth in Appendix IV to this prospectus, as amended or supplemented from time to time
“Minimum Offer Price”	HK\$5.50 per Offer Share, being the minimum subscription price in the Offer Price Range

DEFINITIONS

“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“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)
“NDRC”	the National Development and Reform Commission of the PRC
“NEEQ”	the National Equities Exchange and Quotation, a PRC over-the-counter system for trading shares of public companies
“Nomination Committee”	the nomination committee of our Board
“Non-Qualifying Sino-Ocean Shareholder(s)”	any Sino-Ocean Shareholder whose name appeared in the register of members of Sino-Ocean on the Record Date and whose address as shown in such register is in any of the Specified Territories and any Sino-Ocean Shareholder or Beneficial Sino-Ocean Shareholder at that time who is otherwise known by Sino-Ocean to be resident in any of the Specified Territories
“Ocean Homeplus”	Ocean Homeplus Property Service Corporation Limited (遠洋億家物業服務股份有限公司), a limited liability company established in the PRC on September 9, 1999, and an indirect wholly-owned subsidiary of our Company
“Ocean Nantong”	Ocean Yijia Property Service Nantong Co., Ltd. (遠洋億家物業服務南通有限公司), a limited liability company established in the PRC on March 27, 2008 and is owned as to 60% by Ocean Homeplus and as to 40% by AVIC Aviation Technology Co., Ltd., an Independent Third Party. It is an indirect non-wholly owned subsidiary of our Company
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$6.70 and expected to be not less than HK\$5.50, at which the Hong Kong Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined in the manner as further described in the section headed “Structure of the Global Offering — Pricing and Allocation”

DEFINITIONS

“Offer Price Range”	HK\$5.50 to HK\$6.70 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares (including, for the avoidance of doubt, the Reserved Shares), together with any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 44,400,000 additional Shares at the Offer Price, in aggregate representing 15% of the total number of Offer Shares initially available under the Global Offering, to cover, among other things, over-allocation in the International Offering, if any
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC government”	the government of the PRC, including all governmental sub-divisions such as provincial, municipal and other regional or local government entities
“PRC Legal Advisors”	Kejie Associates (北京市柯杰律師事務所), the legal advisor to our Company as to the laws of the PRC
“Preferential Offering”	the preferential offering to the Qualifying Sino-Ocean Shareholders of 30,488,000 Offer Shares (representing approximately 10.3% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the International Offer Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set forth in this prospectus and in the BLUE Application Form, as further described in the section headed “Structure of the Global Offering — The Preferential Offering”
“Pre-IPO Investments”	the investments in our Company undertaken by the Pre-IPO Investors before the Listing, details of which are set forth in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments”

DEFINITIONS

“Pre-IPO Investors”	Wealth Best and Smart Estate
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, December 10, 2020 and no later than Wednesday, December 16, 2020 unless otherwise announced, on which the Offer Price is to be determined for the purposes of the Global Offering
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“provinces”	refers to provinces, autonomous regions and municipalities under the direct administration of the central government of the PRC
“QIBs”	qualified institutional buyers as defined in Rule 144A
“Qualifying Sino-Ocean Shareholder(s)”	any Sino-Ocean Shareholder whose name appeared in the register of members of Sino-Ocean on the Record Date, other than the Non-Qualifying Sino-Ocean Shareholders
“Record Date”	November 27, 2020, being the record date for determining the Assured Entitlement of the Qualifying Sino-Ocean Shareholders to the Reserved Shares
“Regulation S”	Regulation S under the Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Reorganization”	the reorganization arrangements undergone by us in preparation for the Listing. For further details see the section headed “History, Reorganization and Corporate Structure — Reorganization”

DEFINITIONS

“Reserved Shares”	the 30,488,000 Offer Shares being offered by the Company to Qualifying Sino-Ocean Shareholders at the Offer Price pursuant to the Preferential Offering as the Assured Entitlement, which are to be allocated out of the International Offer Shares being offered under the International Offering
“Rule 144A”	Rule 144A under the Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the State Administration for Market Regulation
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the State Administration for Industry and Commerce of the PRC
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“Securities Act” or “U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Liantai”	Shandong Liantai Property Service Co., Ltd. (山東聯泰物業服務有限公司), a limited liability company established in the PRC on March 4, 1999 and is owned as to 80% by Ocean Homeplus and as to 20% by Mr. Dong Yanhua, an Independent Third Party. It is an indirect non-wholly owned subsidiary of our Company

DEFINITIONS

“Share(s)”	an ordinary share in the share capital of our Company, with a nominal value of HK\$0.1 each
“Shareholder(s)”	holder of our Shares
“Shine Wind”	Shine Wind Development Limited (耀勝發展有限公司), a company with limited liability incorporated under the laws of BVI, and a wholly-owned subsidiary of Sino-Ocean and our Controlling Shareholder
“Sino-Ocean”	Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), a company with limited liability incorporated under the laws of Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3377) and our Controlling Shareholder; it will indirectly hold approximately 67.57% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised
“Sino-Ocean (China)”	Sino-Ocean Holding Group (China) Limited (遠洋控股集團(中國)有限公司), a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of Sino-Ocean
“Sino-Ocean Connected Person”	any of Sino-Ocean and its associates (excluding our Group)
“Sino-Ocean Group”	refers to Sino-Ocean and its subsidiaries (excluding our Group) and, where the context so requires, includes its joint ventures and associates
“Sino-Ocean Shareholder(s)”	holder of the Sino-Ocean Shares
“Sino-Ocean Share(s)”	ordinary share in the share capital of Sino-Ocean listed on the Stock Exchange and traded in Hong Kong dollars
“Smart Estate”	Smart Estate International Limited (穎置國際有限公司), a company with limited liability incorporated under the laws of BVI, and one of our Pre-IPO Investors
“Specified Territories”	Canada, Taiwan, the PRC and the United States

DEFINITIONS

“Spin-off”	the separate listing of our Shares on the Main Board, which is expected to be effected by way of the Global Offering, including the Preferential Offering
“sq.m.”	square meter
“Stabilizing Manager”	Citigroup Global Markets Asia Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Shine Wind and the Stabilizing Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020
“U.S. dollar(s)” or “US\$”	United States dollars, the lawful currency of the United States
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Wealth Best”	Wealth Best Ventures Limited (富佳創投有限公司), a company with limited liability incorporated under the laws of BVI, and one of our Pre-IPO Investors
“ WHITE Application Form”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name

DEFINITIONS

“Yangtze River Delta Region”	a region in the PRC that covers the Shanghai Municipality, Anhui, Jiangsu and Zhejiang Provinces for purpose of this prospectus
“YELLOW Application Form”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“Yiyun Beijing”	Yiyun Wisdom (Beijing) Information Technology Development Co., Ltd. (億雲智慧(北京)資訊技術發展有限公司), a limited liability company established in the PRC on January 26, 2018 and an indirect wholly-owned subsidiary of our Company
“Yuanjing Rongda”	Beijing Yuanjing Rongda Enterprise Management Service Co., Ltd. (北京遠璟榮達企業管理服務有限公司), a limited liability company established in the PRC on April 20, 2020 and an indirect wholly-owned subsidiary of our Company
“Yuanjing Ruida”	Beijing Yuanjing Ruida Enterprise Management Service Co., Ltd. (北京遠璟瑞達企業管理服務有限公司), a limited liability company established in the PRC on April 20, 2020 and an indirect wholly-owned subsidiary of our Company
“Zhongyuan Hotel”	Zhongyuan Hotel Property Management Co., Ltd. (中遠酒店物業管理有限公司), a limited liability company established in the PRC on March 31, 1997, and an indirect wholly-owned subsidiary of our Company
“Zhuoyuan Ruihe”	Beijing Zhuoyuan Ruihe Enterprise Management Service Co., Ltd. (北京卓遠瑞合企業管理服務有限公司), a limited liability company established in the PRC on April 28, 2020 and an indirect wholly-owned subsidiary of our Company
“Zhuoyuan Ruitong”	Beijing Zhuoyuan Ruitong Enterprise Management Service Co., Ltd. (北京卓遠瑞通企業管理服務有限公司), a limited liability company established in the PRC on April 24, 2020 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this prospectus in connection with our Company and our business. As such, these terms and their given meanings may not correspond to industry standard definitions or usage of these terms.

“average property management fee(s)”	weighted average property management fee(s) charged per sq.m. per month, which is calculated by dividing (i) the sum of the products of the monthly property management fee chargeable for each of the properties under management and the GFA under management as of the relevant date for each of such property by (ii) the total GFA under management of all properties under management as of the relevant date
“CAGR”	compound annual growth rate
“commission basis”	a revenue generating model for our property management services whereby our fee income from property management consists only of a pre-determined amount of the total property management fees payable by the customers while the remainder of such property management fees would be used to cover the expenses incurred in our management of the relevant properties and any excess or shortfall of the property management fees (after deducting the relevant expenses) belong to or are borne by the property owners
“common area(s)”	common areas in properties such as lobbies, hallways, stairways, elevators, garden, carpark spaces, swimming pools and advertisements bulletin boards, among others
“contracted GFA”	GFA under management or GFA to be managed by us under operating property management contracts, including both delivered and undelivered GFA
“CRM”	customer relationship management
“EBA”	electronic building automation
“ERP”	enterprise resource planning

GLOSSARY OF TECHNICAL TERMS

“five national-level urban agglomerations”	the five major urban agglomerations in China, namely the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Pearl River Delta, the middle reaches of the Yangtze River and the Chengdu-Chongqing region, according to China Index Academy
“first-tier cities”	Comprised of (i) four first-tier cities in the PRC including Beijing, Shanghai, Guangzhou and Shenzhen and (ii) 15 new first-tier cities in the PRC including Chengdu, Chongqing, Hangzhou, Wuhan, Xi’an, Tianjin, Suzhou, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Hefei and Foshan, as of the Latest Practicable Date, according to China Index Academy with reference to China Business Network (第一財經)
“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 of the relevant date
“IT”	information technology
“lump sum basis”	a revenue generating model for our property management services whereby we charge a pre-determined property management fee which represents the “all-inclusive” fees for all of the property management services provided by our staff and sub-contractors with respect to the managed properties and we bear the costs and expenses in managing the relevant properties
“overall strength”	<p>China Index Academy ranks the overall strength of the property management companies by evaluating the following aspects:</p> <ul style="list-style-type: none">• property management scale, taking into account total assets, number of properties under management, GFA under management and number of cities where the company operates;

GLOSSARY OF TECHNICAL TERMS

	<ul style="list-style-type: none"> operational performance, taking into account the total revenue, net profit, revenue per employee and operating costs as a percentage to total revenue; service quality, taking into account customer satisfaction rate, property management fee collection rate, property management contract renewal rate and number of star-level communities; growth potential, taking into account revenue growth, growth of GFA under management, contracted GFA of reserved projects and number and composition of employees; and social responsibility, taking into account the amount of tax paid, number of job opportunities created, total GFA under management of affordable housing and amount of enterprise donation
“residential communities” or “residential properties”	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
“Reserved GFA”	the difference between contracted GFA and GFA under management
“second-tier cities”	Comprised of 30 major cities, other than first-tier cities in the PRC, as categorized by China Business Network, according to China Index Academy
“Top 100 Property Management Companies”	An annual ranking of China-based property management companies by overall strength published by China Index Academy based on a number of key indicators, including property management scale, operational performance, service quality, growth potential and social responsibility which comprised 100, 100, 100, 210, 200, 200, 220 and 224 such companies, respectively, for 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019, where the number of companies for each of 2015, 2016, 2017, 2018 and 2019 exceeded 100 as multiple companies with very close scores were assigned the same ranking by China Index Academy

FORWARD-LOOKING STATEMENTS

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

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

- our operations and business prospects;
- our future business development, financial condition and results of operations;
- our ability to control or reduce costs;
- our ability to successfully implement our business plans and strategies;
- the competitive landscape for our business and the development and actions of our existing and future competitors;
- consumer behavior and preferences and market trends for property management services;
- the regulatory environment and industry outlook for the property management sector or our property management business;
- general political, economic, legal and social conditions and government policies in Hong Kong and China;
- fluctuations in the exchange rate of the Hong Kong dollar against Renminbi;
- our proposed use of proceeds from the Global Offering;
- our future capital needs and capital expenditure plans;
- our dividend payout;

FORWARD-LOOKING STATEMENTS

- capital market development;
- other statements in this prospectus that are not historical facts; and
- other factors beyond our control.

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

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

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our historical results may not be indicative of our future prospects and results of operation and our future growth may not materialize 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 and we were contracted to manage properties in China with an aggregate contracted GFA of 35.6 million sq.m., 50.4 million sq.m., 59.4 million sq.m. and 61.9 million sq.m., as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We seek to expand continuously through increasing the total contracted GFA and the number of properties that we manage in existing as well as new markets. For further details, see the section headed “Business — Business Strategies — Further expand the scale and diversity of our property management business and property management portfolio through multiple channels.” 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 of the PRC in general and the per capita disposable income, changes in the real estate market and the property management market, in particular, government regulations, changes in supply and demand for our services, as well as availability of suitable and proficient property managers and third-party service providers for our expansion efforts.

To succeed in our business expansion, we will need to recruit and train new property managers and other employees, select third-party service providers as suppliers, continue to build our operations and reputation, and understand the needs and preference of the property owners and residents in the properties we manage, within a relatively short period of time. We may have limited knowledge of the local property management service markets or have little or no prior business experience in the new markets that we will expand into. In addition, we may face difficulties in adapting to the administrative and regulatory environments in new markets, which could be substantially different from those in our established markets. We may not have the same level of familiarity with local business practice or relationships with local third-party service providers 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. Moreover, we recorded gross profit of RMB125.5 million, RMB137.0 million, RMB167.2 million and RMB157.6 million and a gross profit margin of 15.1%, 13.0%, 13.7% and 24.3% for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, for the property management services. Compared to our historical results of operations, we may not experience the same growth rate of gross profit and gross profit margin of the property management services in the future as we expand our portfolio to cover more properties in new locations or markets, especially during the initial stages of entry when economy of scale has yet to be achieved.

RISK FACTORS

Furthermore, our future growth depends on our management's ability to improve our administrative, technical, operational and financial infrastructure. Our ability to grow also depends on our ability to hire, retain, train, supervise and manage additional officers and employees, replicate our business model, allocate our human resources and manage our relationships with a growing number of customers, suppliers and other business partners. Our historical results may not be indicative of our future prospects and results of operation and there can be no assurance that our future growth will materialize and that we will be able to manage our future growth effectively, and failure to do so would have a material adverse effect on our business, financial position and results of operations.

We may not be able to procure new property management service contracts as planned, in a timely manner or at desirable price and a substantial portion of our properties under management during the Track Record Period was developed by the Sino-Ocean Group, and any adverse development in the operations of the Sino-Ocean Group or its ability to develop new properties may affect our ability to procure new property management service contracts

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

Furthermore, a substantial portion of our property management service contracts during the Track Record Period were related to the management of properties developed by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders. Our revenue from the management of these properties accounted for 94.0%, 84.5%, 81.5% and 81.2% of our revenue from property management services for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Any adverse development in the operations of the Sino-Ocean Group or its ability to develop new properties may affect our ability to procure the relevant new property management service contracts. We cannot assure you that the Sino-Ocean Group will actually engage us as their property management service provider for any property they develop, particularly because the appointment of property management companies is generally subject to a tender and bidding process under the PRC laws. During the Track Record Period, we had also procured property management service contracts from other sources of projects other than those developed by the Sino-Ocean Group. Our tender success rates for property management projects from other third-party property developers or owners were 36.4%, 40.9%, 50.0% and 50.0% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Such tender success rates increased during the Track Record Period mainly due to our increased effort and participation in tender and bidding process in order to obtain more engagements for management of properties developed or owned by other third parties. We cannot assure you that we can procure property management service contracts from other sources as planned or at desirable pace or price. If we are not able to supplement any shortfall in managing properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders with managing properties from other third parties at desirable pace and property management fee level, our results of operations and growth prospects may be materially and adversely affected.

RISK FACTORS

We may experience increases in our operating costs, in particular, labor and sub-contracting costs, which may materially and adversely affected our profitability and results of operations

The property management industry is a labor intensive industry. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, staff cost accounted for 38.2%, 36.8%, 34.5% and 33.9%, respectively, of our total costs of sales, and our sub-contracting cost represented 30.3%, 36.3%, 37.4% and 42.9%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to control and reduce our labor and sub-contracting costs as well as other operating costs. We face upward pressures of increase in our labor and sub-contracting 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 local governments. The minimum wages in the regions and districts in which we operate have increased substantially in recent years, directly impacting our labor costs, as well as our sub-contracting cost;
- *increase in headcount.* As we expand our operations, we expect our headcount to continue to increase. In addition to our cost of labor, this increase in headcount also increases other associated costs such as those related to training and quality control measures. We will also need to retain and continuously recruit qualified employees to meet our growing demands for talent, which will further increase our total headcount. The competition for recruiting qualified 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 labor costs accordingly; and
- *time needed for cost-saving measures to take effect.* There is a lapse in time between our commencement of property management services for a particular property and any implementation of our measures to achieve the standardization, digitization and smart management of our operations to reduce our relevant operating costs. Before we carry out such measures, our ability to mitigate the impact of cost increase is limited.

As our business expands and our services and property management portfolio diversify, we cannot guarantee you that we will be able to control or reduce our operating costs, to improve our cost structure and efficiency while continuously improving our service quality, to obtain exemptions or subsidies from local governments and lower our labor costs 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 the above, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our industry is highly competitive and if we do not compete successfully against existing and new competitors, our business, financial position, results of operations and prospects may be materially and adversely affected

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

We believe our current success can be partially attributed to our standardization, digitization and smart management of operations in providing our property management services. We plan to continue with such efforts to enhance the quality and consistency of our services, improve our service teams’ efficiency and reduce our costs. If we fail to continue to improve such practice, our competitors may emulate our business model, and we may lose a competitive advantage that has distinguished ourselves from our competitors. In addition, we may face competition from existing and new competitors in various aspects. For instance, we may face competition from other property management companies upon expiration of our preliminary property management contracts and we cannot assure you that we will be further engaged by property owner associations or property owners to provide property management services among all other property management companies. 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 operations and financial performance have been and may continue to be affected by the outbreak of COVID-19

An outbreak of respiratory illness caused by a novel coronavirus was first emerged in late 2019 and continues to expand within the PRC and globally. The new strain of COVID-19 is considered highly contagious and may pose a serious public health threat. In order to prevent and control the outbreak of COVID-19, the local governments of various regions in which we operate had introduced a series of continuous control measures, including but not limited to restrictions on enterprises from resuming work, traffic restrictions, management and control over commencement schedules of construction in new and existing property development sites and even lockdown. On January 30, 2020, the World Health Organization (the “WHO”) declared the outbreak of COVID-19 a Public Health Emergency of International Concern

RISK FACTORS

(the “PHEIC”). On March 11, 2020, WHO declared COVID-19 outbreak a pandemic. As of the Latest Practicable Date, the virus had spread across China as well as other countries and territories globally, causing a large number of death toll and infected cases.

The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in, the economy of and the property market in the PRC if it is not effectively controlled. The outlook of the property market, economy slowdown, negative business sentiment or other factors that we cannot foresee could potentially have an indirect impact on the property management market and our business operation and financial condition may be adversely affected. For instances, such events may disrupt our businesses and cause temporary suspension and shortage of labor and sub-contracting services for our business operations, as well as delays in construction, sales and delivery of properties for us to subsequently provide property management and value-added services. In addition, if any of our employees or workers of our sub-contractors were suspected of contracting or contracted an epidemic disease, we may be required to quarantine some or all of our employees and sub-contracting workers, disinfect the properties or even scale-down or close some of our business to prevent the spread of the disease, and our operations and financial conditions could be adversely affected. For further details of the impact of COVID-19 outbreak, see the section headed “Industry Overview — Impact of COVID-19 outbreak on China’s Property Development and Property Management Industry.” We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict if the impact will be long-lasting. Furthermore, there is no assurance that another major COVID-19 or other disease outbreak will not happen in the future. If any of these events eventuate, our business, financial condition and results of operations may be adversely affected.

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

We had been, to certain extent, expanding our business through acquisitions of or investment in other companies during the Track Record Period and we plan to continue to evaluate opportunities to acquire or invest in other property management companies and other businesses that are complementary to our existing business and integrate their operations into our business. However, there can be no assurance that we will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities (including failure to maintain the relevant fee level and profitability level), and diversion of resources and management attention. Even if we manage to identify suitable opportunities, we may face competition from other industry players who are interested in the same target and we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

RISK FACTORS

Approximately 60% of the net proceeds raised from the Global Offering will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business. For further details, see the section headed “Future Plans and Use of Proceeds — Use of Proceeds.” If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our growth prospects may be materially and adversely affected.

The implementation of our acquisition strategy is subject to a number of risks, including (i) failure to identify certain defects in the acquired business during the due diligence process, (ii) failure to integrate the acquired business and relevant personnel into our existing business, (iii) higher costs of integration than we may anticipate, (iv) any delay or failure in realizing the expected benefits of the acquired business, (v) failure to enable the acquired business to deliver the expected synergies, (vi) difficulties in obtaining government and other regulatory approvals, (vii) changes in market circumstances and demands, (viii) diversion of our management’s time and attention from other business concerns, and (ix) changes in our cost structure due to acquisitions, such as an increasing portion of subcontracting costs. As a result, we cannot assure you that our acquisitions will achieve our desired strategic objectives or the expected return on investment.

In particular, 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. Our ability to integrate the acquired businesses may be affected by a variety of factors. These factors include, but are not limited to, the complexity and size of the acquired business, the risks of operating in new markets, unfamiliarity with new regulatory regimes, differences in corporate cultures, the inability to retain the acquired business’s key personnel, as well as additional hidden costs associated with the acquisition. 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. In addition, we may not guarantee the gross profit and gross profit margin of the future acquired targets to be the same as or higher than those of our existing business. We may not be able to improve the gross profit and gross profit margin of the future acquired targets and maintain our overall level of gross profit and gross profit margin and our profitability, financial position and results of operations may be adversely affected.

We are subject to credit risk associated with the receivables due from related parties

During the Track Record Period, our amounts due from related parties were RMB66.0 million, RMB3,199.7 million, RMB2,979.4 million and RMB2,782.6 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The significant amounts of receivables due from related parties during the Track Record Period primarily consist of other receivables and loans and interest receivables mainly in relation to the loans to Sino-Ocean (China) in 2018 and 2019, coupled with certain trade and note receivables and prepayments which were trade in nature. For further details, see the section headed “Financial Information

RISK FACTORS

— Related Party Transactions and Balances.” As of September 30, 2020, Sino-Ocean (China) has repaid all loans due to us. However, there is no assurance that all remaining receivables due to us will be settled on time, or at all. Accordingly, we face credit risk associated with the remaining receivables due from related parties. If these related parties delay or default on their payments, we may have to make provision for impairment and/or write off the relevant receivables. Our business, financial condition and results of operations may be adversely affected if significant receivables due from related parties are not settled on time, or at all.

The interest income from loans due from related parties during the Track Record Period was non-recurring in nature

For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, we recorded interest income of nil, RMB107.0 million, RMB214.3 million and RMB98.5 million, respectively, in relation to our loans provided to Sino-Ocean (China) in 2018 and 2019. For details, see the section headed “Financial Information — Related Party Transactions and Balances — Related Party Transactions — Amount due to, Loans and Finance Income and Expenses.” These interest income was non-recurring in nature. As of September 30, 2020, Sino-Ocean (China) has repaid all the loans and 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.

We may be subject to losses and our profitability may be adversely affected if we fail to control our costs or raise property management fees in performing our property management services on a lump sum basis

During the Track Record Period, we generated substantially all of our revenue from property management services on a lump sum basis, which accounted for 100.0%, 99.99%, 99.97% and 99.94% of our total revenue from property management services for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. On a lump sum basis, we generally charge property management fees at a pre-determined fixed lump sum price, representing “all-inclusive” fees for the property management services provided. These management fees are fixed regardless of the actual amount of property management costs we incur. We recognize as revenue the full amount of property management fees we charge to customers, and recognize as our cost of sales the actual costs we incur in connection with rendering our property management services. For further details, see the section headed “Business — Our Business Model — Property Management Services — Revenue Model of Property Management Services.” In the event that the amount of property management fees that we charge is insufficient to cover all the costs we incur for rendering the property management services, we are not entitled to collect the shortfall from the relevant customers. As a result, we may suffer losses. The revenue of property management services from our properties managed on a lump sum basis which incurred losses during the Track Record Period accounted for 9.9%, 6.1%, 6.1% and 4.0% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

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If we are unable to raise property management fees for properties managed on a lump sum basis and there is a shortfall in working capital after deducting the property management costs, our gross 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 labor costs and implementing energy-saving measures may not be successful in raising our profit margin, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce customers' willingness to pay us higher property management fees and, accordingly, adversely affect our reputation, business operations and financial position.

We may not be able to collect property management fees from customers, and may result in incurring impairment losses on receivables

We may encounter difficulties in collecting property management fees from customers. Even though we seek to collect overdue property management fees through various collection measures, we cannot guarantee that such measures will be effective. In addition, before accepting new engagements, we may assess the historical collectability of property management fees in these properties. However, there is no assurance that such assessment would enable us to accurately predict our future property management fee collection rates. Moreover, although most of the property management fees were paid to us through bank transfers, credit or debit card or via third-party online payment platforms during the Track Record Period, certain customers may choose to pay their property management fees in cash, which may impose some cash management risks on us.

The balance of our allowance for impairment of trade and note receivables was RMB45.6 million, RMB66.8 million, RMB80.5 million and RMB92.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Although our management's estimation and the related assumptions were made in accordance with information available to us at the time the allowance was determined, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade and note receivables becomes insufficient in light of the new information, we may need to make more of such impairment allowance, which may in turn materially and adversely affect our business, financial position and results of operations. If we are unable to collect property management fees from customers or experience a prolonged delay in receiving such fees, our cash flow position and our ability to meet our working capital requirements may be adversely affected.

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

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our property management services on a commission basis accounted for nil, 0.01%, 0.03% and 0.06%, respectively, of our total revenue from property management services. When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners and residents and all transactions related

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to these management offices are settled through our treasury function. As of the end of a reporting period, if the working capital of a management office accumulated in our treasury function is insufficient to cover the expenses the management office has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognized as other receivable subject to impairment.

Our management makes estimates on whether or not the management offices have the ability to settle payments on behalf of property owners and residents. In doing so they consider whether there is any objective evidence of impairment, taking into account factors such as the likelihood of subsequent settlement and write-off amounts, if any; and they consider management fee collection rate to estimate the amount of cash flow from the receivables. Except for residential communities for which we plan not to renew property management service contracts, we also assume that we will be able to renew those property management service contracts on similar terms. If a residential community consistently carries account payables that are higher than their account receivables, this indicates to us that the payments made on behalf of those property owners and residents may have lower recoverability. Our management estimates and the assumptions on which they are based have been made with information currently available to us, and they may have to be adjusted if new information becomes known. In the event that actual recoverability is lower than initially expected, or that our allowance for impairment becomes insufficient in light of new information, we may need to increase our allowances and thereby suffer material adverse effects on our business, financial position and results of operations.

We had net operating cash outflow from our operating activities for the six months ended June 30, 2019 and our business and financial condition could be materially and adversely affected if we fail to maintain effective cash flow management

We had net cash inflow from operating activities of RMB103.8 million, RMB38.3 million, RMB206.6 million and RMB65.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We recorded net cash outflow from operating activities of RMB8.1 million for the six months ended June 30, 2019. The cash outflow for the six months ended June 30, 2019 was primarily due to an increase of trade and note receivables and income tax payment. For further details, see Note 34 to our consolidated financial statements set forth in the Accountant's Report in Appendix I to this prospectus.

While we have in the past financed our working capital needs primarily with our cash at banks and net cash generated from operating activities, we cannot assure you that we will always be able to generate net cash from operating activities. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. We cannot assure you that we will not suffer any decline in our future working capital or experience net cash outflow in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business and financial condition could be materially and adversely affected.

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We recorded net current liabilities during the Track Record Period. There can be no assurance that we will record net current assets in the future and we may be subject to liquidity risks

We recorded net current liabilities of RMB362.9 million and RMB518.3 million as of December 31, 2018 and 2019, respectively. The net current liabilities position was mainly attributable to our issuance of asset-backed securities. There is no assurance that we will not record net current liabilities or net liabilities in the future. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

Our community value-added services and value-added services to non-property owners may not grow as planned

We plan to grow our community value-added services and value-added services to non-property owners by expanding our service offerings and customer base. For further information on our community value-added services and value-added services to non-property owners, see the sections headed “Business — Our Business Model — Community Value-added Services” and “Business — Our Business Model — Value-Added Services to Non-Property Owners.” However, there is no assurance that we could grow such businesses as planned, and our related costs incurred may not be recovered. We need to recruit qualified employees with relevant experience to grow our community value-added services and value-added services to non-property owners. As the market is competitive, there is no assurance that we will be able to recruit sufficient number of qualified employees to support our growth plan. The development of value-added services to non-property owners relies on our ability to provide high-quality pre-delivery services and consultancy services to property developers and other property management companies. In addition, the development of community value-added services also relies on our ability to tap our existing customer base from our managed properties for community value-added services, as well as our ability to identify suitable products and services to be provided via our relevant service platform. However, our current planning may be changed or certain community value-added services that we plan to offer may not be realized due to changes in demand from customers and market trends. If our community value-added services or value-added services to non-property owners fail to attract our customers, tailor to their needs, or prove to be otherwise unsatisfactory, and we fail to grow our community value-added business or value-added services to non-property owners as planned, our results of operations, profitability and business prospects could be adversely affected.

Failure of our joint ventures to perform as anticipated could have a material adverse effect on our business, results of operations, financial condition and future cash flows

We have certain investments in joint ventures from which we receive a share of profits. Our investment in joint ventures amounted to RMB104.5 million as of June 30, 2020 and our share of profits from investment in joint ventures was RMB1.3 million for the six months ended June 30, 2020. We may be exposed to special risks in the decision-making processes of

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our joint ventures as certain corporate actions of our joint ventures require approval of all joint venture partners whilst our joint venture partners may have economic or business interests or goals that are inconsistent with ours and may take actions contrary to ours. As a result, we are generally not in a position to exercise sole decision-making authority with respect to these joint ventures, including with respect to dividend policies. If any of our joint ventures fail to perform as anticipated, or if for any reason, including the need to retain cash for operations, any of our joint ventures are unable to declare any dividends, even if the share of profits of these joint ventures are consolidated into our accounts under equity accounting method, we may not receive cash payments for our share of profits on a timely basis, or at all, which could have a material adverse effect on our business, results of operations, financial condition and future cash flows. In addition, there is liquidity risk associated with our investments in our joint ventures. A disposal of our interests in our joint ventures is subject to certain pre-emptive rights on the part of the other joint venture partners or certain other restrictions. As a result, a disposal of our interests in our joint ventures may require a longer time to complete, if at all, than a disposal of our investments in publicly-listed companies or of our wholly-owned subsidiaries or assets.

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

We generate a substantial part of our revenue from property management services performed under our property management service contracts. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our property management services accounted for 68.4%, 65.3%, 66.6% and 71.7% of our total revenue, respectively. The majority of our preliminary property management service contracts do not have fixed terms. Such contracts can be terminated when a property management service contract entered into by the property owners' association takes effect after the property owners' association is formed and the property owners either continue to engage us or select another property management service provider through the property owners' general meeting. Nevertheless, even where we succeed in entering into property management service contracts with the property owners' associations, these property management service contracts may be terminated for causes such as legality of the contracts, procedures of entering into such contracts and breach of obligations as set forth in the contract. The property management service contracts we entered into with property owners' associations generally have fixed terms which will need to be renewed upon expiry. For further details, see the section headed "Business — Our Business Model — Property Management Services — Property Management Service Contracts." There is no assurance that our services can be provided at a satisfactory level for us to be selected by the relevant property owners to enter into subsequent property management service contracts or the relevant subsequent property management service contracts can be renewed when their terms expire. Furthermore, as of June 30, 2020, 11.2% of our property management service contracts will expire in the year ending December 31, 2020. Should we fail to renew all of such property management service contracts upon their expiry, we may experience a loss of approximately RMB145.7 million for the year ending

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December 31, 2021. As of the Latest Practicable Date, we have renewed eight of such property management service contracts. Termination or non-renewal of a significant number of management service contracts could have a material and negative impact on our revenue from property management services.

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

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

In conducting our business, we delegate certain services, such as security, cleaning, greening and gardening services, to third-party sub-contractors. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sub-contracting costs accounted for 30.3%, 36.3%, 37.4% and 42.9% 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 with our own employees. They may take actions contrary to our instructions or requests, or be unable or unwilling to fulfill their obligations. They may not have obtained or renewed on a timely basis the relevant business permits or license for the provision of their services. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions, and potentially expose us to litigation and damage claims. We may be able to recover from a 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 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 third-party sub-contractors fail to maintain a stable team of qualified labor or have easy access to a stable supply of qualified labor, the work process may be interrupted. In any event that our independent third-party subcontractors fail to perform their contractual obligations properly and in a timely manner, our work process could be interrupted which could potentially result in a breach of the contract that we entered into with our customers. Any of such events could materially and adversely affect our service quality, our reputation, as well as our business, financial position and results of operations.

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, subcontractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harms our reputation. For example, theft conducted by third parties may cause us to make compensation if we were

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held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market. In addition, in providing our property management services and value-added services, we rely, to a large extent, on third-party service providers that we cooperate with to deliver products and services to residents, and any major interruptions to or failures in these third-parties' services could prevent the timely and successful delivery of relevant goods or services. These interruptions may be due to unforeseen events that are beyond our control or the control of these third-party companies, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. If the purchased goods are not delivered on time or are delivered in a damaged state or if the purchased services are not timely or properly rendered, customers may refuse to accept the goods or services and may claim refund from us or the relevant vendors, and may have adverse impact on our relationship with the vendors. As a result, we may lose vendors for provision of goods and services, and our financial position and reputation could be damaged.

Our management information 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 business, reputation, financial position and results of operations.

Our reputation may be adversely affected by customer complaints even if they may be frivolous or vexatious

Our customers may file complaints or claims against us regarding our services. Our customers are largely individual property owners and residents and 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 neighborhoods should be managed. As a result, during our ordinary course of business, we need to strike a balance among these varying expectations among different groups of property owners and residents.

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

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sources. Any of such events or any negative publicity thereof, regardless of veracity, may distract our management's attention and may have an adverse effect on our business, our reputation and the trading price of our Shares.

During the Track Record Period 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 and financial position. 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.

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

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

During the Track Record Period, two, four, five and three of our preliminary property management service contracts from property developers with contracted GFA of approximately 0.1 million sq.m., 0.2 million sq.m., 0.8 million sq.m. and 0.4 million sq.m. for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, were obtained without conducting the required tender and bidding process under the PRC laws and regulations and the compulsory requirement of relevant local authorities (the “**Relevant Property Management Projects**”). As confirmed by our Directors, the lack of a tender and bidding process for the selection of property management service providers for the aforementioned Relevant Property Management Projects was not caused by us but the relevant property developers. As advised by our PRC Legal Advisors, there are no specific laws and regulations in the PRC which set forth administrative penalties upon property management companies for failing to entering into preliminary property management service contracts through a tender and bidding process and the lack of tender and bidding process for entering into the preliminary property management service contracts of the Relevant Property Management Projects shall not affect the validity of these contracts as stipulated under the PRC Contract Law unless such contracts have been specifically determined by the local judiciary authority as invalid. Preliminary property management service contracts obtained without going through the required tender and bidding process may be determined to be invalid by the local judicial authorities depending on the circumstances of the case. If this occurs, the relevant property developer may need to organize a tender and bidding process to select a property

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management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

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

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

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

Our operations are affected by the regulatory environment and measures affecting the property management industry in the PRC. In particular, the fees that property management companies may charge in connection with property management services are subject to regulation and supervision by relevant regulatory authorities in the PRC. For example, for our operations in the PRC, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow the PRC government guidance prices. Although government-imposed price controls on property management fees may continue to relax over time pursuant to the Circular of the NDRC on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》發改價格[2014]2755號), which became effective on December 17, 2014, the property management fees we charge, such as those for preliminary property management service contracts, may still need to follow guidance prices imposed by local governments in different regions in China. In addition, if the relevant projects we provide property management services for fail to make the required registration for property management fees or if such fees exceed the relevant government guidance prices, we may be subject to applicable administrative penalties and our property management fees in excess of the required part may be confiscated by the relevant PRC authorities. For further information, see the section headed “Business — Our Business Model — Property Management Services — Property Management Fees — Pricing of Property Management Services.” Government-imposed limits and other regulatory requirement on property management fees, coupled with rising labor and other operating costs, could have a negative impact on our earnings. For properties that are managed on a lump sum basis, we may

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experience a decrease in profit margin. We cannot guarantee that the government regulations on property management fees and other matters concerning the property management industry will not have an adverse effect on our business, financial condition and results of operations, which may be material.

In addition, as we expand our business operations into new geographic regions and broaden the range of services we perform, we are subject to an increasing number of provincial and local rules and regulations. Moreover, since 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 administrative penalties which could have a material adverse effect on our reputation, business, financial position and results of operations.

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

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We recorded intangible assets, including goodwill, property management contracts and customer relationship, on our consolidated statements of financial position in connection with the acquisitions of subsidiaries during the Track Record Period and any recognition of impairment losses on such intangible assets would adversely affect our financial position

We recorded intangible assets, including goodwill, property management contracts and customer relationship, on our consolidated statements of financial position in connection with the acquisitions of certain subsidiaries during the Track Record Period. The goodwill recorded reflected the difference between the total acquisition consideration and the total fair value of identifiable net assets of the subsidiaries we acquired.

If we fail to achieve our desired objectives or if any unforeseeable circumstances decrease the expected cash flows from acquired assets, the recoverable amount can be lower than the carrying amount on our consolidated financial statements with respect to such intangible assets. Under such circumstances, we may need to recognize the impairments losses to intangible assets, including goodwill and/or property management contracts and customer relationship, in our consolidated financial statements, which may reduce our assets and adversely affect our financial position.

The fair value measurement of our financial assets at fair value through profit or loss and investment properties are subject to significant uncertainties and risk and the fair value change of such assets may materially and adversely affect our results of operations

During the Track Record Period, we have invested in certain investment properties including community facilities and carpark spaces for lease and recorded certain financial assets at fair value through profit or loss, which mainly included investments in short-term structured deposits and money market funds. For further details, see the Note 16 and Note 25 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus. We are required to reassess the fair value of our financial assets at fair value through profit or loss and investment properties on every balance sheet date for which we issue consolidated financial statements. The fair value of our financial assets and investment properties were and will be determined by various applicable valuation techniques, including, among others, discounted cash flow approach and direct comparison approach, both of which involve multiple assumptions and use of estimates. The assumptions and estimates include unobservable inputs and require significant management judgment or estimation and are inherently uncertain as they may fluctuate over time. In accordance with HKFRSs, we must recognize changes to the fair value of our financial assets and investment properties as a gain or loss (as applicable) in our income statements. The recognition of any such gain or loss reflects unrealized capital gains or losses on our financial assets and investment properties on the relevant balance sheet dates and does not generate any actual cash inflow or outflow. During the Track Record Period, we recorded fair value gains on investment properties of RMB1.0 million, RMB1.1 million and RMB0.6 million for the years ended December 31, 2017 and 2019 and the six months ended June 30, 2020 and a fair value loss on investment properties of RMB0.2 million for the year ended December 31, 2018, respectively. During the Track

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Record Period, we recorded fair value gains on financial assets at fair value through profit or loss of RMB15.2 million, RMB3.4 million, RMB3.2 million and RMB1.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing market conditions and subject to fluctuations and our determinations of fair value may differ materially from the values that would have been used if a ready market for these financial assets or investment properties existed. We cannot assure you that our determinations turn out to be accurate or the fair value of our financial assets and our investment properties will not fluctuate in the future and any decrease in the fair value of our financial assets or our investment properties could have an adverse effect on our results of operations and financial condition.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of extending loans to related companies during the Track Record Period

We extended interest-bearing loans to our related parties during the Track Record Period, and recognized interest income of nil, RMB107.0 million, RMB214.3 million and RMB98.5 million for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively. As of September 30, 2020, Sino-Ocean (China) has fully repaid the relevant loans.

Our PRC Legal Advisors advised that according to 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》) promulgated on August 6, 2015, revised on August 19, 2020 and became effective on August 20, 2020, our provision of interest-bearing loans to Sino-Ocean (China) was legal and valid. For further details, please refer to the section headed "Financial Information — Related Party Transactions and Balances — Amount due to, loans and finance income and expenses."

However, according to the General Lending Provisions (《貸款通則》), a departmental rule promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. As advised by our PRC Legal Advisors, the PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities, and accordingly, our maximum potential penalty arising from extending interest-bearing loans to our related parties during the Track Record Period amounted to approximately RMB2,099.1 million. As advised by our PRC Legal Advisors, the possibility that the PBOC would impose a penalty on us pursuant to the General Lending Provisions is remote since we have not received any notice or been penalized for extending interest-bearing loans to Sino-Ocean (China) and there are rare cases that companies being penalized for extending interest-bearing loans to their related parties by the PBOC. Nevertheless, we cannot assure you that we may not be subject to a penalty fine from the PBOC and in the event that we are ordered by the PBOC to pay the penalties, our financial condition and results of operations could be adversely affected.

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

We accept payments using a variety of methods, including payments with credit cards and debit cards issued by banks in the PRC, as well as payments through third-party e-commerce payment platforms. For certain payment methods, including credit and debit cards, we may pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including e-commerce payment options. We are also subject to various rules and requirements, regulatory or otherwise, governing electronic funds transfers, which are subject to change or reinterpretation that could make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from customers, process electronic funds transfers or facilitate other types of e-commerce payments, and our business, financial position and results of operations could be adversely affected.

The development of our online service platform may not be successful and we may be subject to liabilities from providing license required services on our online service platform

We utilize our online service platform, mainly comprising of our “Yi-Life,” “Yi-Maintenance” and “Yi-Space” as well as social media public accounts as the gateway for users to access our services both online and offline with a view to enhancing customer experience and loyalty, as well as our brand recognition. The future development of such service platform depends on our ability to enhance the functionality of such service platform, as well as our ability to stay abreast of emerging lifestyle and consumer preferences to attract and appeal to users. We cannot assure you that our users will be able to have access to their desired services through our service platform, or our users may lose interest in our service platform and thus may use our service platform less frequently, if at all, which in turn, may adversely affect our business, our results of operations and our financial position.

During the Track Record Period, our online service platform “Yi-Life” provided online shopping services, advertisement and research services (collectively, the “**License-related App Services**”) to its members and merchants and generated revenue of approximately RMB11,612 in 2019. We did not generate any revenue from such services for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2020. As advised by our PRC Legal Advisors, the provision of the License-related App Services was considered commercial internet information services under the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) and thus required the obtaining of an ICP license and EDI license. However, due to lack of understanding of the relevant laws and regulations, we failed to obtain the requisite ICP license and EDI license before providing the License-related App Services. As advised by our PRC Legal Advisors, the relevant PRC authorities have the right to forfeit relevant revenue and impose a penalty of up to five times of the revenue amount on us. As further advised by our PRC Legal Advisors, our maximum potential penalty arising from the failure to obtain the requisite ICP license and EDI license during the Track Record

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Period amounted to approximately RMB69,700. As we had not received any notification from the relevant authorities imposing penalties on us in relation to the License-related App Services and our Directors considered the total amount of such potential penalty was very limited and immaterial, we did not make provision thereto during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we had ceased to provide any License-related App Services. Nevertheless, we cannot assure you that we may not be subject to a penalty fine from the relevant PRC authorities.

In addition, if we collaborate with third-party merchants and advertize their products and services on our online service platform, we may be subject to product liability arising from advertizing such products or services under the Laws on the Protection of Consumer Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》), the Tort Law of the PRC (《中華人民共和國侵權責任法》), the Advertising Law of the PRC (《中華人民共和國廣告法》) 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) advertisements made on our service platform with respect to such products or services are false, deceptive, misleading, libelous, injurious to the public welfare or otherwise offensive; and (ii) such marketing, communications or advertizing infringe on the proprietary rights of other third parties. In addition, A material design, manufacturing or quality failure in the products or services advertized on our relevant service platform, safety issues or heightened regulatory scrutiny could each result in a product recall and increased product liability claims. We may be held liable for the personal injuries or property losses of our customers due to the foregoing incidents that may occur during the course of our services. 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. All of these events could materially harm our brand and reputation and marketability of such products or services, cause us to lose our existing online service platform users with lower user engagement, divert our management's attention and have a material adverse effect on our business, financial position and results of operations.

System interruption and security risks, including security breaches and identity theft, may result in reduced use by our customers of our relevant service platform and applications, and expose us to the risk of litigation which could negatively affect our business, financial and operational results and damage our reputation

We may experience occasional system interruptions, delays or other technical problems that make any of our relevant online applications and their services unavailable or difficult to access, and prevent us from promptly responding or providing products or services to our customers, which may reduce the attractiveness of such service applications. If we are unable to continue to effectively upgrade our systems and network infrastructure and take other steps to improve the efficiency of our systems, there may be system interruptions or delays which will adversely affect our operating results. In addition, our community value-added services utilizing any online platform, such as mobile applications, are subject to security risks, including security breaches and identity theft. We must be able to provide secured transmission of confidential information over public networks when providing such services. Any

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penetration of network security or other misappropriation or misuse of personal information could cause interruptions in the operations of our business and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

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 to our customers and managed properties through our own employees or third-party sub-contractors. Repair and maintenance services such as for elevators and fire control facilities involve the operation of heavy machinery and therefore, 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 third-party 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.

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, results of operations and financial position

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, property owners' or 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 an apartment 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 property owners and 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

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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, results of operations and financial positions 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 property owners' or residents' intended or unintended actions or any other events.

Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, our brand, management, business partners and products and services marketed on our service platform 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 Directors, our brand, management, business partners and products and services offerings on our service platform may arise from time to time. Negative comments on the properties managed by us, products and services offered on our service platform, our business operations and management may appear in internet postings and other media sources from time to time and we cannot assure you that other types of negative publicity will not arise in the future. For example, if our service platform fails to meet the needs and expectations of our customers, our customers may disseminate negative comments about our services. In addition, our business partners, such as third-party merchants, on our service platform may also be subject to negative publicity for various reasons, such as customers' complaints about the quality of their products and services or other public relation incidents with respect to such business partners, which may adversely affect the provision of products or services for our value-added services and indirectly affect our reputation. Moreover, negative publicity about other service platforms for property management services or e-commerce service providers in China may arise from time to time and cause customers to lose confidence in the operations of our service platform. Such occurrences, regardless of veracity, may damage our reputation and we may lose customer confidence. In the long term, this would affect our future ability to attract and retain new customers and employees. We may suffer material adverse effects to our business and brand that in turn reduce the trading price of our Shares and diminish our competitive position.

We may be subject to fines for our failure to contribute to social insurance and housing provident funds on behalf of some of our employees

During the Track Record Period, we did not fully contribute to the social insurance and housing provident funds for certain employees. As advised by our PRC Legal Advisors, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions by a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In view of that, we have made provisions amounting to RMB1.2 million, RMB1.1 million, RMB0.9 million and RMB0.5 million for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, in respect of such potential liabilities arising from our insufficient contributions in relation to social insurance and housing provident fund

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during the Track Record Period. Our PRC Legal Advisors have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, application may be made to a people's court in the PRC for compulsory enforcement. We cannot assure you that the relevant PRC authorities would not notify and require us in the future to pay the outstanding contributions by a stipulated deadline, or any of our employees would not make complaints or demand for payment for any outstanding contribution. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of outstanding amounts before a stipulated deadline. However, we cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. For further details, see the section headed "Business — Employees — Social Insurance and Housing Provident Fund Contributions."

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

We have registered a number of intellectual property rights in the PRC as of the Latest Practicable Date. We consider these intellectual properties are crucial business assets and key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. For further details, see the section headed "Business — Intellectual Property Rights." Our measures to protect intellectual property rights may afford limited protection and policing unauthorized 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 unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, operating results and financial position.

During the Track Record Period and as of the Latest Practicable Date, we had been licensed by the Sino-Ocean Group to use several of its trademarks for our operation. For further details, see the section headed "Business — Intellectual Property Rights." If the licensor ceases to authorize 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 authorization.

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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 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 such related intellectual property. We may have to incur considerable time and costs in dealing with any claims 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 unfavorable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licenses, 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 the 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 and results of operations may be materially and adversely affected.

The property valuation report may differ from prices that can be achieved

Property valuations generally include a subjective determination of certain factors relating to the relevant properties, such as their relative market positions, applicable capitalization rates, expected maintenance costs, competitive strengths and their physical condition. There can be no assurance that the relevant properties can continue to be leased out at the same or higher market rates which the property valuations were based on. New property valuations may also become necessary to reflect any findings or facts discovered or which occurred after the date of valuation. The market values of the properties when completed may therefore differ from the values as determined by the independent valuer.

The fair value of our investment properties amounted to approximately RMB84.0 million, RMB83.8 million, RMB84.9 million and RMB85.5 million as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively. However, the values of the properties (as determined by the independent valuer) are not an indication of, and do not guarantee, a sale price at that value at present or in the future. As such, the price at which we may sell a property may be lower than its value as determined by the independent valuer.

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

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

We may be involved in legal and other disputes and claims from time to time arising from our operations and any litigation, legal and contractual disputes, claims or administrative proceedings against us may adversely affect our business, financial position and results of operations

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

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

We are required to obtain and maintain certain licenses, permits, certificates and approvals for our business operations such as property brokerage license and catering license. We must meet various specific conditions in order for the government authorities to issue or renew any such certificate or permit. 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

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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 condition 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 tax treatment will not change or that any preferential 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%. Our PRC subsidiaries, Beijing Yiyang and Beijing Yuanhe, received the certificate of “High and New Technology Enterprise” in 2017 and 2018, respectively, under which they are entitled to a preferential PRC income tax rate of 15% for three years. Certain subsidiaries of our Group in Dalian, Zhongshan, Changsha, Wuhan, Qingdao and Linyi are qualified as small and micro businesses in the PRC in 2018 and 2019 and were entitled to a preferential income tax rate of 5% or 10% for three years. For further details, see the section headed “Financial Information — Description of Selected Consolidated Statement of Comprehensive Income Line Items — Income Tax Expense” and Note 14(c) to our consolidated financial statements set forth in the Accountant’s Report included in Appendix I to this prospectus.

We cannot assure you that our subsidiaries will continue to enjoy the aforementioned preferential income tax treatment. For instance, under the applicable PRC laws and regulations, the preferential income tax treatment for a “High and New Technology Enterprise” is subject to renewal every three years and can be revoked by the relevant local authorities upon a review process on the eligibility of such accreditation. We cannot assure you that Beijing Yiyang and Beijing Yuanhe will continue to be accredited as a “High and New Technology Enterprise” upon expiration of the relevant certificate, or that such accreditation will not otherwise be revoked by the relevant local authorities or our subsidiaries will continue to be qualified as small and micro businesses in the PRC. If we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of preferential tax treatment occurs, the increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any member of our senior management or key employees would adversely affect our business operation and financial performance

Our continued success is highly dependent upon the efforts of our senior management 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

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our senior management, see the section headed “Directors and Senior Management.” In addition, the future growth of our business will depend in part on our ability to attract and retain qualified personnel in all aspects of our business, including but not limited to corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

Some landlords may not have provided to us relevant title 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 of our landlords failed to provide valid title certificates with respect to some of our leased properties in the PRC. For further details, see the section headed “Business — Properties.” If our landlords are not the owner or not authorized by the real owner 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 unauthorized 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 failures of our landlords 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 registered with the relevant government authorities. For further details, see the section headed “Business — Properties.” We may be subject to fines for the failure to register the lease agreements, which could disrupt our financial conditions and results of operations.

We are subject to environmental protection and health and safety laws and regulations and any inability to comply with such responsibilities may subject us to liabilities

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

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic and social conditions of China could adversely affect our business

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

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

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

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

The PRC government, in certain cases, imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. See the section headed “Regulatory Overview — Supervision over Foreign Exchange.” We received all of our revenue in Renminbi during the Track Record Period. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or make other payments or satisfy other 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 the 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

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requirements. However, approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

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

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

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 strategy.

SAFE regulations may limit our ability to finance our PRC subsidiaries effectively with the net proceeds from the Global Offering, which may affect the value of your investment and may make it more difficult for us to pursue growth through acquisitions

We may finance our equity controlled PRC subsidiaries with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from the PRC government authorities. Any overseas

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shareholder loans to our PRC subsidiaries must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the total amount of investment our PRC subsidiaries are approved to make under the relevant PRC laws and their respective registered capital or the upper limit of risk-weighted balance. In addition, the amounts of the capital contributions must be filed with the MOFCOM or its local counterpart. In addition, the PRC government also restricts the convertibility of foreign currencies into Renminbi and use of the proceeds. On March 30, 2015, SAFE promulgated Circular 19, which took effect and replaced previous SAFE regulations from June 1, 2015. SAFE further promulgated Circular 16, effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency dominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the applicable circulars and rules may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations. For further details, see the section headed “Regulatory Overview — Supervision over Foreign Exchange.” The applicable foreign exchange circulars and rules may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering or any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Payment of dividends is subject to restrictions under the PRC laws

As our Company is a holding company, we rely on dividend from our subsidiaries in the PRC for cash requirements, including paying dividends to our Shareholders or to service of any debts our Group may incur. Under the current PRC law, dividend may be paid only out of our PRC subsidiary’s accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. Moreover, our PRC subsidiaries are required to set aside a certain amount of its after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our PRC subsidiaries incur debts on their own behalf, the instruments governing the debts may impose restrictions on their ability to pay dividends or make other payments to our Company. The inability of our PRC subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of capital available to fund the development and growth of our business.

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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 the Cayman Islands. We conduct our business through operating subsidiaries in the PRC. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC are considered “resident enterprises” and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. On December 6, 2007, the State Council adopted the Regulation on the Implementation of EIT Law, effective as of January 1, 2008, which defines the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of 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 “**Hong Kong Tax Treaty**”), our Hong Kong subsidiary will be subject to a withholding tax at a rate of 5% on dividends received from our PRC operating subsidiaries. However, the SAT promulgated a circular on October 27, 2009 (“**Circular 601**”), which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance, and a beneficial ownership analysis will be adopted based on a “substance over form” analysis to determine whether or not to grant tax treaty benefits to a “conduit” company. It is unclear whether Circular 601 applies to dividends from our PRC operating subsidiaries paid to us through our Hong Kong subsidiary. It is possible, however, that under Circular 601, our Hong Kong subsidiary would not be considered the “beneficial owner” of any such dividends, and that such dividends would as a result be subject

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to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Hong Kong Tax Treaty. In that case, our financial position and results of operations would be materially and adversely affected.

Shareholders may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources paid to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempt under applicable tax treaties or similar arrangements.

The legal system in the PRC has uncertainties that could limit the legal protections available to us

The legal system in the PRC has been developing continuously. Currently effective laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, and there is much uncertainty in their application, interpretation and enforcement. The PRC legal system is also partly based on government policies and administrative rules that may take effect retrospectively.

In addition, the PRC legal system is based on written statutes and may differ from other jurisdictions in many ways. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable, and it may be difficult to enforce judgments and arbitration awards in the PRC.

Any litigation or regulatory enforcement action in the PRC may also be protracted, which may result in the diversion of our resources and management attention.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions may limit the legal remedies and protections available to us under the PRC laws, rules and regulations.

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

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

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

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 on 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 may also affect the operations of our general suppliers and other service providers.

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 GLOBAL OFFERING

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

The Offer Price of our Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets value per Share with respect to their Shares. In addition, holders of our Shares may experience a further dilution of their interest if we obtain additional capital in the future through equity offerings.

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

There is no existing public market for our Shares and an active trading market for our Shares may not be developed or be sustained

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

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

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

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

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- release of any lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by our Company or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. This may include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the market price of our Shares.

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

Future issues of the Shares by our Company or the disposal of the Shares by any of our Shareholders or the perception that such issuance or sale may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sales or perceived sales of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in 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. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for a period of up to six months after the Listing Date. For further details of such lock-up undertakings, see the section headed “Underwriting — Underwriting Arrangements and Expenses.” We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

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

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

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The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions

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

We may not declare dividends on our Shares in the future

During the Track Record Period, we had declared and paid dividend to our Shareholders. Although we are currently targeting to distribute to our Shareholders not less than 25% of our profit for the year attributable to owners of the Company from the year ending December 31, 2020 onwards, the amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year in the future. For further details, see the section headed “Financial Information — Dividends and Dividend Policy.”

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

Certain facts and other statistics in this prospectus that do not relate directly to our operations, including those relating to the PRC, the PRC economy and the PRC property management industry 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 Joint Sponsors, or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Global Offering, and such information may not be consistent with other publicly available information.

Our Company, the Joint Sponsors, or any of their respective directors, officers, affiliates, advisors or representatives, or any other parties involved in the Global Offering make no representation as to the completeness or accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and

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market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. Therefore, you should not rely unduly upon such facts and statistics contained in this prospectus.

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

There may be certain coverage in the press and/or media regarding our Company, our business, our industry and the Global Offering. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media coverage regarding our Company, our business, our industry and the Global Offering containing, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information disseminated in the articles or media and that such information was not sourced from or authorized by our Company.

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

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

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

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

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

Our Company does not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Our Group's head office is situated in Beijing, the PRC and the core businesses, assets and operations of our Group are primarily located, managed and conducted in the PRC. The management of our Group has been, and will immediately after the Listing be, primarily under the supervision of the joint chairman, the chief executive officer and executive Director of our Company, Mr. Yang Deyong, who is principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's businesses. Mr. Yang Deyong resides in the PRC as it is necessary for him to remain in close proximity to our Group's operations in the PRC. As our Group does not have any substantial business operations in Hong Kong, our Directors consider that the relocation of our Company's executive Directors to Hong Kong or the appointment of additional executive Directors residing in Hong Kong would be unduly burdensome, impractical and not in the best interests of our Company and our Shareholders as a whole.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. Our Company will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** Our Company has appointed Mr. Yang Deyong, our Company's executive Director, and Mr. Chung Kai Cheong, the company secretary of our Company, as the authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange. Although Mr. Yang Deyong resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Mr. Chung Kai Cheong ordinarily resides in Hong Kong. See the section headed "Directors and Senior Management" for more information about the Authorized Representatives.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

2. **Directors:** Our Company will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the Authorized Representatives and to the Stock Exchange. This will ensure that the Authorized Representatives and the Stock Exchange will have the means to contact any Director promptly at all times, including when the Director is traveling. To the best of our Company's knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.
3. **Compliance Advisor:** Our Company has appointed Somerley Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules. Our Compliance Advisor will, among other things and in addition to the Authorized Representatives and our Directors, act as an additional channel of communication of our Company with the Stock Exchange and provide us with professional advice on continuing obligations under the Listing Rules during the period from the Listing Date to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing. Our Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives and our Directors are not available. In turn, we will provide to our Compliance Advisor such information and assistance as our Compliance Advisor may reasonably require in connection with the performance of our Compliance Advisor's duties. Our Company has provided the Stock Exchange with the names, office phone numbers, mobile phone numbers, facsimile numbers and email addresses of at least two of the officers of our Compliance Advisor who will act as our Compliance Advisor's contact persons with respect to matters between the Stock Exchange and our Company.
4. **Company secretary:** Our Company has appointed Mr. Chung Kai Cheong as our company secretary on September 1, 2020. Mr. Chung Kai Cheong will maintain constant contact with our Directors and senior management team members through various means.

Meetings between the Stock Exchange and our Directors could be arranged through the Authorized Representatives, our Directors, our Compliance Advisor and/or our company secretary within a reasonable period. Our Company will also ensure that there are adequate and efficient means of communication among our Company, the Authorized Representatives, our Directors, the company secretary and other officers of our Company and our Compliance Advisor. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, our Directors, our Compliance Advisor and/or our company secretary in accordance with the Listing Rules.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

WAIVERS IN RESPECT OF PARTIALLY EXEMPT AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into and is expected to continue to engage in certain transactions after the Listing which will constitute partially exempt or non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing. Accordingly, our Company has applied to the Stock Exchange pursuant to Rule 14A.105 of the Listing Rules for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirement and, where applicable, the circular (including opinions from independent board committee and independent financial advisor) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in relation to the transactions under the Master Operational Support Services Agreement, the Master Properties Leasing Agreement, the Master Property Management Services Agreement, the Master Pre-delivery Services Agreement and the Master Consultancy and Other Value-added Services Agreement. For further details of the waivers, see the section headed "Connected Transactions — Waivers Granted by the Stock Exchange."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ABOUT THE GLOBAL OFFERING

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

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

UNDERWRITING

The listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date.

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring Hong Kong Offer Shares and the Reserved Shares under the Hong Kong Public Offering and the Preferential Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares and the Reserved Shares to, confirm that he/she is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

Dealings in our Shares on the Stock Exchange are expected to commence on December 17, 2020. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. Our Shares will be traded in board lots of 500 Shares each. The stock code of our Shares is 6677.

SHARES WILL BE ELIGIBLE FOR ADMISSION TO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

OVER-ALLOTMENT OPTION AND STABILIZATION

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

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

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

The procedures for applying for the Hong Kong Offer Shares and the Reserved Shares are set forth under the section headed “How to Apply for Hong Kong Offer Shares and the Reserved Shares” and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering.”

EXCHANGE RATE CONVERSION

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

RMB0.84820 : HK\$1.00 (the prevailing rate set by PBOC on November 25, 2020)
US\$0.129 : HK\$1.00 (the noon buying rate set forth in the H.10 weekly
statistical release of the United States Federal Reserve Board on
November 25, 2020)

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

LANGUAGE

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

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. YANG Deyong (楊德勇)	502, Unit 2 Block 58 Yuanyang World District Chaoyang District Beijing, PRC	Chinese
Ms. ZHU Geying (朱葛穎)	No. 911, Gate 1, Block 13 Hujialou North Street Chaoyang District Beijing, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. CUI Hongjie (崔洪杰)	2-1702, 17th Floor Building 9 Yuquanxili 2nd District Shijingshan District Beijing, PRC	Chinese
Mr. ZHU Xiaoxing (朱曉星)	No. 1306, No. 3 Building Wanliuyishuiyuan Haidian District Beijing, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
-------------	----------------------------	--------------------

Independent non-executive Directors

Dr. GUO Jie (郭杰)	No. 706, Unit 5 Block 5 District 3, Yuanda Park Century City Haidian District Beijing, PRC	Chinese
Dr. XUE Jun (薛军)	No. 310, Flat 505 Zhongguanyuan, Peking University Haidian District Beijing, PRC	Chinese
Mr. ZHU Lin (朱霖)	7-31, Napa Valley No. 68 Shashun Road Changping District Beijing, PRC	Chinese

Further information about our Directors and other senior management members is set forth in the section headed “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Citigroup Global Markets Asia Limited

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

China International Capital Corporation

Hong Kong Securities Limited

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

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup Global Markets Asia Limited

*(Joint Global Coordinator, and Joint
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relation to the Hong Kong Public Offering
only)*

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China International Capital Corporation

Hong Kong Securities Limited

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Joint Bookrunners and Joint Lead Managers *(in alphabetical order)*

ABCI Capital Limited

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**Haitong International Securities
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ICBC International Securities Limited

(Joint Lead Manager only)

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Hong Kong

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	Silk Road International Capital Limited 2906, 29/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Lead Managers	Futu Securities International (Hong Kong) Limited Unit C1-2, 13/F, United Centre No. 95 Queensway Admiralty Hong Kong
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Legal Advisors to our Company	<i>As to Hong Kong and U.S. law:</i> Norton Rose Fulbright Hong Kong 38/F Jardine House 1 Connaught Place Central Hong Kong <i>As to PRC law:</i> Kejie Associates 18/F, Tower C, Sanlitun SOHO 8 Gongti Beilu Chaoyang District Beijing 100027 PRC <i>As to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

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the Underwriters**

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PRC

Auditor and Reporting Accountant

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Certified Public Accountants
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Industry Consultant

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PRC

Compliance Advisor

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Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
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CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters in the PRC	2nd Floor, Tower A No. A518 East Road of Chaoyang Sports Center Chaoyang District Beijing, PRC
Principal Place of Business in Hong Kong	Suite 601, One Pacific Place 88 Queensway Hong Kong
Company's Website	<u>http://www.sinoceanservice.com.cn</u> <i>(information contained on this website does not form part of this prospectus)</i>
Company Secretary	Mr. CHUNG Kai Cheong (鍾啟昌) (CPA) Suite 601, One Pacific Place 88 Queensway Hong Kong
Authorized Representatives	Mr. YANG Deyong (楊德勇) 2nd Floor, Tower A No. A518 East Road of Chaoyang Sports Center Chaoyang District Beijing, PRC Mr. CHUNG Kai Cheong (鍾啟昌) (CPA) Suite 601, One Pacific Place 88 Queensway Hong Kong
Audit Committee	Mr. ZHU Lin (朱霖) (Chairman) Mr. CUI Hongjie (崔洪杰) Mr. ZHU Xiaoxing (朱曉星) Dr. GUO Jie (郭杰) Dr. XUE Jun (薛軍)

CORPORATE INFORMATION

Remuneration Committee

Dr. XUE Jun (薛軍) (*Chairman*)
Mr. YANG Deyong (楊德勇)
Dr. GUO Jie (郭杰)

Nomination Committee

Mr. YANG Deyong (楊德勇) (*Chairman*)
Mr. CUI Hongjie (崔洪杰)
Dr. GUO Jie (郭杰)
Dr. XUE Jun (薛軍)
Mr. ZHU Lin (朱霖)

**Principal Share Registrar and
Transfer Office**

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Cayman Islands

Hong Kong Share Registrar

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Dalian Development Zone
Liaoning Province
PRC

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 Joint Sponsors 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 Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Listing (other than China Index Academy). The information may not be consistent with other information available from other sources within or outside the PRC. None of us, the Joint Sponsors, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Listing (other than China Index Academy), make any representation as to the accuracy, completeness or fairness of such information and, accordingly, you should not unduly rely on such information.

RESEARCH BACKGROUND AND METHODOLOGIES

We purchased the right to use and quote various data from publications by China Index Academy at a total sum of RMB800,000 (tax inclusive) 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 overall strength of property management companies primarily by evaluating each property management company's property management scale, operational performance, service quality, growth potential and social responsibility. China Index Academy assesses the growth potential of a property management company primarily in

INDUSTRY OVERVIEW

terms of revenue growth, growth of total GFA under management, contracted GFA of reserved projects, and the number and composition of employees. In this section, the data analysis is primarily based on the Top 100 Property Management Companies in China.

THE PROPERTY MANAGEMENT INDUSTRY IN THE PRC

Overview

The property management industry emerged in 1981 in the PRC, when the first domestic property management company was founded in the Shenzhen Special Economic Zone. Followed by the official promulgation of the Provisions on Property Management (《物業管理條例》) in 2003 and Property Law of People's Republic of China (《中華人民共和國物權法》) in 2007, the regulatory framework for the property management industry gradually took shape and matured, and an open and fair market system for the industry was established, which encouraged significant growth of the PRC property management industry. The market size of the property management industry in the PRC in terms of the total GFA under management increased from 17.5 billion sq.m. in 2015 to 23.9 billion sq.m. in 2019, representing a CAGR of 8.2% and is expected to increase from 25.1 billion sq.m. in 2020 to 31.1 billion sq.m. in 2024, representing a CAGR of 5.5%. Total revenue of the property management industry in the PRC increased from RMB398.3 billion in 2015 to RMB568.7 billion in 2019, representing a CAGR of 9.3%, and is expected to increase from RMB622.4 billion in 2020 to RMB929.6 billion in 2024, representing a CAGR of 10.6%.

Property management is the operation, control, and oversight of various types of properties, including residential properties, commercial properties and office buildings, public properties, industrial parks, schools, hospitals and other properties. The specific services that property management companies offer include traditional property management services (e.g. security, cleaning, gardening, etc.) and value-added services (e.g. community value-added services to property owners, early-stage value-added services to property developers, etc.).

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 incentivize property management service providers to optimize their operations to enhance profitability. On the other hand, the “commission model” is increasingly adopted in non-residential properties to make property owners more deeply involved in the management of their properties with closer supervision over the performance of the property management service providers.

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The following table sets forth the industry's average property management fee for residential communities and non-residential properties by geographic region for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB/month/sq.m.		RMB/month/sq.m.		RMB/month/sq.m.	
	Residential communities	Non-residential properties	Residential communities	Non-residential properties	Residential communities	Non-residential properties
Beijing-Tianjin-Hebei region ⁽¹⁾ . .	2.2	5.5	2.2	5.6	2.2	5.5
Bohai Rim region ⁽²⁾	2.1	5.0	2.1	5.0	2.0	4.9
Eastern China ⁽³⁾	2.3	6.0	2.3	5.9	2.3	5.9
Southern China ⁽⁴⁾	2.1	5.2	2.1	5.3	2.1	5.2
Central and western China ⁽⁵⁾ . .	2.0	4.7	2.0	4.8	2.0	4.8

Notes:

- (1) "Beijing-Tianjin-Hebei region" refers to cities or municipalities including Beijing, Qinhuangdao, Tianjin, Tangshan and Hengshui.
- (2) "Bohai Rim region" refers to cities or municipalities including Dalian, Shenyang, Changchun, Qingdao, Jinan, Yantai, Fushun, Linyi and Lianyungang.
- (3) "Eastern China" refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Wuxi, Zhenjiang, Huzhou, Wuhu, Nantong, Suzhou and Huangshan.
- (4) "Southern China" refers to cities or municipalities including Shenzhen, Zhongshan, Guangzhou, Maoming, Nanning, Sanya and Haikou.
- (5) "Central and western China" refers to cities or municipalities including Wuhan, Changsha, Nanchang, Ganzhou, Huaihua, Yongzhou and Chengdu.

Overview of the Top 100 Property Management Companies

In recent years, the GFA under management and number of properties managed by the Top 100 Property Management Companies have increased rapidly as a result of swift urbanization and continual growth in per capita disposable income in China. According to China Index Academy, the average GFA under management managed 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%, as the property management scale of the Top 100 Property Management Companies continues to expand and the GFA of commodity housing continues to increase. Meanwhile, the average number of properties managed by the Top 100 Property Management Companies increased to 212 in 2019 from 154 in 2015, representing a CAGR of 8.3% and is expected to increase from 227 in 2020 to 297 in 2024, representing a CAGR of 7.0%. The following chart sets forth 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:

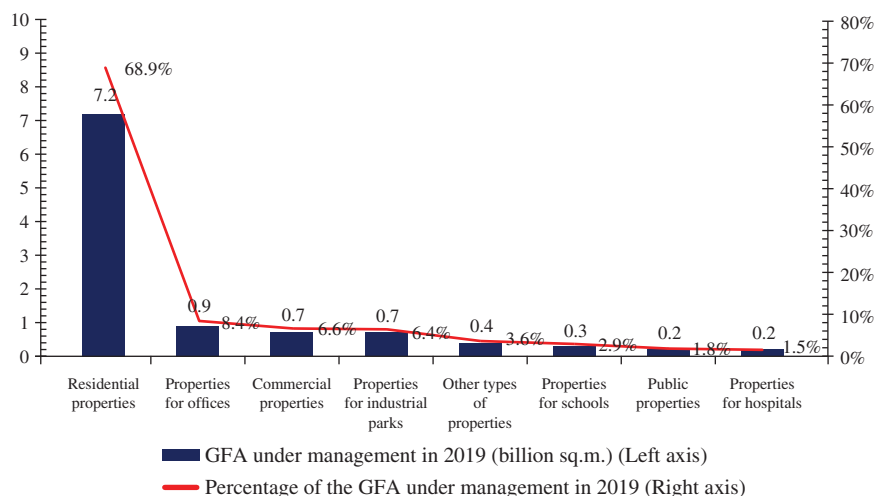
INDUSTRY OVERVIEW



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 under management, 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%.

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



Source: China Index Academy

INDUSTRY OVERVIEW

According to China Index Academy, a majority of the Top 30 of the Top 100 Property Management Companies in China 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 2019¹, approximately 80% of them manage properties developed by property developers which were their related parties, and the GFA under management of such properties accounted for approximately 60% of such property management companies' total GFA under management in 2019, according to China Index Academy.

The Property Management Industry Growth Drivers

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

Rapid urbanization and increasing per capita disposable income

The level of urbanization 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 urbanization rate (being the projected average rate of change of the size of the urban population over the given period of time) in China increased from 34.8% in 1999 to 60.6% in 2019. The PRC property management industry is expected to continue to grow in tandem with such rising level of urbanization. Moreover, according to China Index Academy, China's rapid economic growth 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. Consumers in China increasingly demand better living conditions and high-quality property management services, which is another underlying driver for the growth of the PRC property management industry.

Development of commodity housing

Following the rapid urbanization and continuous growth in per capita disposable income, the supply of commodity properties (being both residential and non-residential properties developed for sale) also surged in China. According to China Index Academy, the total GFA of commodity properties sold in China increased from 1.3 billion sq.m. in 2015 to 1.7 billion sq.m. in 2019 at a CAGR of 7.5%. During the same period, the GFA of commodity properties under construction increased from 7.4 billion sq.m. in 2015 to 8.9 billion sq.m. in 2019 at a CAGR of 5.0%, according to China Index Academy.

1 The annual ranking of China-based property management companies by overall strength published by China Index Academy for 2020 comprised 244 such companies as multiple companies with very close scores were assigned the same ranking.

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Favorable policies

The promulgation of the Provisions on Property Management (《物業管理條例》) in June 2003 by the State Council marked as a milestone for the regulatory framework for the property management industry in China. Subsequently, a series of favorable policies supporting the development of the property management industry have come into effect, including but not limited to (i) the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》), which requires provincial level price administration authorities to abolish all price control or guidance policies on non-government supported properties other than government-supported housing, housing reform properties, properties in old residential areas and preliminary property management service, and (ii) the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》), which aims to promote, among others, the standardization of the provision of property management services as part of the industrial upgrading and diversification of the resident service sectors. The NDRC also issued the Guiding Opinions on Continuing the Evaluation of New Smart City Construction and Promoting the Healthy and Rapid Development of New Smart Cities (《關於促進智慧城市健康發展的指導意見》) in 2014 and followed by relevant policies in the field of smart city construction released by local government departments, which provided directions for the future development of property management companies in China in terms of smart management and encouraged the upgrade of traditional property management services through digitization and smart management. It broadens the scope of property management services and brings more development space for property management industry. In addition, the reform of power decentralization 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.

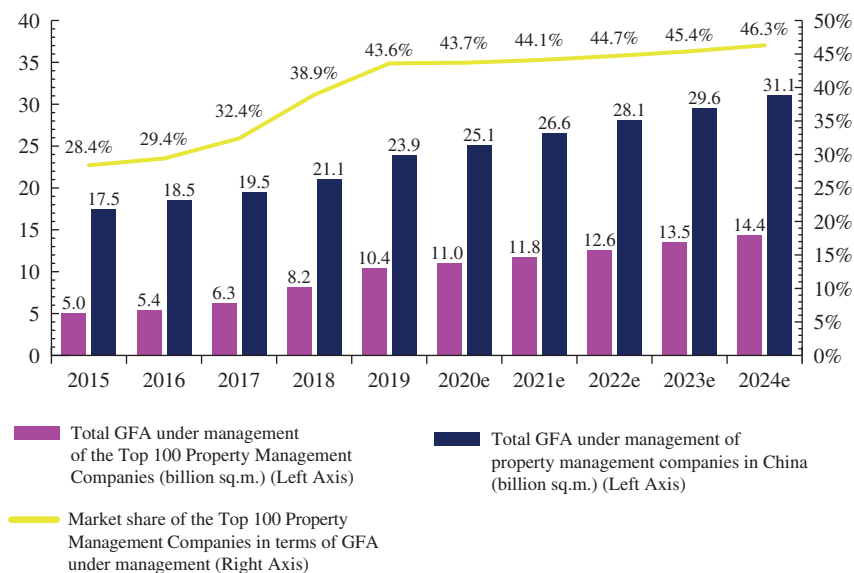
In particular, local government departments in Tianjin issued the “Three-year Action Plan for Promoting the Development of Elderly Care Services in Tianjin (2019-2021)” (《天津市促進養老服務發展三年行動方案(2019-2021年)》) in 2019, which proposes to speed up the elderly care service system and support the property management companies to carry out various forms of elderly care services such as catering for elderly and regular visits. The local government departments in Beijing have also issued the “Implementation Plan on Accelerating the Development of Elderly Care Services” (《關於加快推進養老服務發展的實施方案》) in 2020, which intend to establish an elderly care service system and explore the combination of property management services and elderly care services. Both of the aforementioned policies have encouraged the expansion of services provided by property management companies in the Beijing-Tianjin-Hebei region. In addition, the local government departments in Beijing have implemented the “Regulations of Beijing Municipality on Property Management” (《北京市物業管理條例》) in 2020, which stipulate that property services fees charged by property management companies shall be subject to market-determined price and be dynamically adjusted. It enables property management companies to have more flexibility and larger room for pricing and adjustment in accordance with their services provided. These laws and policies jointly create and will continue to provide a supportive and orderly environment for as well as accelerate the development of, the property management industry and property management companies in the PRC. For further details, see the section headed “Regulatory Overview — Supervision over Property Management Services and Other Related Services.”

INDUSTRY OVERVIEW

Market Trends

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

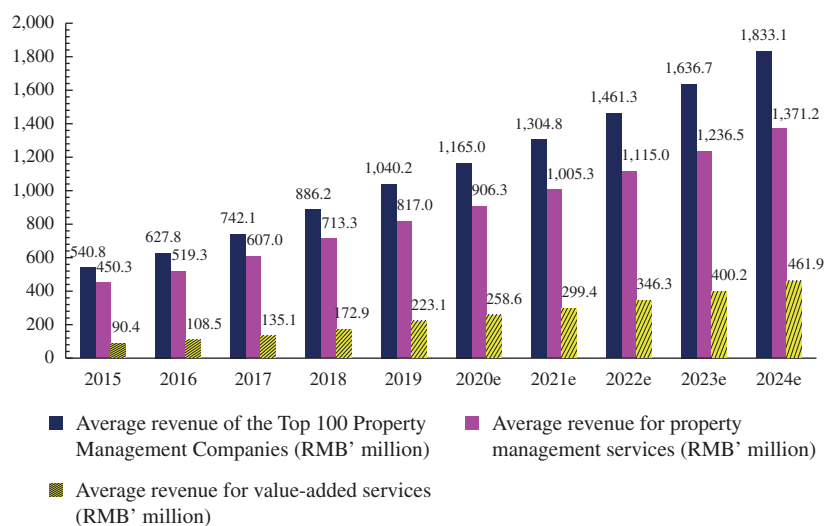
- Increasing market concentration.* The property management industry in the PRC is fragmented and competitive. Large-scale property management companies actively accelerate their expansion by means of both organic growth and mergers and acquisitions of small-and medium-sized property management companies, in order to expand the scale of property management and realize 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%. 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 housing continues to increase. Benefiting from the increasing market concentration, the average net profit of the Top 30 of the Top 100 Property Management Companies increased at a higher CAGR from 2017 to 2019 as compared to the industry average of the Top 100 Property Management Companies, according to China Index Academy. The following chart sets forth the historical and projected total GFA under management of property management companies in China 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: China Index Academy

INDUSTRY OVERVIEW

- Diversified managed property types and services.** In response to evolving customer needs and facing increasing operational pressure driven by rising cost, property management companies have become increasingly willing to explore different business models and opportunities. Property management companies are increasingly diversifying the types of managed non-residential properties as management of such properties generally has a higher profit margin as compared to residential properties. Property management companies are also increasingly diversifying their revenue streams by offering various value-added services for higher profitability and stronger customer stickiness. These mainly include pre-delivery services and consultancy services to property developers and other property management companies and community value-added service to property owners and residents, such as community living services, e-commerce services, property value management services and other various bespoke services. 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 at a CAGR of 16.1% from 2015 to 2019 and is expected to increase at a CAGR of 10.9% from 2020 to 2024. The average revenue of Top 100 Property Management Companies for value-added services increased at a CAGR of 25.3% from 2015 to 2019 and is expected to increase at a CAGR of 15.6% from 2020 to 2024. The following chart sets forth the average revenue of the Top 100 Property Management Companies by service type for the years indicated:



Source: China Index Academy

INDUSTRY OVERVIEW

- *Emergence of smart communities.* With the prevalent adoption of the Internet, mobile applications, cloud computing, artificial intelligence, and other related technologies, as well as encouragement from the PRC government, property management companies are increasingly developing intelligent and smart management of their property management portfolio through various products such as smart access control systems, energy management systems, robots as well as mobile applications and online service platform, all of which are aiming to achieve digitalization, automation, modernization and synergy of various services through the integration of online-to-offline information and resources and provides a platform for one-stop services to property owners, residents and tenants.
- *Increasing standardization, adoption of information technology and professionalized staff.* To enhance service quality and reduce labor costs, most of the Top 100 Property Management Companies have set up their own internal standardized operating procedures and are increasingly adopting information technologies. They are also increasingly outsourcing labor-intensive aspects of their operations to sub-contractors while placing greater emphasis on recruiting and training professionalized and skilled employees to facilitate the implementation of smart management and information technologies and promote innovations to maintain their leading market positions.

Industry Risks and Challenges

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

- *Increasing labor costs.* The property management industry in the PRC is labor-intensive. The percentage of staff cost to cost of sales of the Top 100 Property Management Companies was 55.8%, 57.8% and 59.1% for the years ended December 31, 2017, 2018 and 2019, respectively, according to China Index Academy. Such increasing labor costs were primarily due to (i) the increasing minimum wage in various regions in recent years and (ii) the increasing demand of labor. According to China Index Academy, the average salaries of staff of Top 100 Property Management Companies were RMB55.4 thousand, RMB60.4 thousand and RMB64.5 thousand for the years ended December 31, 2017, 2018 and 2019, respectively. 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. With the expanding property management scale, the Top 100 Property Management Companies need to recruit more staff and are expected to pay increasing staff salaries and benefits, as well as relevant training and management expenses.

INDUSTRY OVERVIEW

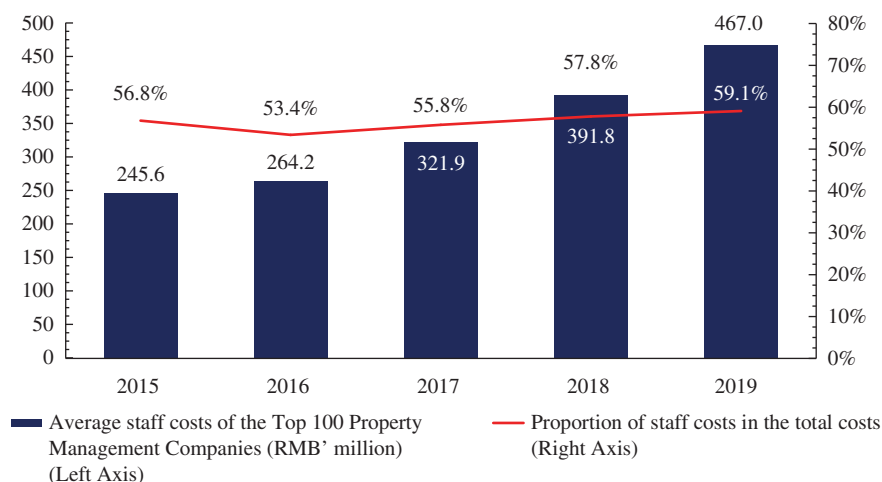
- *Shortage of human resources.* The property management industry also faces challenges such as difficulty in recruiting high-quality staff with the average salary level of the industry and the ground staff generally does not have a high degree of recognition for their work. In order to ensure the expansion of property management scale and future development, property management companies are in need of a sufficient pool of talents to improve their service quality. Development of these property management companies may be hindered if they are unable to recruit sufficient suitable talents or the service quality of their staff and their management's scale and capability are unable to adapt to the companies' expansion.

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

HISTORICAL PRICE TREND

According to China Index Academy, labor cost contributed a substantial portion of the cost of sales in a property management business. In recent years, inflation has arisen the overall amount of consumer spending, wages and other related labor costs and such change places additional pressure on property management companies seeking to expand their business operations as they need to expand their workforce correspondently. According to China Index Academy, property management companies increasing engage services from subcontractors in order to reduce their overall cost of sales. By doing so, the property management companies are able to increase operational efficiency and raise service quality as subcontractors can leverage their expertise in their respective fields.

According to China Index Academy, the labor costs of Top 100 Property Management Companies increased in both absolute amount and percentage of cost of sales from 2016 to 2019. The following chart sets forth the historical average labor costs of the Top 100 Property Management Companies for the years indicated:



Source: China Index Academy

INDUSTRY OVERVIEW

COMPETITION

Competitive Landscape

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

As a comprehensive player with large and extensive property management portfolio, our property management services primarily compete against large national and regional property management companies in the PRC in terms of GFA under management, geographic coverage, type of properties managed and services provided and property management fees. Our value-added services compete against other property management companies as well as relevant industry participants providing similar services including community value-added services and early stages value-added services to property developers.

According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. Our market share in terms of total GFA under management and revenue in the overall PRC property management market in 2019 was 0.2% and 0.3%, respectively. We have geographic footprint of our managed properties across cities of different tiers in China and have a leading position in the Beijing-Tianjin-Hebei region. Headquartered in Beijing, we ranked fourth in terms of contracted GFA, fifth in terms of each of GFA under management, revenue and net profit and sixth in terms of Reserved GFA and growth rate of Reserved GFA in 2019 among the 35 Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region, according to China Index Academy. Our total Reserved GFA increased by 43.8% from 13.1 million sq.m. in 2018 to 18.9 million sq.m. in 2019 and ranked fifth in 2019 as compared to the 24 property management companies listed in Hong Kong as of June 30, 2020, in terms of growth rate of Reserved GFA.

We are recognized by China Index Academy as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management. We ranked fourth among the Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region, in terms of GFA under management for commercial properties in 2019. The table below sets forth the ranking of property management companies in China headquartered in the Beijing-Tianjin-Hebei region, in terms of GFA under management for commercial properties in 2019:

Ranking	Company name	Total GFA under management in 2019
		<i>(million sq.m.)</i>
1	Company A	More than 3.0
2	Company B	More than 2.0
3	Company C	More than 2.0
4	Our Group	1.8
5	Company D	More than 1.5

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For the years ended December 31, 2017, 2018 and 2019, our average property management fees charged for the Beijing-Tianjin-Hebei region was approximately RMB4.6, RMB4.3 and RMB4.7 per sq.m. per month, respectively, which was higher than the industry average of RMB4.1, RMB4.1 and RMB4.1 per sq.m. per month for the Beijing-Tianjin-Hebei region for the respective periods, according to China Index Academy.

Our GFA under management increased at a CAGR of 17.2% from December 31, 2017 to December 31, 2019, which was higher than the industry average of 16.3% of the Top 100 Property Management Companies, according to China Index Academy. The property management industry in China is highly fragmented and GFA under management of Top 20 Property Management Companies in the PRC as of December 31, 2019 accounted for approximately 22.2% of the market share of property management companies in China in terms of GFA under management in 2019, according to China Index Academy.

Our profit for the year grew at a rate of 42.6% from RMB143.9 million in 2018 to RMB205.3 million in 2019 and were higher than the industry average of 26.2% of the Top 100 Property Management Companies which increased from RMB72.2 million in 2018 to RMB91.1 million in 2019, according to China Index Academy.

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.
- *Capital requirements.* Capital has become increasingly important for the property management industry. Companies in the industry are trying to improve service quality by investing in more advanced equipment and technologies to achieve automation and digitalization. In recent years, the property management industry is slowly shifting from a labor intensive industry to a capital intensive industry, as market participants are now increasingly investing in new fields such as the application of automation and online management systems in order to enhance efficiency and competency. Thus in order to compete with the existing players in the industry, the capital requirements is higher for new entrants.

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- *Specialization of operations and management.* In order to better control costs and maintain service quality, standardized 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 standardization, automation and smart management of their operations than new entrants.
- *Talent specialization.* 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 CHINA'S PROPERTY DEVELOPMENT AND PROPERTY MANAGEMENT INDUSTRY

The outbreak of COVID-19 has brought major impacts to China's macro economy and certain industries such as tourism, public transportation and catering during January and February 2020. However, the COVID-19 outbreak has only exerted short term impact on the property development and property management industry and is expected to bring limited impacts to these industries in the medium- and long-term.

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 China. As the COVID-19 outbreak has been brought under control and economic activities gradually resumes in China, the property development industry is also on track to recovery as purchase demand for commodity housing resumes.

The short-term impact of the COVID-19 outbreak on the property management industry in China would be primarily on increased costs of sales and management efforts. Given that property management companies were at 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 labor costs in connection with the additional overtime expenses and subsidies for its property management staff during the extended Lunar New Year holidays. The COVID-19 outbreak had also exerted pressures and challenges 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.

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

- (1) *Accelerated adoption of smart management and digitization* – 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 carpark management systems to improve the efficiency of infection prevention and control. Such increasing demands in technologies are predicted to accelerate the upgrades in information technology as well as development and adoption of smart management and digitization 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 explore 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 have played a critical role in infection prevention and control during the COVID-19 outbreak and their services have been widely recognized 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 has not only directly alleviated the cost pressure caused by the outbreak, but may also assist sustainable development of the property management industry in the future.

DIRECTORS’ CONFIRMATION

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

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Our businesses are primarily conducted in the PRC. We are therefore required to comply with a number of the PRC laws and regulations to carry out our operating activities. This section sets forth a summary of the main laws and regulations applicable to our business in the PRC.

SUPERVISION OVER PROPERTY MANAGEMENT SERVICES AND OTHER RELATED SERVICES

Foreign Invested Property Service Enterprises

According to the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (No. 6 Order [2000] of the MOFCOM) (《關於外商投資企業境內投資的暫行規定》) (商務部令[2000]第6號) of the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce) promulgated by Foreign Trade and Economic Cooperation and the SAIC on July 25, 2000, came into effect since September 1, 2000 and was amended on May 26, 2006 and October 28, 2015, the domestic investment by a foreign-invested enterprise shall, by analogy, be governed by the Interim Provisions on Guiding Foreign Investment (NO.5 Order [1995] of the State Planning Commission, the State Economic and Trade Commission, and the Ministry of Foreign Trade and Economic Cooperation) (《指導外商投資方向暫行規定》) (國家計劃委員會、國家經濟貿易委員會、對外貿易經濟合作部令[1995]第5號) (has been replaced by the Regulations on Foreign Investment Guidelines (No.346 Order of the State Council) (《指導外商投資方向規定》) (國務院令第346號) on April 1, 2002) and the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). No foreign-invested enterprise shall invest in fields forbidden for foreign investment.

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

Pursuant to Announcement of the NDRC and the MOFCOM [2016] No. 22 (中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號) issued on October 8, 2016, the special management measures for foreign investment access shall be implemented with reference to the relevant regulations as stipulated in the Catalogue of Industries for Guiding Foreign Investment in relation to the restricted, prohibited, and encouraged categories include equity requirements and executive requirements. Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modifications of Foreign Investment Enterprises (the “Interim Administrative Measures”) (No. 3 Order [2016] of the MOFCOM) (《外商投資企業設立及變更備案管理暫行辦法》) (商務部令2016年第3號) promulgated by the MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, and repealed on January 1, 2020, the Interim Administrative Measures shall apply to the establishment and modifications of foreign investment enterprises that are not subject to the approval under the special entry management measures. Where the establishment of foreign investment enterprise falls within the scope of the Interim Administrative Measures, when the representatives of the enterprise go through the registration procedures for the establishment with the competent administrations for industry commerce and market supervision, they shall file the recording-filing information with the foreign investment comprehensive administration information system in accordance with the Interim Administrative Measures.

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On December 30, 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (No. 2 Order [2019] of the MOFCOM and the SAMR) (《外商投資信息報告辦法》) (商務部、市場監管總局令2019年第2號), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures. According to the measures, since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

On March 15, 2019, the SCNPC promulgated the Foreign Investment Law of the PRC (No. 26 Order of the President of the PRC) (《中華人民共和國外商投資法》) (主席令第26號), which came into effect on January 1, 2020, replaced the Sino-Foreign Equity Joint Venture Enterprise Law (No. 7 Order of the SCNPC) (《中華人民共和國中外合資經營企業法》) (全國人大常委會令第7號), the Sino-Foreign Cooperative Joint Venture Enterprise Law (No. 4 Order of the President of the PRC) (《中華人民共和國中外合作經營企業法》) (主席令第4號) and the Wholly Foreign-Invested Enterprise Law (No. 39 Order of the President of the PRC) (《中華人民共和國外資企業法》) (主席令第39號), sets forth the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively the “foreign investors”) shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-invested enterprises shall submit the investment information to the commerce authorities through the enterprise registration system and the enterprise credit information publicity system.

On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (No. 723 Order of the State Council) (《中華人民共和國外商投資法實施條例》) (國務院令第723號), which came into effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (Guo Fa NO. [1983]148) (《中華人民共和國中外合資經營企業法實施條例》) (國發[1983]148號), Temporary Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (No. 6 Order of the Ministry of the Foreign Trade and Economic Cooperation) (《中華人民共和國中外合作經營企業法實施細則》) (對外貿易經濟合作部令第6號).

According to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (Edition 2020) (No. 32 Order of the NDRC and the MOFCOM) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (國家發展和改革委員會、商務部令第32號) issued by the NDRC and the MOFCOM on June 23, 2020 and came into effect on July 23, 2020, the property management service industry does not fall into such categories which foreign investment is restricted or prohibited.

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Qualification of Property Management Service Enterprises

According to the Regulations on Property Management (No. 379 Order of the State Council) (《物業管理條例》) (國務院令第379號) issued by the State Council on June 8, 2003, came into effect on September 1, 2003 and was revised on August 26, 2007, February 6, 2016 and March 19, 2018 respectively, a qualification system for companies engaging in property management activities has been adopted.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (Guo Fa [2017] No. 7) (《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》) (國發[2017]7號) issued by the State Council on January 12, 2017 and came into effect on the same day, second class or lower property management company qualifications acknowledged by Provincial and municipal government departments of Housing and Urban-Rural Development were canceled.

According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (Guo Fa [2017] No. 46) (《國務院關於取消一批行政許可事項的決定》) (國發[2017]46號) issued by the State Council on September 22, 2017 which came into effect on the same day, qualification accreditation for property management enterprises of Level One was canceled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (Jian Ban Fang [2017] No. 75) (《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》) (建辦房[2017]75號) issued by the General Office of MOHURD on December 15, 2017 and came into effect on the same day, application, any change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects.

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

Appointment of Property Management Service Companies

According to the Property Law of the PRC (No. 62 Order of the President of the PRC) (《中華人民共和國物權法》) (主席令第62號) issued by the National People's Congress on March 16, 2007 and came into effect on October 1, 2007, property owners can either manage the buildings and ancillary facilities by themselves or engage a property management company or other custodians. Property owners are entitled to alter such property management company

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or other custodians hired by the developer in accordance with law. Property management companies or other custodians shall manage the buildings and ancillary facilities within the area of the building as agreed with the property owners, and shall be subject to the supervision by them.

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 the property management companies with affirmative votes of owners who own more than half of the total GFA of the exclusive area of the community and who account for more than half of the total number of the property owners. The property owners' association, on behalf of the general meeting, shall sign a property management contract with the property management company engaged at the general meeting. Before the engagement of a property management company 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 company. 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 company comes into force within the term of preliminary property management service, the preliminary property management contract shall be terminated automatically. Property developers of residential buildings shall enter into preliminary property management service contracts with property management enterprises through tender and bidding process in accordance with the Regulations on Property Management.

According to the Regulations on Property Management (2018 revision) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (Jian Zhu Fang [2003] No. 130) (《前期物業管理招標投標管理暫行辦法》) (建住房[2003]130號) issued by the Ministry of Construction on June 26, 2003 and came into effect on September 1, 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire qualified property management companies 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 company through a tender and bidding process or hire the property management company 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.

Bid assessment shall be the responsibility of the bid assessment committee established by the bid inviter in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representative of the bid inviter and experts in the related property management fields and the number of members shall be an odd number at or above five. The expert members shall represent at least two-thirds of the total members. Expert members in the bid assessment committee shall be determined by random select from the roster of experts established by the competent real estate administrative department. A person having an interest with a bidder shall not join the bid assessment committee of the related project.

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In addition, the Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (Fa Shi [2009] No. 8) (《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》)(法釋[2009]第8號) that issued by the Supreme People's Court on May 15, 2009 and came into effect on October 1, 2009, stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management companies. For example, the preliminary property management contract signed according to the relevant laws and regulations by the developer and the property management company and the property management contract signed by the property owners' association and property management companies hired according to the relevant laws and regulations by the general meeting shall be binding on property owners. Where any property owner pleads against such contract as he/she is not the contract party thereto, it shall not be supported by the people's court. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management companies or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

According to the Civil Code of the People's Republic of China (the "Civil Code") (No. 45 Order of the President of the PRC) (《中華人民共和國民法典》)(主席令第45號) which was issued by the National People's Congress on May 28, 2020 and will come into effect on January 1, 2021 and replace the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC, a quorum for the general meeting of the property owners to engage and dismiss a property management enterprise, to change the usage of common space or to conduct operating activities in common space or to decide for certain other matters shall consist of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than two-thirds of the total number of property owners. A general meeting of the property owners of a community can engage and dismiss a property management enterprise with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting. For other matters, such as changing the usage of common space or conducting operating activities in common space, the approvals requires the affirmative votes of property owners who participate in the voting and hold more than 75% of the total GFA of the exclusive area owned by the voting owners and who represent more than 75% of the total number of property owners participating in the voting. In addition, the Civil Code explicitly requires that any income generated from the usage of common space in properties under management, net of any reasonable operating costs, shall belong to the property owners. Under the Civil Code, the income from the buildings and ancillary facilities shall be distributed according to the property owners' agreement or based on their respective proportion of the total GFA of the exclusive area of the community if there is no agreement or the agreement is ambiguous.

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Property Management Service Charges

According to the Regulations on Property Management (2018 revision), the property owners shall pay property management service fee based on the property management service contract. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management service fee shall be paid by the developer.

According to the Measures on the Charges of Property Management Enterprise (Fa Gai Jia Ge [2003] No. 1864) (《物業服務收費管理辦法》) (發改價格[2003]1864號) which was jointly issued by the NDRC and the MOHURD on November 13, 2003 and came into effect on January 1, 2004, property management companies are permitted to charge fees from property owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to related property management service contract.

The fees charged by property management companies nationwide are regulated by the competent price administration department and construction administration department of the State Council. 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 companies in their respective administrative regions.

The fees charged by property management companies shall be determined with references to the government guidance price or market-adjusted price, which is based on the nature and features of relevant properties to which the property management services are provided. The specific pricing principles shall be determined by the competent price administration departments and property administration departments of the local governments of each province, autonomous region and municipality. According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) and the relevant local regulations, where property service charges are priced under the government guidance, the competent price government department together with the competent real estate department shall set the benchmark prices and the range of variations depending on such factors as (i) the specific property type, which may include higher-level apartment buildings with elevators and lower-level apartment building without elevators, (ii) service scope, which may specify different types of services, such as landscaping, repair and maintenance for common areas and elevator maintenance, and (iii) the grading criteria of property service charges, and publish these prices and the range of variations at regular intervals. the specific government guidance prices in different cities vary mainly depending on the property type, the existing condition of the local property management market, and the local government departments' policies with respect to the property management market. In recent years, the property management industry has generally seen supportive policies from the central and local governments that are aimed to

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stimulate the development of the sector, which included policy relaxation by local government on price guidance. Where property service charges are priced by market, property owners and property management enterprises shall agree on the charges in property management service contracts.

As agreed between the property owners and property management companies, the fees for the property management services can be charged either as a lump sum basis (包幹制) or a commission basis (酬金制). The lump sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses to property management companies who shall enjoy or assume the surplus or deficit. The commission basis refers that property management companies 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.

Property management companies shall charge service fees at expressly marked prices according to the regulations of competent price administration departments of the people's government, revealing the service information, standards, charged items and standards to the public at prominent positions within the property management region.

According to the Provisions on Clearly Marking the Prices of Property Services (Fa Gai Jia Jian [2004] No. 1428) (《物業服務收費明碼標價規定》) (發改價檢[2004]1428號), which was jointly issued by the NDRC and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004, property management companies shall clearly mark the price, state service items and standards and relevant information on services (including the property management services as stipulated in the property management service contract as well as other services requested by property owners) provided to the property owners. If the charging standard changes, property management companies shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard.

According to the Property Management Pricing Cost Supervision and Examination Approaches (Trial) (Fa Gai Jia Ge [2007] No. 2285) (《物業服務定價成本監審辦法(試行)》) (發改價格[2007]2285號), which was issued by the NDRC and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007, the competent price administration department of people's government formulates or regulates property management charging standards, the pricing cost of property management services should be the social average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organize the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs,

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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.

According to the Circular of the Opinions on Liberalizing Price Controls in Certain Services (Fa Gai Jia Ge [2014] No. 2755) (《關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), which was promulgated by the NDRC and became effective on December 17, 2014, the competent price departments of all provinces, autonomous regions and direct municipalities under the PRC Government are supposed to perform relevant procedures to liberalize the prices of the following types of services that have met the relevant conditions:

- (1) Property management services for non-government-supported houses. Property management fees are fees charged by property management service providers for the maintenance, conservation and management of non-government-supported houses, their supporting facilities and equipment and the relevant sites thereof, maintaining the environment, sanitation, and order within the geographical scope of the managed properties, and other actions entrusted by the property owner in accordance with the property management service contract. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, implement government guidance prices for property management fees charged in relation to government-supported houses, houses under housing reform, older residential communities and preliminary property management services with regard to the actual situation.
- (2) Carpark management services in residential communities. Fees charged by property management service providers or carpark management service companies from property owners or users of residential areas for the providing and management of carpark spaces in accordance with the agreed carpark management service contract.

Property Management Service Outsourcing

According to the Regulations on Property Management (2018 Revision), a property management enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management business within such area to third parties.

Fire Protection

According to the the Fire Protection Law of the PRC (No. 4 Order of the President of the PRC) (《中華人民共和國消防法》) (主席令第4號) which was issued by the SCNPC on April 29, 1998, and came into effect on September 1, 1998 and amended on October 28, 2008 and April 23, 2019, property management enterprises of residential districts shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

Carpark management Service Fees

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

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (Fa Gai Jia Ge [2015] No. 2975) (《關於進一步完善機動車停放服務收費政策的指導意見》)(發改價格[2015]2975號) (jointly promulgated by the NDRC, the MOHURD and the Ministry of Transport on December 15, 2015 and came into effect on the same day), the fee charged in carpark management service shall be determined mainly by the market, and the scope of government guidance prices in carpark management services shall be gradually reduced to encourage the construction of carpark by social capital.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (Fa Gai Jia Ge [2014] No. 2755) (《關於放開部分服務價格意見的通知》)(發改價格[2014]2755號), price control on carpark management services in residence communities was also canceled.

Regulations on Property Engineering Services

According to the Construction Law of the PRC (《中華人民共和國建築法》)(No. 91 Order of the President of the PRC) issued by the SCNPC on November 1, 1997 and came into effect on March 1, 1998, which was amended on April 22, 2011 and April 23, 2019, construction enterprises, surveying units, design units and construction supervision units engaging in construction activities are classified into different qualification levels according to their qualification conditions such as their registered capital, professional technical staffs, technical equipment and performance records of their completed construction works, and they may only engage in construction activities within the scope specified for them in terms of their grades after passing qualification examination and obtaining the appropriate qualification grade certificates. It is an offense to contract for projects exceeding the limit of an enterprise's qualification and the offender may be subject to an order to cease the illegal act, fine, suspension of business for rectification or qualification downgrade; in more serious cases, an offender's qualification may be revoked and the illegal gains may be confiscated. If an enterprise contracts for a project without qualification, the offender may be banned, be subject to a fine and the illegal gains may be confiscated.

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According to the Administrative Provisions on the Qualification of Construction Enterprises (No. 22 Order of the MOHURD) (《建築業企業資質管理規定》) (住房和城鄉建設部令第22號) which was issued by MOHURD on January 22, 2015 and came into effect on March 1, 2015, and was amended on September 13, 2016, and December 22, 2018, the qualifications of construction enterprises are classified into three sequences, namely, general construction contracting qualification, professional contracting qualification and construction labor qualification. The second-grade qualification in the sequence of qualification for professional contracting (excluding the second-grade qualification for professional contracting in respect of railways and civil aviation) of construction enterprises shall be granted by the administrative departments in charge of housing and urban-rural development of the people's governments of provinces, autonomous regions and centrally-administered municipalities where industrial and commercial registration of the enterprises is handled.

Supervision on Operation of Swimming Pools

Approval of Public Area Hygiene

According to the Public Area Hygiene Administration Regulation (Guo Fa [1987] No. 24) (《公共場所衛生管理條例》) (國發[1987]24號) which was issued by the State Council on April 1, 1987 and came into effect on the same day and was amended on February 6, 2016 and April 23, 2019 and according to the Implementing Measures for the Public Area Hygiene Administration Regulation (《公共場所衛生管理條例實施細則》) (No. 80 Order of the Ministry of Health) issued by the Ministry of Health on March 10, 2011 and came into effect on May 1, 2011, and amended on January 19, 2016 and December 26, 2017, the operators who operate a swimming pool must obtain a public area hygiene license before opening for business, the operators of public places failing to obtain a public area hygiene license or comply with other requirements set forth in such regulations may be subject to the following administrative penalties depending on the seriousness of their respective activities: (i) warnings; (ii) fines between RMB500 and RMB30,000; (iii) orders to correction within a stipulated period or (iv) orders to suspend operations for rectification, or to revoke the public hygiene license.

Approval of High-Risk Sports Project

According to the Administrative Measures on Business Licensing for High-Risk Sports Projects (No. 17 Order of the State General Administration of Sports) (《經營高危險性體育項目許可管理辦法》) (國家體育總局令第17號) which was issued by the State General Administration of Sports on February 21, 2013 and came into effect on May 1, 2013 and amended on April 29, 2016 and November 30, 2018, the operators who operate high-risk sports projects must obtain administrative licensing, and shall satisfy the following requirements: (i) relevant sports facilities shall comply with the national standards; (ii) hiring social sports instructors and rescuers who reach the prescribed number and have obtained national professional qualification certificates; (iii) having safety assurance systems and measures such as the responsibility system for safe production positions, safety operation regulations, emergency response plans, sports facilities, equipment and equipment safety inspection systems.

Favorable Policies

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 the Consumption Structure (Guo Ban Fa [2015] No. 85) (《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》) (國辦發[2015]85號), issued and came into effect on November 19, 2015, sets forth the general requirements, the main tasks and the policy measures to accelerate the development of resident services and upgrade consumption structures. Such main tasks 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, promoting the standardization developments of the real estate intermediary, house lease operation, property management, moving and cleaning, household vehicles maintenance and repair and other resident services, improving the standards of the elderly care services system, and encouraging the integration and innovative development of elderly care services and related industries.

According to the Action Plan on Exerting More Efforts to Motivate Social Public Service to Fix Weakness and Improve Quality in Order to Form a Strong Domestic Market (Fa Gai She Hui [2019] No. 0160) (《加大力度推動社會領域公共服務補短板強弱項提質量促進形成強大國內市場的行動方案》) (發改社會[2019]0160號) issued by NDRC and 17 other Government Agency and became effective on January 23, 2019, by 2020, the basic public service capabilities shall be fully covered, fully reaching standards, subject to full implementation of standards, and be fully shouldered. By 2020, non-basic public service shall be easily available, affordable, quality-guaranteed, and supervised. The elderly care service system based on home-based, community-relied, institution-supplemented, and combining medical-nursing care system should be more complete, and the proportion of nursing beds should be not less than 30%. The standardization of housekeeping training should be further improved, and the industry norms should be further consolidated.

In accordance with the Opinions on Accelerating the Development of Circulation and Promoting Commercial Consumption (Guo Ban Fa [2019] No. 42) (《關於加快發展流通、促進商業消費的意見》) (國辦發[2019]42號) issued by the General Office of the State Council and became effective on August 16, 2019, 20 opinions were raised by the State Council about motivating consumer spending, including promoting night businesses and night markets, encouraging commercial centers and shopping streets to blend themselves with culture, tourism and recreational activities, extending business hours properly, introducing night market zone, 24-hour convenience stores and “mid-night cafeteria.”

In accordance with the Opinions of Implementation of Further Expanding Supplies on Elderly Care Service and Motivating Elderly Care Service Consuming (Min Fa [2019] No. 88) (《關於進一步擴大養老服務供給促進養老服務消費的實施意見》) (民發[2019]88號) issued by the Ministry of Civil Affairs of the People's Republic of China and became effective on September 20, 2019, by 2022, every sub-district should strive to equip at least one community elderly care service institution with comprehensive functions. Townships should actively establish comprehensive community elderly care service institutions within their capacity. The

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coverage rate of community day care institutions should reach more than 90%. Funds invested in communities by all levels should be coordinated, to optimize the expenditure structure of financial support for the development of elderly care services, to make sure related funds lean to community elderly care services. By 2022, the proportion of nursing beds in elderly service institutions shall not be less than 50%.

In accordance with the Implementation Opinions on Promoting Consumption Expansion and Quality Improvement and Accelerating the Creation of a Strong Domestic Market (Fa Gai Jiu Ye [2020] No. 293) (《關於促進消費擴容提質加快形成強大國內市場的實施意見》) (發改就業[2020]293號) issued by the NDRC and 22 other Government Agencies and became effective on February 28, 2020, 19 opinions on motivating consumption were raised by 23 ministries and committees, including constantly promoting the construction of metropolitan areas, continuously improving the co-construction and sharing of public services and infrastructure connectivity in metropolitan areas, accelerating the advancement of the upgrading of mature business areas and creating several regional consumption centers.

SUPERVISION OVER THE INTERNET INFORMATION SERVICES

According to the Administrative Measures on Internet Information Services (No. 292 Order of the State Council) (《互聯網信息服務管理辦法》) (國務院令第292號), which was issued by the State Council on September 25, 2000 and came into effect on the same day and revised on January 8, 2011, Internet information service refers to the provision of information through Internet to web users, and includes two categories: commercial and non-commercial. Commercial internet information service refers to the service activities of charged provision to online subscribers through the internet of information or website production. Non-commercial Internet service refers to the provision free of charge of public, commonly-shared information through the Internet to web users.

Entities engaged in providing commercial Internet information service shall apply for a license for value-added telecommunication services of Internet information services. As for the operation of non-commercial Internet information services, record-filing is required. Internet information service provider shall provide services within the scope of their licenses or filing. 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 apply for approval or filing 30 days in advance at the relevant government department.

Where an entity provides commercial Internet information service without a license or provides service beyond the scope of the license, provincial telecommunication administrative department shall order it to make correction within a prescribed time limit. Where there are illegal gains, such gains shall be confiscated; and a fine more than three times but less than five times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides

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non-commercial Internet information service without a filing, provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

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 issued by the Cyberspace Administration of PRC on June 28, 2016 and came into effect on August 1, 2016, entities providing information services through mobile internet applications shall obtain relevant qualifications according to law. Mobile internet application provider shall not use mobile internet application program to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations. The Cyberspace Administration of China shall be responsible for the supervision and administration of information on mobile internet applications. The local cyberspace administrations shall be responsible for the supervision and administration of information on mobile internet application program within the administrative regions.

Cyber Security and Privacy Protection

On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Information Protection on Networks (《關於加強網絡信息保護的決定》) to enhance the protection of information security and privacy on the Internet, which came into effect on the same day. According to the Cyber Security Law of the PRC (No. 53 Order of the President of the PRC) (《中華人民共和國網絡安全法》) (主席令第53號) which was issued by the SCNPC on November 7, 2016 and came into effect on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to ensure the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality, and availability of network data. In addition, the network operators shall neither collect the personal information irrelevant to the services provided by them nor collect or use the personal information in violation of the provisions of any laws or administrative regulation and the agreement between both parties, and shall process the personal information kept by them in accordance with the provisions of laws or administrative regulation or the agreement between both parties.

According to the Several Provisions on Regulating the Market Order of the Internet Information Services (No. 20 Order of the Ministry of Industry and Information Technology) (《規範互聯網信息服務市場秩序若干規定》) (工業和信息化部令第20號) which was issued by the Ministry of Industry and Information Technology on December 29, 2011, and came into effect on March 15, 2012, without the consent of users, the Internet information service providers shall neither collect information which is relevant to users and can serve to identify

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users solely or in combination with other information (the “Personal Information of Users”) nor shall they provide Personal Information of Users to others, unless otherwise provided by laws and administrative regulations and it also requires that the Internet information service providers shall properly preserve the Personal Information of Users. According to the Provisions on Protection of Personal Information of Telecommunication and the Internet Users (No. 24 Order of the Ministry of Industry and Information Technology) (《電信和互聯網用戶個人信息保護規定》) (工業和信息化部令第24號) issued by the Ministry of Industry and Information Technology on July 16, 2013, and came into effect on September 1, 2013, the Internet information service providers shall follow the principles of legitimacy, justification and necessity and be responsible for the security of the Personal Information of Users while collecting or using of Personal Information of Users in process of providing services.

The Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (Fa Shi[2017] No. 10) (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (法釋[2017]10號) issued by the Supreme People’s Court and the Supreme People’s Procuratorate on May 8, 2017 and came into effective on June 1, 2017 clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC (2017 Amendment) (《中華人民共和國刑法》) (2017年修正), including “citizens’ personal information”, “provision of citizens’ personal information” and “illegally obtaining any citizen’s personal information by other methods.” Also, it specifies the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

According to the Urban Real Estate Administration Law of the PRC (No. 29 Order of the President) (《中華人民共和國城市房地產管理法》) (主席令第29號), issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and revised on August 30, 2007, August 27, 2009 and August 26, 2019, 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: (1) have their own name and organization; (2) have a fixed business site; (3) have the necessary assets and funds; (4) have a sufficient number of professionals; (5) other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (No. 8 Order of the Ministry of Housing and Urban-Rural Development, the NDRC and the Ministry of Human Resources and Social Security) (《房地產經紀管理辦法》) (住房和城鄉建設部、國家發展和改革委員會、人力資源和社會保障部令第8號), issued by the MOHURD, the NDRC and the Ministry of Human Resources and Social Security on January 20, 2011, came into effect on April 1, 2011 and revised on March 1, 2016, real estate brokerage refers to the acts of providing intermediary and agency services to and collecting commissions from clients by real estate brokerage institutions and real estate brokers for the purpose of promoting real estate transactions. Sufficient number of real estate agents shall be equipped to establish real estate

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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 handling the filing formalities within 30 days from the date of receiving business licenses.

SUPERVISIONS OVER LABOR AND SOCIAL PROTECTION

According to the Labor Law of the PRC (No. 28 Order of the President) (《中華人民共和國勞動法》) (主席令第28號) which was issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labor protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health checks for workers who engage in operations with occupational hazards. Laborers engaged in special operations must have received specialized training and obtained the pertinent qualifications.

The Labor Contract Law of the PRC (No. 65 Order of the President) (《中華人民共和國勞動合同法》) (主席令第65號), issued by the SCNPC on June 29, 2007, came into effect on January 1, 2008 and revised on December 28, 2012, came into effect on July 1, 2013 and the Implementation Regulation on Labor Contract Law of the PRC (No. 535 Order of the State Council) (《中華人民共和國勞動合同法實施條例》) (國務院令第535號), promulgated by the State Council on September 18, 2008 and became effect on the same day, regulate both parties through a labor contract, namely the employers and the employees, and contain specific articles involving the terms of the labor contract. Meanwhile, it is stipulated that labor contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees. Labor contracts concluded before the enactment of Labor Contract Law and existing during its effective term shall continue to be honored. With respect to circumstances where an employment relationship has already been established without the conclusion of a written labor contract before the enactment of Labor Contract Law, the written labor contract shall be concluded within one month from the date on the enactment of Labor Contract Law.

According to the Notice of the Office of the Ministry of Human Resources and Social Security on Issues of Properly Handling the Employment Relations during the Period of Prevention and Control of Infection Caused by Novel Coronavirus (Ming Dian [2020] No. 5 of the Office of the Ministry of Human Resources and Social Security) (《人力資源社會保障部辦公廳關於妥善處理新型冠狀病毒感染的肺炎疫情防控期間勞動關係問題的通知》) (人社廳明電[2020]5號), issued by the Ministry of Human Resources and Social Security on January

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24, 2020, all patients with COVID-19, suspected patients and people who have close relationship with them placed in isolation for medical treatments and inspection as well as employees who are not able to provide services due to isolation implemented by the government or other measures in emergencies shall be entitled to compensation from the employers for such periods. The employers shall not terminate the employment contracts with the employees on Article 40 and Article 41 of the Labor Contract Law. During such periods, any employment contract that expires shall be extended to the date when the periods of medical treatment or inspection expire, or the period of isolation or the expiry of such periods when measures for emergencies are taken by the government.

According to the Social Insurance Law of PRC (No. 25 Order of the President) (《中華人民共和國社會保險法》)(主席令第25號), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and further amended on December 29, 2018, and according to the Interim Regulations on Collection and Payment of Social Insurance Premiums (No. 259 Order of the State Council) (《社會保險費徵繳暫行條例》)(國務院令第259號) issued by the State Council on January 22, 1999 and came into effect on the same day, and revised on March 24, 2019, the Regulation on Work Related Injury Insurance (No. 375 Order of the State Council) (《工傷保險條例》)(國務院令第375號) issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment Insurance (No. 258 Order of the State Council) (《失業保險條例》)(國務院令第258號) issued by the State Council on January 22, 1999 and came into effect on the same day, the Trial Measures on Employee Maternity Insurance of Enterprises (Lao Bu Fa [1994] No. 504) (《企業職工生育保險試行辦法》)(勞部發[1994]504號) issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they still fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staff and other directly responsible persons shall be fined RMB500 to RMB3,000. Also, it has consolidated the legal obligations and liabilities of employers who fail to promptly contribute social insurance contributions in full amount, those employers shall be ordered by the social insurance collection agency to make or supplement contributions within a designated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day of the outstanding contribution amount; where payment is not made within the designated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the outstanding contribution amount.

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According to the Regulations on the Administration of Housing Provident Fund (No. 262 Order of the State Council) (《住房公積金管理條例》)(國務院令第262號), issued by the State Council on April 3, 1999 and became effective on the same day, and was amended on March 24, 2002 and March 24, 2019, the housing provident fund contributions made by an individual employee and housing provident fund contributions made by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payments and deposit registrations with the housing provident fund administrative center. For enterprises who violate the laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

According to Interim Provisions on Labor Dispatch (No. 22 Order of the Ministry of Human Resources and Social Security) (《勞務派遣暫行規定》)(人力資源和社會保障部令第22號), which was promulgated on January 24, 2014 and came into effect since March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only, and shall strictly control the number of dispatched workers which shall not exceed 10% of the total number of its workers.

SUPERVISIONS OVER INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (No. 10 Order of the Standing Committee of the National People's Congress) (《中華人民共和國商標法》)(全國人民代表大會令第10號), issued by the Standing Committee on August 23, 1982, came into effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013, April 24, 2019 and came into effect on November 1, 2019 and the Implementation Regulation of the PRC Trademark Law (No. 358 Order of the State Council) (《中華人民共和國商標法實施條例》)(國務院令第358號), issued by the State Council on August 3, 2002, came into effect on September 15, 2002 and amended on April 29, 2014, the right to exclusive use of trademarks is protected by law. The Trademark Office under the SAMR handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "prior application" with respect to trademark registration. Where a trademark under

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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 others have already begun to use and enjoyed certain degree of influence.

Patent

According to the Patent Law of the PRC (No. 11 Order of the President of the PRC) (《中華人民共和國專利法》) (主席令第11號) issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985, revised on September 4, 1992, August 25, 2000 and December 27, 2008, and the Implementation Regulations of the Patent Law of the PRC (No. 306 Order of the State Council) (《中華人民共和國專利法實施細則》) (國務院令第306號), issued by State Council on June 15, 2001, came into effect on July 1, 2001, and revised on December 28, 2002 and January 9, 2010, 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 regions. The Chinese patent system adopts the principle of "prior application," i.e. where two or more applicants file applications for patent for the identical invention or creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes to file application for patent for invention or utility models, the following three standards must be met: novelty, creativity and practicability. 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 use the patent after obtaining the permit or proper authorization of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Copyright

According to the Copyright Law of the PRC (No. 31 Order of the President of the PRC) (《中華人民共和國著作權法》) (主席令第31號) issued by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and revised on October 27, 2001 and February 26, 2010 and the Implementation Regulations of the Copyright Law of PRC (No. 359 Order of the State Council) (《中華人民共和國著作權法實施條例》) (國務院令第359號) issued by the State Council on August 2, 2002, came into effect on September 15, 2002, and revised on January 8, 2011 and January 30, 2013, works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

REGULATORY OVERVIEW

The Computer Software Copyright Registration Measures (No. 1 Order of the National Copyright Administration) (《計算機軟件著作權登記辦法》)(國家版權局令第1號), promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates registrations of software copyright, the exclusive licensing contracts for software copyright and transfer contracts of software copyright. The National Copyright Administration of PRC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Center of China is the software registration organization authority. The Copyright Protection Center of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Computer Software Copyright Registration Measures and the Regulations on Protection of Computers Software (No. 84 Order of the State Council) (《計算機軟件保護條例》)(國務院令第84號), issued by the State Council on June 4, 1991, came into effect on October 1, 1991 and amended on December 20, 2001, and further revised on January 8, 2011 and January 30, 2013.

Provisions of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trail of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (Fa Shi [2012] No. 20) (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》)(法釋[2012]20號), issued by the Supreme People's Court on December 17, 2012 and came into effect on January 1, 2013, provides that web users or web service providers who, through information networks, create works, performances, or audio-video products in which the right holders enjoy the transmission right of information network without due authorization, they shall be deemed to have infringed upon the transmission right of information network by the people's court.

Domain Name

The Measures on the Administration of Domain Names (No. 43 Order of the Ministry of Industry and Information Technology) (《互聯網域名管理辦法》)(工業和信息化部令第43號), issued by the Ministry of Industry and Information Technology on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in the PRC. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name.

REGULATORY OVERVIEW

SUPERVISION OVER TAX

Enterprise Income Tax (“EIT”)

According to the Enterprise Income Tax Law of the PRC (No. 63 Order of the President of the PRC) (《中華人民共和國企業所得稅法》) (主席令第63號) (the “EIT Law”), promulgated by the National People’s Congress on March 16, 2007 and came into effect on January 1, 2008 and revised on February 24, 2017 and December 29, 2018 and the Implementation Regulations on the Corporate Income Tax Law of the PRC (No. 512 Order of the State Council) (《中華人民共和國企業所得稅法實施條例》) (國務院令第512號) (the “Implementation Regulations of the EIT Law”), issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and was amended on April 23, 2019, the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual administration institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in the PRC, are deemed as resident enterprises. Thus, the tax rate of 25% applies to their income from both inside and outside the PRC.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (Guo Shui Han [2009] No. 81) (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (國稅函[2009]81號), which was promulgated by the SAT and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident of the other party who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

Withholding Income Tax

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 organizations or places of business in the PRC, or that have organizations 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 are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. 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)).

REGULATORY OVERVIEW

According to the Arrangements between the Mainland of the PRC and 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》), issued by SAT on August 21, 2006 and became effective on December 8, 2006, a company incorporated in Hong Kong will be subject to withholding a 25% interest or more in a PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax in accordance with the laws and regulations. According to the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (“Announcement No. 9”) (《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》) (“第9號公告”), which was issued by SAT on February 3, 2018 and came into effect on April 1, 2018, a beneficial ownership analysis will be used based on a substance-over form principle to determine whether or not to grant tax treaty benefits.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (Announcement No. 7 [2015] of the State Administration of Taxation) (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (國家稅務總局公告2015年第7號), issued by the SAT on February 3, 2015 came into effect on the same day, and revised on October 17, 2017 and December 29, 2017, where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the enterprise income tax payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the EIT Law. Where the enterprise income tax on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

In accordance with the Measures for Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Treaties (Announcement No. 35 [2019] of the State Administration of Taxation) (《非居民納稅人享受協定待遇管理辦法》) (國家稅務總局公告2019年第35號), which was issued by the SAT on October 14, 2019, and became effective on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities’ post-filing administration.

Value-Added Tax (“VAT”)

According to the Temporary Regulations on Value-Added Tax of the PRC (No. 134 Order of the State Council) (《中華人民共和國增值稅暫行條例》) (國務院令第134號), issued on December 13, 1993 by the State Council, came into effect on January 1, 1994 and last amended on November 19, 2017 and the Detailed Rules for the Implementation of the Temporary Regulations on Value-Added Tax of the PRC (No. 50 Order of the Ministry of Finance and the State Administration of Taxation) (《中華人民共和國增值稅暫行條例實施細則》) (財政部、

REGULATORY OVERVIEW

國家稅務總局令第50號), issued on December 25, 1993 by the Ministry of Finance, and became effective on the same day and revised on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”), taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, sell service, intangible assets or immovables or import goods within the territory of the PRC must pay value-added tax. Other than 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 (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》) (財稅[2016]36號), issued by the MOFCOM and the SAT on March 23, 2016, came into effect on May 1, 2016, and revised on July 11, 2017 and March 20, 2019, the state started to fully implement the pilot program from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Trial Scheme for the Conversion of Business Tax to VAT (Cai Shui [2011] No. 110) (《關於印發營業稅改徵增值稅試點方案的通知》) (財稅[2011]110號), which was promulgated and became effective by the Ministry of Finance and the SAT on November 16, 2011, the state began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance of the People’s Republic of China, SAT and the General Administration of Customs) (《關於深化增值稅改革有關政策的公告》) (財政部、國家稅務總局、海關總署公告2019年第39號), which was issued by the Ministry of Finance, the SAT and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, for VAT taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% applies currently, it shall be adjusted to 13%, the currently applicable VAT rate of 10% shall be adjusted to 9%.

According to Announcement of on Clarifying the Additional Value-Added Tax Credit Policy for the Life Service Industry (Announcement No. 87 [2019] of the Ministry of Finance of the People’s Republic of China and the SAT) (《關於明確生活性服務業增值稅加計抵減政策的公告》) (財政部、國家稅務總局公告2019年第87號) issued by the Ministry of Finance and the SAT and became effective on September 30, 2019, taxpayers of life services industry whose sales amount from providing life services account for more than 15% of the total sales amount would be allowed to credit amount of input tax deductible in the current period plus 15% thereof against the amount of taxes payable from October 1, 2019 to December 31, 2021.

REGULATORY OVERVIEW

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 (Guo Fa [2010] No. 35) (《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》) (國發[2010]35號), issued by the State Council on October 18, 2010 and came into effect on December 1, 2010, since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (Guo Fa [1985] No. 19) (《中華人民共和國城市維護建設稅暫行條例》) (國發[1985]19號) issued in 1985 and the Temporary Provisions on the Collection of Educational Surcharges (Guo Fa [1986] No. 50) (《徵收教育費附加的暫行規定》) (國發[1986]50號) issued in 1986 and other rules and regulations issued by the State Council and other competent departments since 1985 and 1986 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》), issued by the State Council on February 8, 1985, came into effect on January 1, 1985 and revised on January 8, 2011, entities and individuals who pay consumption tax, value-added tax and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and shall be paid at the same time along with the above taxes. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

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

SUPERVISION OVER FOREIGN EXCHANGE

According to the PRC Foreign Currency Administration Rules (No. 532 Order of the State Council) (《中華人民共和國外匯管理條例》) (國務院令第532號), promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the SAFE is obtained.

The Circular No. 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (Overseas SPV), that is directly

REGULATORY OVERVIEW

established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to the Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (匯發[2015]13號), which was promulgated by SAFE on February 13, 2015, came into effect on June 1, 2015, and partial repealed on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks, the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

According to the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (《結匯、售匯及付匯管理規定》) (銀發[1996]210號), which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996, foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the fullest extent approved by the Administration of Foreign Exchange and the exceeding part of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

According to the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (Hui Fa [2015] No. 19) (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (匯發[2015]19號) (the "Circular No. 19") promulgated by SAFE on March 30, 2015, and became effective on June 1, 2015, the foreign exchange capital of foreign-invested enterprises shall be subject to the discretionary foreign exchange settlement (the "Discretionary Foreign Exchange Settlement"). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined as 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

REGULATORY OVERVIEW

Furthermore, the Circular No. 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

- (1) directly or indirectly used for payment beyond the business scope of the enterprises or payment prohibited by relevant laws and regulations;
- (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations;
- (3) directly or indirectly used for granting entrusted loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by third parties) or repaying bank loans in Renminbi that have been sub-lent to a third party; and
- (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

According to the Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《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》) (匯發[2016]16號) (the “Circular No. 16”), issued and came into effect by the SAFE on June 9, 2016, 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. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The Circular No. 16 reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (Hui Fa [2019] No. 28) (《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》) (匯發[2019]28號), issued and came into effect by the SAFE on October 23, 2019, foreign-invested enterprise 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 true and compliant.

REGULATORY OVERVIEW

SUPERVISION OVER MERGER AND ACQUISITION BY FOREIGN INVESTORS

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the Ministry of Commerce, the State Owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, the State Administration of Foreign Exchange [2006] No. 10) (《關於外國投資者併購境內企業的規定》)(商務部、國務院國有資產監督管理委員會、國家稅務總局、國家工商行政管理總局、中國證券監督管理委員會、國家外匯管理局令[2006]第10號), which was promulgated by the MOFCOM on August 8, 2006, became effective on September 8, 2006, and was amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Where a domestic company, domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic company which is affiliated with it/him/her, an approval from the MOFCOM is required.

In addition, according to the Interim Administrative Measures, where a non-foreign invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by merger or otherwise, which is subject to record-filing as stipulated in the Interim Administrative Measures, it shall complete the record-filing formalities for incorporation and submit the Incorporation Application in accordance with the Interim Administrative Measures.

Since January 1, 2020, the Interim Administrative Measures was replaced by the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), in accordance with which, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities.

HISTORY AND DEVELOPMENT

History

Our history can be traced back to 1997, with an initial focus on providing property management services for properties developed by the Sino-Ocean Group, a leading comprehensive property developer in China. Benefiting from the brand name of our Controlling Shareholder, Sino-Ocean, and the Sino-Ocean Group's rich industry experience and rapid business growth, we have expanded our geographic coverage quickly from our initial footprint in Beijing to the Bohai Rim region and other regions across China since 2011. We started to manage properties developed by third-party property developers in 2009. As of June 30, 2020, our total contracted GFA reached 61.9 million sq.m., covering 54 cities across 24 provinces, municipalities and autonomous regions in China and we managed 210 properties in China with a total GFA under management of 42.3 million sq.m..

In addition to conventional property management services, we also offer value-added services to non-property owners and community value-added services. We position ourselves as a comprehensive and fast-growing property management services provider capable of preserving and enhancing the value of our customers' properties. With over two decades of experience in providing property management services, we have built up our brand value and are recognized as one of the most fast-growing property management companies, according to China Index Academy. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively.

Ocean Homeplus, the flagship company of our Group, was established in the PRC on September 9, 1999, with an initial focus on providing property management services to the real estate projects developed by the Sino-Ocean Group in Beijing. Since then, after years of sustained growth and development of our business, the shares of Ocean Homeplus were listed on the NEEQ on May 9, 2016, as recognition of our brand's success and standing. Subsequently, considering a listing on the Stock Exchange could raise our brand awareness, enhance our corporate image and strengthen our corporate governance, we completed the voluntary delisting of Ocean Homeplus from the NEEQ on March 2, 2018. For further details on Ocean Homeplus, see the sections headed “— Our Principal Subsidiaries — Ocean Homeplus” and “— Prior Listing on NEEQ and Subsequent Delisting of Ocean Homeplus” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Business Development Milestones

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

Year	Events
1997	<ul style="list-style-type: none">• We commenced to provide services relating to property management to commercial properties such as office buildings with the establishment of Zhongyuan Hotel.
1999	<ul style="list-style-type: none">• Ocean Homeplus was established and started providing property management services to the residential properties developed by Sino-Ocean in Beijing.
2002	<ul style="list-style-type: none">• We were accredited with ISO9001:2000 quality management system certification.
2004	<ul style="list-style-type: none">• We were accredited with ISO14001:2004 environmental management system certification and OHSAS 18001 occupational health and safety management system certification.
2005	<ul style="list-style-type: none">• We obtained the Level One Property Management Qualification from MOHURD in China.
2011	<ul style="list-style-type: none">• We expanded to other areas in the PRC, including the Bohai Rim region, eastern China, central China and southern China.
2012	<ul style="list-style-type: none">• Ocean Plaza (Beijing) which was under our management achieved International Commercial Property Operation Management Certificate of Excellence from the China branch of BOMA.
2016 to 2018	<ul style="list-style-type: none">• Shares of Ocean Homeplus had been listed on the NEEQ.
2018	<ul style="list-style-type: none">• We were ranked 14th by China Index Academy among the Top 100 Property Management Companies in China in terms of overall strength.• Ocean International Center Tower A (Beijing) which was under our management achieved Platinum certification for operations and maintenance by the US Green Building Council in the LEED Green Building Rating System.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Events
2019	<ul style="list-style-type: none">• Ocean Melody Building 10 (Shanghai) which was under our management received Gold level certification from the International WELL Building Institute.
2020	<ul style="list-style-type: none">• We were ranked 13th and 11th by China Index Academy among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We were also recognized as “2020 Excellent Property Management Companies for Commercial Property Management” by China Index Academy.

OUR PRINCIPAL SUBSIDIARIES

We carry out our business through various subsidiaries in the PRC. Our principal operating subsidiaries which contributed a substantial amount of our Group’s revenue and profit during the Track Record Period comprise of Ocean Homeplus and Zhongyuan Hotel. Details of their major corporate development including major shareholding changes are set forth below.

Ocean Homeplus

Ocean Homeplus was established in the PRC on September 9, 1999 as a limited liability company with an initial registered capital of RMB1,100,000, fully paid up and held as to 80% by Sino-Ocean (China), and as to 20% by Beijing Zhongkun Technology Industry and Trade Group (北京中坤科工貿集團), an Independent Third Party. After undergoing several rounds of capital injections and internal reorganization, on November 30, 2015, the registered capital of Ocean Homeplus was RMB100,000,000, held as to 70% by Beijing Yuankun and as to 30% by Beijing Yuanjing, both being indirect wholly-owned subsidiaries of Sino-Ocean. On April 14, 2017, Beijing Yuankun injected an additional RMB4,000,000 into the registered capital of Ocean Homeplus, upon which Ocean Homeplus was held as to 71.15% (RMB74,000,000) by Beijing Yuankun and 28.85% (RMB30,000,000) by Beijing Yuanjing. For details of transfers of equity interest in Ocean Homeplus thereafter, see the section headed “— Reorganization — 3. Transfer of 100% equity interest in Ocean Homeplus held by Beijing Yuankun and Beijing Yuanjing.” Ocean Homeplus is principally engaged in providing property management services.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Zhongyuan Hotel

Zhongyuan Hotel was established in the PRC on March 31, 1997 as a limited liability company with an initial registered capital of RMB5,000,000, fully paid up and held as to 51% by China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), the then shareholder of Sino-Ocean (China), as to 25% by Sino-Ocean (China), and as to 24% by COSCO International Travel Inc. (中遠國際旅行社), an Independent Third Party, respectively. After undergoing several rounds of capital injections and share transfers, as of the beginning of the Track Record Period, the registered share capital of Zhongyuan Hotel was RMB12,666,667 and it was held as to 100% by Ocean Homeplus. Zhongyuan Hotel is principally engaged in providing property management services.

Other Subsidiaries

In addition to Ocean Homeplus and Zhongyuan Hotel, the following table sets forth the detailed information of our other subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Place of establishment	Date of establishment	Registered capital as of the Latest Practicable Date	Equity holding of the Group	Principal business activities
1.	Changchun Ocean Foundation Property Management Co., Ltd. (長春遠洋基業物業服務有限公司)	PRC	May 4, 2011	RMB500,000	100% by Ocean Homeplus	Property management
2.	Zhongshan Yuanjian Property Service Co., Ltd. (中山遠見物業服務有限公司)	PRC	October 12, 2019	RMB500,000	100% by Ocean Homeplus	Property management
3.	Zhongshan Ocean Property Service Co., Ltd. (中山遠洋物業服務有限公司)	PRC	August 20, 2007	RMB3,000,000	100% by Ocean Homeplus	Property management
4.	Zhongshan Yuansheng Property Service Co., Ltd. (中山遠昇物業服務有限公司)	PRC	October 12, 2019	RMB100,000	100% by Ocean Homeplus	Property management
5.	Yiyun Beijing	PRC	January 26, 2018	RMB5,000,000	100% by Ocean Homeplus	Information technology

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Name of subsidiaries	Place of establishment	Date of establishment	Registered capital as of the Latest Practicable Date	Equity holding of the Group	Principal business activities
6.	Dalian Yuanfa Property Services Co., Ltd. (大連遠發物業服務有限公司)	PRC	August 24, 2019	RMB100,000	100% by Ocean Homeplus	Property management
7.	Dalian Ocean Foundation Property Management Co., Ltd. (大連遠洋基業物業管理有限公司)	PRC	June 8, 2001	RMB5,000,000	100% by Ocean Homeplus	Property management
8.	Dalian Yuansheng Property Services Co., Ltd. (大連遠盛物業服務有限公司)	PRC	August 24, 2019	RMB100,000	100% by Ocean Homeplus	Property management
9.	Dalian Yuanxing Property Services Co., Ltd. (大連遠興物業服務有限公司)	PRC	August 24, 2019	RMB3,000,000	100% by Ocean Homeplus	Property management
10.	Dalian Yuanrong Property Services Co., Ltd. (大連遠榮物業服務有限公司)	PRC	August 24, 2019	RMB100,000	100% by Ocean Homeplus	Property management
11.	Shenyang Ocean Foundation Property Management Co., Ltd. (瀋陽遠洋基業物業管理有限公司)	PRC	May 17, 2011	RMB3,000,000	100% by Ocean Homeplus	Property management
12.	Beijing Yi Space	PRC	August 31, 2015	RMB10,000,000	100% by Ocean Homeplus	Property management
13.	Beijing Yiyang	PRC	September 17, 2015	RMB50,000,000	100% by Ocean Homeplus	Engineering and maintenance services
14.	Beijing Yiyun Property Service Co., Ltd. (北京億雲物業服務有限公司)	PRC	June 5, 2019	RMB5,000,000	100% by Ocean Homeplus	Property management
15.	Wuhan Ocean Foundation Property Management Co., Ltd. (武漢遠洋基業物業管理有限公司)	PRC	December 28, 2010	RMB500,000	100% by Ocean Homeplus	Property management
16.	Shanghai Ocean Foundation Property Management Co., Ltd. (上海遠基物業管理有限公司)	PRC	September 20, 2011	RMB3,000,000	100% by Ocean Homeplus	Property management

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Name of subsidiaries	Place of establishment	Date of establishment	Registered capital as of the Latest Practicable Date	Equity holding of the Group	Principal business activities
17.	Qingdao Ocean Foundation Property Management Co., Ltd. (青島遠基物業管理有限公司)	PRC	April 26, 2011	RMB500,000	100% by Ocean Homeplus	Property management
18.	Beijing Yuanhe	PRC	September 1, 2017	RMB10,000,000	100% by Ocean Homeplus	Value-added services
19.	Beijing Yichi Property Services Co., Ltd. (北京億馳物業服務有限公司)	PRC	April 24, 2020	RMB1,000,000	100% by Ocean Homeplus	Property management
20.	Beijing Yiheng Property Services Co., Ltd. (北京億恒物業服務有限公司)	PRC	April 24, 2020	RMB1,000,000	100% by Ocean Homeplus	Property management
21.	Shandong Liantai	PRC	March 4, 1999	RMB5,000,000	80% by Ocean Homeplus ⁽¹⁾	Property management
22.	Qingdao Lanshanwan Property Management Service Co., Ltd. (青島藍山灣物業管理服務有限公司)	PRC	March 4, 2008	RMB1,000,000	100% by Shandong Liantai	Property management
23.	Linyi Taigu Property Management Co., Ltd. (臨沂太谷物業管理有限公司)	PRC	March 22, 2008	RMB500,000	100% by Shandong Liantai	Property management
24.	Ocean Nantong	PRC	March 27, 2008	RMB3,000,000	60% by Ocean Homeplus ⁽²⁾	Property management
25.	Changsha Xiangcheng	PRC	June 12, 2006	RMB5,000,000	60% by Ocean Homeplus ⁽³⁾	Property management
26.	Hangzhou New Era	PRC	April 29, 1999	RMB3,000,000	60% by Ocean Homeplus ⁽⁴⁾	Property management
27.	Beijing Jiuyiqi	PRC	October 22, 2015	RMB5,000,000	100% by Ocean Homeplus	Property brokerage services

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

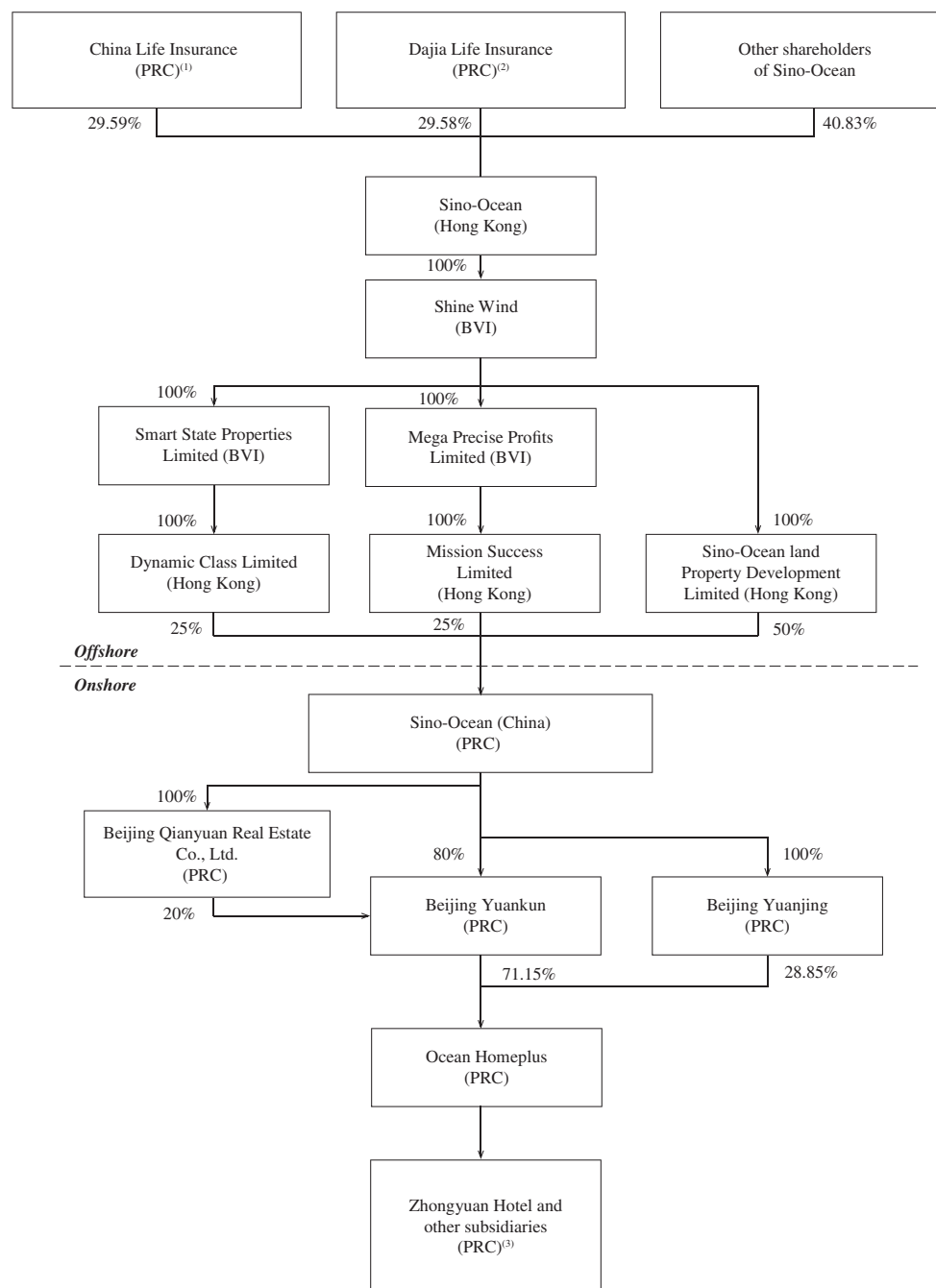
Notes:

- (1) Other than the Company's shareholding in this subsidiary, this subsidiary is owned as to 20% by Mr. Dong Yanhua (董延華). Save for being a shareholder of this subsidiary, Mr. Dong Yanhua is an Independent Third Party.
- (2) Other than the Company's shareholding in this subsidiary, this subsidiary is owned as to 40% by AVIC Aviation Technology Co., Ltd. (中航航空高科技股份有限公司), which save for being a shareholder of this subsidiary, is an Independent Third Party.
- (3) Other than the Company's shareholding in this subsidiary, this subsidiary is owned as to 40% by Mr. Yong Peilin (雍佩林), a director of Changsha Xiangcheng (長沙相成物業管理有限公司). Save for being a shareholder and a director of this subsidiary, Mr. Yong Peilin is an Independent Third Party.
- (4) Other than the Company's shareholding in this subsidiary, this subsidiary is owned as to 40% by Hangzhou Real Estate Development Group Co., Ltd. (杭州市房地產開發集團有限公司), which save for being a shareholder of this subsidiary, is an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Notes:

- (1) The shares are registered in the name of, and beneficially owned by, China Life Insurance, which is owned as to 68.37% by China Life.
- (2) The shares are registered in the name of, and beneficially owned by Dajia Life Insurance, which is owned as to 99.98% by Dajia Insurance.
- (3) For further details of our other subsidiaries, see the section headed “— Our Principal Subsidiaries — Other subsidiaries” above.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the Listing, our Group underwent a series of restructuring steps as set forth below:

1. Incorporation of our Company

On April 15, 2020, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each, among which one Share was issued to an Independent Third Party at par value and transferred to Shine Wind on the same day.

2. Incorporation of the intermediate holding companies

Harvest Team Global Limited was incorporated in the BVI with limited liability on March 3, 2020. As of the date of incorporation, Harvest Team Global Limited was authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00. On March 26, 2020, one share of Harvest Team Global Limited was allotted and issued as fully paid at par value to Fame Gain Holdings Limited, a wholly owned subsidiary of Sino-Ocean, which then transferred the share to the Company at par value on April 22, 2020.

Park Star Global Limited was incorporated in the BVI with limited liability on March 3, 2020. As of the date of incorporation, Park Star Global Limited was authorized to issue a maximum of 50,000 shares of one class with a par value of US\$1.00. On March 26, 2020, one share of Park Star Global Limited was allotted and issued as fully paid at par value to Fame Gain Holdings Limited, a wholly owned subsidiary of Sino-Ocean, which then transferred the share to the Company at par value on April 22, 2020.

On March 2, 2020, Super Lucky Investment Limited was incorporated in Hong Kong. The initial issued and paid-up share capital of Super Lucky Investment Limited is one share at HK\$1.00. On March 26, 2020, the initial subscriber (an Independent Third Party) transferred one ordinary share in Super Lucky Investment Limited to Harvest Team Global Limited at HK\$1.00. Accordingly, Harvest Team Global Limited became the sole shareholder of Super Lucky Investment Limited.

On February 12, 2020, Talent Bright Creation Limited was incorporated in Hong Kong. The initial issued and paid-up share capital of Talent Bright Creation Limited is one share at HK\$1.00. On March 26, 2020, the initial subscriber (an Independent Third Party) transferred one ordinary share in Talent Bright Creation Limited to Park Star Global Limited at HK\$1.00. Accordingly, Park Star Global Limited became the sole shareholder of Talent Bright Creation Limited.

On April 20, 2020, Yuanjing Rongda was established in Beijing, the PRC as a wholly-foreign owned enterprise with a registered capital of RMB20 million. Yuanjing Rongda is wholly-owned by Super Lucky Investment Limited. Pursuant to a written shareholder resolution passed on April 30, 2020, the registered capital of Yuanjing Rongda was increased to RMB132 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On April 20, 2020, Yuanjing Ruida was established in Beijing, the PRC as a wholly-foreign owned enterprise with a registered capital of RMB20 million. Yuanjing Ruida is wholly-owned by Talent Bright Creation Limited. Pursuant to a written shareholder resolution passed on April 30, 2020, the registered capital of Yuanjing Ruida was increased to RMB53.80 million.

On April 24, 2020, Zhuoyuan Ruitong was established in Beijing, the PRC with a registered capital of RMB131.80 million. Zhuoyuan Ruitong is wholly-owned by Yuanjing Rongda.

On April 28, 2020, Zhuoyuan Ruihe was established in Beijing, the PRC with a registered capital of RMB53.60 million. Zhuoyuan Ruihe is wholly-owned by Yuanjing Ruida.

3. Transfer of 100% equity interest in Ocean Homeplus held by Beijing Yuankun and Beijing Yuanjing

The following transactions were effected to consolidate Ocean Homeplus into our Group.

In contemplation of the transfer of equity interest in Ocean Homeplus from Beijing Yuankun, Beijing Yuankun and Beijing Bicheng Venture Capital Management Co., Ltd. (北京碧城創業投資管理有限公司) (“**Beijing Bicheng**”) entered into an equity transfer agreement dated April 14, 2020 and a supplemental agreement to the equity transfer agreement dated May 16, 2020, pursuant to which Beijing Yuankun agreed to transfer 71.15% equity interest in Ocean Homeplus to Beijing Bicheng at a consideration of RMB131 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as of March 31, 2020, and has been fully settled. Each of Beijing Yuankun and Beijing Bicheng is an indirectly wholly owned subsidiary of Sino-Ocean.

Beijing Bicheng and Zhuoyuan Ruitong then entered into an equity transfer agreement dated April 28, 2020 and a supplemental agreement to the equity transfer agreement dated May 16, 2020, pursuant to which Beijing Bicheng agreed to transfer 71.15% equity interest in Ocean Homeplus to Zhuoyuan Ruitong at a consideration of RMB131.6 million. Such consideration was determined with reference to the acquisition costs paid by Beijing Bicheng, and has been fully settled.

In addition, Beijing Yuanjing and Zhuoyuan Ruihe entered into an equity transfer agreement dated April 28, 2020 and a supplemental agreement to the equity transfer agreement dated May 16, 2020, pursuant to which Beijing Yuanjing agreed to transfer 28.85% equity interest in Ocean Homeplus to Zhuoyuan Ruihe at a consideration of RMB53.4 million. Such consideration was determined with reference to the net asset value of Ocean Homeplus as of March 31, 2020, and has been fully settled.

Upon completion of the above transfers, Ocean Homeplus is owned as to 71.15% by Zhuoyuan Ruitong and as to 28.85% by Zhuoyuan Ruihe.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

4. Allotment of Shares to Shine Wind and Pre-IPO Investors

As part of the Reorganization, on June 29, 2020, 99,999 Shares were allotted and issued to Shine Wind at a consideration of RMB190,000,000, and such consideration has been fully settled. On the same date, our Company entered into a subscription agreement with Smart Estate, Wealth Best, and Shine Wind, pursuant to which, on July 30, 2020, 5,444 Shares were allotted and issued to Smart Estate and 5,556 Shares were allotted and issued to Wealth Best, at a consideration of RMB67,446,260 and RMB68,833,840, respectively, details of which are set forth in the section headed “— Pre-IPO Investments” below.

5. Transfer of 50% equity interests indirectly held by Sino-Ocean in two joint venture companies

On June 30, 2020, Beijing Yichi Property Service Co., Ltd. (北京億馳物業服務有限公司), an indirect wholly-owned subsidiary of our Company, and Chengdu Qianhao Real Estate Co., Ltd. (成都乾豪置業有限公司), an associate of Sino-Ocean, entered into an equity transfer agreement, pursuant to which Chengdu Qianhao Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Chengdu Qianhao, to Beijing Yichi Property Service Co., Ltd. at a consideration of RMB7,829,288.49. Such consideration was determined with reference to the net asset value of Chengdu Qianhao as of May 30, 2020, and has been fully settled.

Chengdu Qianhao was established in the PRC as a limited liability company on February 18, 2014, with a registered capital of RMB1,000,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Chengdu Qianhao is owned as to 50% by our Group and 50% by Great Ascend Limited (which save for its interest in Chengdu Qianhao is an Independent Third Party), and the financial results of Chengdu Qianhao will not be consolidated into the financial statements of our Group.

On June 30, 2020, Beijing Yiheng Property Services Co., Ltd. (北京億恒物業服務有限公司), an indirect wholly-owned subsidiary of our Company, and Beijing Linlian Real Estate Co., Ltd. (北京麟聯置業有限公司), an associate of Sino-Ocean, entered into an equity transfer agreement, pursuant to which Beijing Linlian Real Estate Co., Ltd. transferred 50% equity interest in a joint venture, Beijing Indigo, to Beijing Yiheng Property Services Co., Ltd. at a consideration of RMB250,000. Such consideration was determined with reference to the net asset value of Beijing Indigo as of May 30, 2020, and has been fully settled.

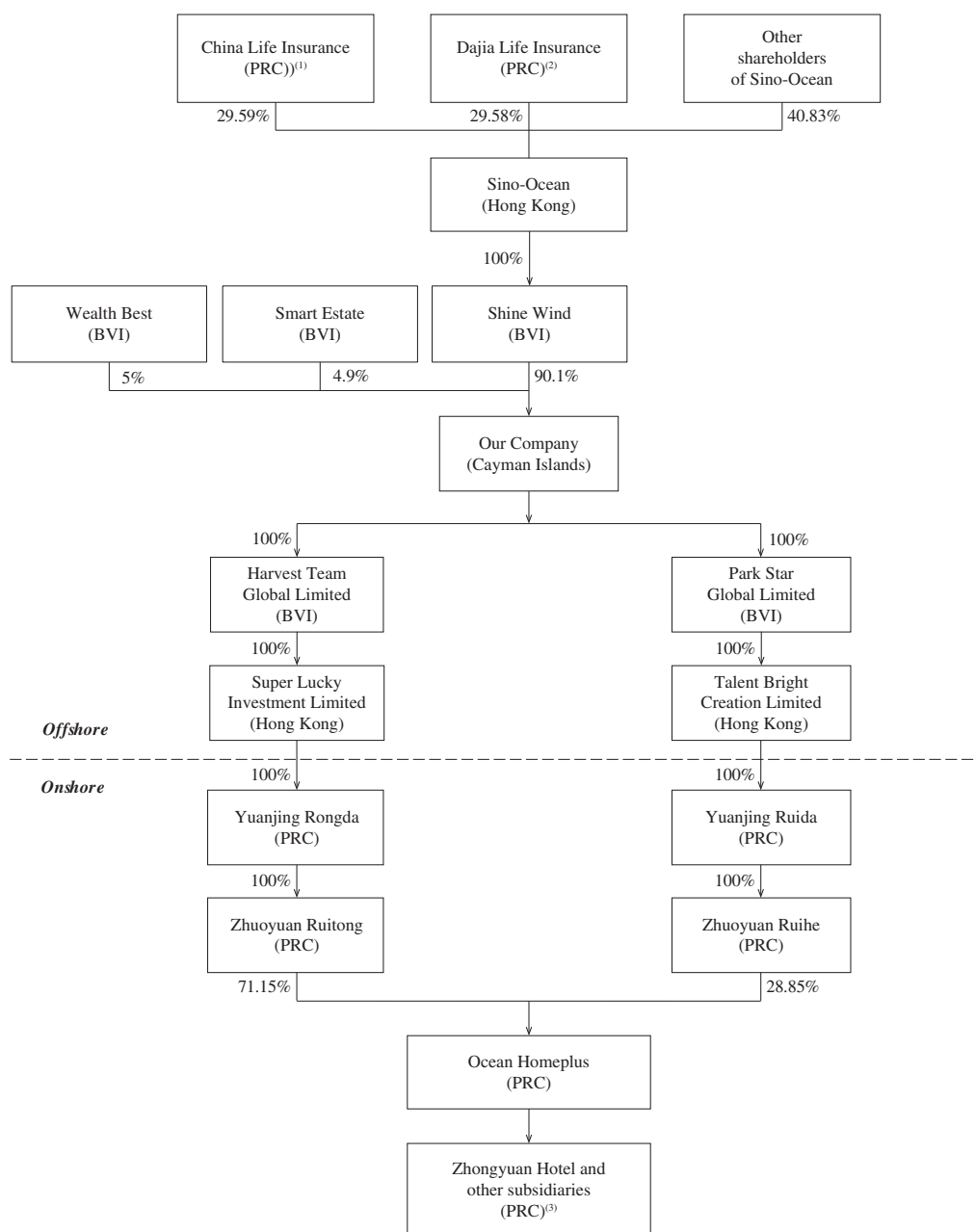
Beijing Indigo was established in the PRC as a limited liability company on February 25, 2011, with a registered capital of RMB500,000, and has engaged in the provision of property management services. Upon completion of the above transfer, Beijing Indigo is owned as to 50% by our Group and as to 50% by Linkage Power Limited (which save for its interest in Beijing Indigo is an Independent Third Party), and the financial results of Beijing Indigo will not be consolidated into the financial statements of our Group.

Our PRC Legal Advisors has confirmed that all the required consents, approvals, authorizations or filings have been made or obtained for the completion of our Group’s onshore reorganization mentioned above and such onshore reorganization complies with the relevant PRC laws, rules and regulations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Group's Shareholding Structure after the Reorganization

The following chart illustrates our shareholding structure immediately following the completion of the Reorganization but immediately before the completion of the Capitalization Issue and the Spin-off:



Notes:

- (1) The shares are registered in the name of, and beneficially owned by, China Life Insurance, which is owned as to 68.37% by China Life.
- (2) The shares are registered in the name of, and beneficially owned by Dajia Life Insurance, which is owned as to 99.98% by Dajia Insurance.
- (3) For further details of our other subsidiaries, see the section headed “— Our Principal Subsidiaries — Other subsidiaries” above.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

INCREASE OF AUTHORIZED SHARE CAPITAL

On November 25, 2020, our Company increased its authorized share capital to HK\$1,000,000,000 by the creation of 9,996,200,000 additional Shares of nominal value of HK\$0.1 each.

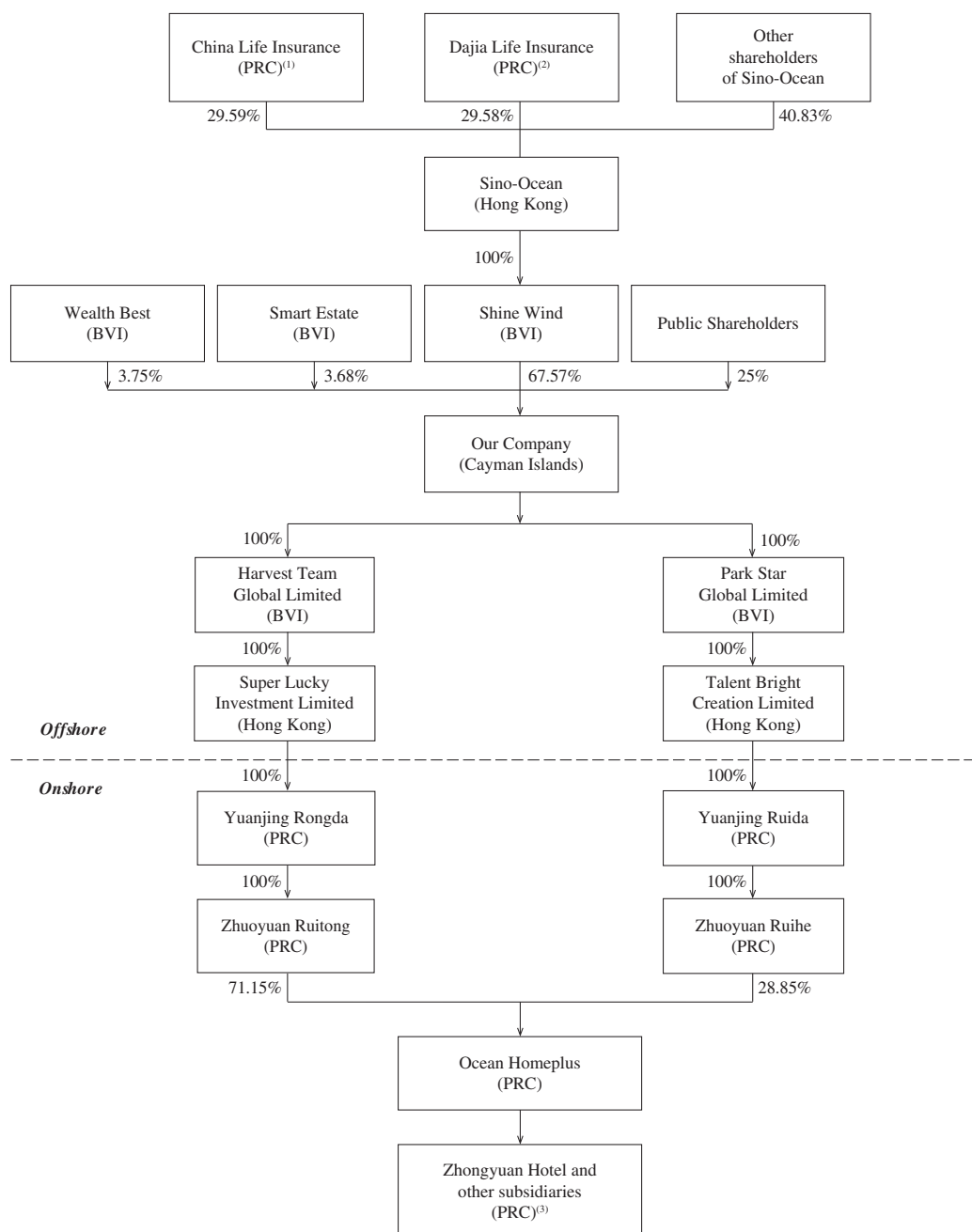
CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on November 25, 2020, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to capitalize HK\$88,788,900 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 887,889,000 Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a Share shall be issued and allotted) to their then existing respective shareholdings in our Company. The Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Group's Shareholding Structure after the Global Offering

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



Notes:

- (1) The shares are registered in the name of, and beneficially owned by, China Life Insurance, which is owned as to 68.37% by China Life.
- (2) The shares are registered in the name of, and beneficially owned by Dajia Life Insurance, which is owned as to 99.98% by Dajia Insurance.
- (3) For further details of our other subsidiaries, see the section headed “— Our Principal Subsidiaries — Other subsidiaries” above.

PRE-IPO INVESTMENTS

Investment by Smart Estate and Wealth Best

On June 29, 2020, our Company entered into a subscription agreement with Smart Estate, Wealth Best, and Shine Wind, pursuant to which 5,444 Shares and 5,556 Shares were allotted and issued to Smart Estate and Wealth Best, respectively, at a total consideration of RMB136,280,100 on July 30, 2020.

Smart Estate is a limited liability company incorporated in the BVI on April 28, 2020, and is principally engaged in investment business. It is owned as to 43% by Colour Sail Global Limited, which is wholly owned by Mr. Hu Yingyong (胡英勇), 43% by Thriving Time Ventures Limited, which is wholly owned by Mr. Zhang Shufeng (張書峰), and 14% by High Hope Ventures Limited, which is wholly owned by Mr. Yang Deyong (楊德勇). Mr. Yang Deyong is our executive Director while Mr. Hu Yingyong and Mr. Zhang Shufeng are senior members of the business management of the Sino-Ocean Group. Given that each of Mr. Hu Yingyong and Mr. Zhang Shufeng is not a connected person of our Group and Smart Estate will hold 3.68% of the total issued share capital of our Company upon the Listing (assuming the Over-allotment Option is not exercised), Smart Estate is not a connected person of our Company, and the Shares held by Smart Estate will be counted towards the public float after the Listing for the purpose of Rule 8.08 of the Listing Rules.

Wealth Best is a limited liability company incorporated in the BVI on May 21, 2020, and is principally engaged in investment business. It is owned as to 14% by World Lead Global Limited, which is wholly owned by Mr. Zhu Xiaoxing (朱曉星), 36% by Estate King Global Limited, which is wholly owned by Mr. Liu Xu (劉旭), 14% by Ever Plus Ventures Limited, which is wholly owned by Mr. Wan Le (萬樂) and 36% by Jovial Elite Global Limited, which is wholly owned by Mr. Zhai Senlin (翟森林). Mr. Zhu Xiaoxing is our non-executive Director and Mr. Wan Le is a director of a subsidiary of Sino-Ocean while Mr. Liu Xu and Mr. Zhai Senlin are senior members of the business management of the Sino-Ocean Group. Given that each of Mr. Liu Xu and Mr. Zhai Senlin is not a connected person of our Group and Wealth Best will hold 3.75% of the total issued share capital of our Company upon the Listing (assuming the Over-allotment Option is not exercised), Wealth Best is not a connected person of our Company, and the Shares held by Wealth Best will be counted towards the public float after the Listing for the purpose of Rule 8.08 of the Listing Rules.

For the purpose of (a) facilitating the negotiations and communications with the Company in relation to the Pre-IPO Investments and (b) enabling the Company to minimize its administration effort on monitoring the compliance with the lock-up undertakings by the Pre-IPO Investors, the above-mentioned individuals (including Mr. Yang Deyong and Mr. Zhu Xiaoxing) have opted to invest in the Company indirectly through Smart Estate and Wealth Best (as the case may be), which serve as special purpose vehicles for the Pre-IPO Investments, as opposed to separate direct ownership of the relevant Shares. Each of Mr. Yang Deyong and Mr. Zhu Xiaoxing does not have control over Smart Estate and Wealth Best, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The table below summarizes the principal terms of the Pre-IPO Investments:

	<u>Smart Estate</u>	<u>Wealth Best</u>
Date of subscription agreement:	June 29, 2020	June 29, 2020
Number of Shares subscribed for:	5,444 Shares	5,556 Shares
Amount of consideration paid:	RMB67,446,260	RMB68,833,840
Basis of consideration:	The consideration was determined after arm's length negotiation between the parties with reference to the valuation of the Group as assessed by an independent third-party valuer as of December 31, 2019.	
Payment of consideration:	The consideration payable by each of Smart Estate and Wealth Best has been settled in full on July 30, 2020.	
Approximate investment cost per Share subscribed for:	RMB12,389.1 (equivalent to approximately HK\$14,606.3)	
Discount to the Offer Price:	70.1% (calculated based on HK\$6.10, being the mid-point of the indicative Offer Price range of HK\$5.50 to HK\$6.70).	
Lock-up restrictions:	Six months from the Listing Date.	
Special rights:	In the event that the Listing does not take place within 18 months from the date of the subscription agreement, Shine Wind shall repurchase the subscribed Shares from Smart Estate and Wealth Best respectively by payment in cash of a sum equal to the subscription price paid plus interest of 10% per annum pursuant to the terms of the subscription agreement. Such special rights granted to the Pre-IPO Investors shall be terminated upon the Listing.	
Use of proceeds:	General working capital of our Group. As of the Latest Practicable Date, none of the proceeds from the Pre-IPO Investments had been utilized by our Group.	

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	<u>Smart Estate</u>	<u>Wealth Best</u>
Strategic benefits:	The Pre-IPO Investments were made in consideration of the past contribution by the beneficial owners of Smart Estate and Wealth Best to the Group and for the purpose of maintaining stability of the management team of the Group.	
Approximate shareholding in our Company after completion of the Pre-IPO Investments and immediately before the Capitalization Issue and the Global Offering	4.9%	5%

Circular No. 37

Pursuant to Circular No. 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV’s PRC resident shareholder, name of the Overseas SPV, term of operation or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to Circular No. 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV’s PRC subsidiary to distribute dividends to its overseas parent.

As advised by our PRC Legal Advisors, Mr. Hu Yingyong, Mr. Zhang Shufeng, Mr. Yang Deyong, Mr. Zhu Xiaoxing, Mr. Liu Xu, Mr. Wan Le and Mr. Zhai Senlin, who are PRC residents, have completed the registrations as required by Circular No. 37 on July 2, 2020, and such registrations have complied with the provisions set forth in Circular No. 37.

Joint Sponsors’ Confirmation

The Joint Sponsors are of the view that the Pre-IPO Investments made by Smart Estate and Wealth Best are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) and the Guidance on Pre-IPO investments (HKEx-GL43-12).

MATERIAL ACQUISITIONS OF SUBSIDIARIES DURING THE TRACK RECORD PERIOD

Acquisition of 60% equity interest in Hangzhou New Era

On September 22, 2017, Ocean Homeplus entered into an equity transfer agreement with each of Hangzhou Real Estate Development Group Co., Ltd. (杭州市房地產開發集團有限公司) and Hangzhou Hangfang Leasing Service Co., Ltd (杭州杭房租賃經營服務有限公司), both being Independent Third Parties, for the acquisition of an aggregate of 60% equity interest in Hangzhou New Era at a total consideration of RMB5,550,000. Such consideration was determined after arm's length negotiations with reference to the net profit of Hangzhou New Era for the financial year ended December 31, 2016, equivalent to approximately 5.5 times of the said net profit, and also taking into account (i) the profitability of Hangzhou New Era with expected average property management fee of approximately RMB1.2 per sq.m. per month to be charged in 2018; (ii) Hangzhou New Era's revenue of approximately RMB15.8 million and net profit of approximately RMB1.7 million for the year ended December 31, 2016; and (iii) the contracted GFA of Hangzhou New Era of approximately 0.8 million sq.m. at the time of acquisition. The acquisition consideration also represented the amount of consideration of approximately RMB6.9 per sq.m. calculated based on the contracted GFA of Hangzhou New Era as of December 31, 2017. Upon completion of the acquisition, Hangzhou New Era was owned as to 60% by Ocean Homeplus and as to 40% by Hangzhou Real Estate Development Group Co., Ltd., and thus became our non-wholly owned subsidiary. Hangzhou New Era is principally engaged in the provision of property management services for residential properties in Hangzhou, Zhejiang province, the PRC.

Acquisition of 60% equity interest in Ocean Nantong

On September 26, 2017, Ocean Homeplus entered into an equity transfer agreement with AVIC Aviation Technology Co., Ltd. (中航航空高科技股份有限公司), an Independent Third Party, for the acquisition of 60% equity interest in Ocean Nantong at a consideration of RMB2,686,480. Such consideration was determined after arm's length negotiations with reference to the net profit of Ocean Nantong for the financial year ended December 31, 2016, equivalent to approximately 4.2 times of the said net profit, and also taking into account (i) the profitability of Ocean Nantong with expected average property management fee of approximately RMB2.0 per sq.m. per month to be charged in 2018; (ii) Ocean Nantong's revenue of approximately RMB19.2 million and net profit of approximately RMB1.1 million for the year ended December 31, 2016; and (iii) the contracted GFA of Ocean Nantong of approximately 0.8 million sq.m. at the time of acquisition. The acquisition consideration also represented the amount of consideration of approximately RMB3.6 per sq.m. calculated based on the contracted GFA of Ocean Nantong as of December 31, 2017. Upon completion of the acquisition, Ocean Nantong was owned as to 60% by Ocean Homeplus and as to 40% by AVIC Aviation Technology Co., Ltd., and thus became our non-wholly owned subsidiary. Ocean Nantong is principally engaged in the provision of property management services for residential properties located in Nantong, Jiangsu province, the PRC.

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Acquisition of 80% equity interest in Shandong Liantai

On December 22, 2017, Ocean Homeplus entered into an equity transfer agreement with each of Mr. Dong Yanhua (董延華) and Mr. Cui Lihua (崔立華), both being Independent Third Parties, for the acquisition of an aggregate of 80% equity interest in Shandong Liantai at a total consideration of RMB50,600,000. Such consideration was determined after arm's length negotiations with reference to the estimated net profit of Shandong Liantai of approximately RMB5.5 million for the financial year ended December 31, 2018, equivalent to approximately 11.5 times of the said estimated net profit, and also taking into account (i) the profitability of Shandong Liantai with expected average property management fee of approximately RMB2.0 per sq.m. per month to be charged in 2018; (ii) Shandong Liantai's revenue of approximately RMB42.3 million and net loss of approximately RMB1.0 million for the year ended December 31, 2017; (iii) the contracted GFA of Shandong Liantai of approximately 2.3 million sq.m. at the time of acquisition; and (iv) the fact that the net loss incurred in 2017 was mainly due to the high operational and management costs of Shandong Liantai which, upon the acquisition, we expected that Shandong Liantai could benefit from our Group's advantage in digitization and operation management system to enhance its operational and cost efficiency. The strategy was proven to be effective given Shandong Liantai recorded a net profit of approximately RMB6.1 million for the year ended December 31, 2018. The acquisition consideration also represented the amount of consideration of approximately RMB21.7 per sq.m. calculated based on the contracted GFA of Shandong Liantai as of December 31, 2018. Upon completion of the acquisition, Shandong Liantai was owned as to 80% by Ocean Homeplus and as to 20% by Mr. Dong Yanhua, and thus became our non-wholly owned subsidiary. Shandong Liantai is principally engaged in the provision of property management services for residential properties and public service facilities in Qingdao and Linyi, Shandong province, the PRC. The acquisition of Shandong Liantai has increased the proportion of public service facilities in the property management portfolio of our Group. It will also assist our Group to cultivate talents for the management of public service facilities and obtain engagements for public service facilities in other regions by leveraging experience gained from the management of Shandong Liantai, and thus, synergy is expected to be created from the acquisition. Accordingly, our Directors are of the view that the acquisition consideration was reasonable and justifiable.

Acquisition of 60% equity interest in Changsha Xiangcheng

On March 5, 2018, Ocean Homeplus entered into an equity transfer agreement with each of Mr. Yong Peilin (雍佩林) and Mr. Yong Genlin (雍根林), both being Independent Third Parties, for the acquisition of an aggregate of 60% equity interest in Changsha Xiangcheng at a total consideration of RMB40,320,000. Such consideration was determined after arm's length negotiations with reference to the estimated net profit of Changsha Xiangcheng for the financial year ended December 31, 2018, equivalent to approximately 11.2 times of the said estimated net profit, and also taking into account (i) the profitability of Changsha Xiangcheng with expected average property management fee of approximately RMB0.8 per sq.m. per month to be charged in 2018; (ii) Changsha Xiangcheng's revenue of approximately RMB30.0 million and net profit of approximately RMB2.5 million for the year ended December 31, 2017; and (iii) the contracted GFA of Changsha Xiangcheng of approximately 3.3 million sq.m. at the

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time of acquisition. The acquisition consideration also represented the amount of consideration of approximately RMB16.3 per sq.m. calculated based on the contracted GFA of Changsha Xiangcheng as of December 31, 2018. Upon completion of the acquisition, Changsha Xiangcheng was owned as to 60% by Ocean Homeplus and as to 40% by Mr. Yong Peilin, and thus became our non-wholly owned subsidiary. Changsha Xiangcheng is principally engaged in the provision of property management services for residential properties in Changsha, Hunan province, the PRC. The acquisition of Changsha Xiangcheng has enabled our Group to strategically enter into Changsha as a new market and increased our Group's market share in the Hunan region, and thus, synergy is expected to be created from the acquisition. Accordingly, our Directors are of the view that the acquisition consideration was reasonable and justifiable.

As advised by our PRC Legal Advisors, all the equity transfers and acquisitions in relation to our PRC subsidiaries as described under the paragraphs headed "Material Acquisitions of Subsidiaries during the Track Record Period" above have been approved by and/or registered with the relevant PRC government authorities and were properly and legally completed in each case in accordance with the relevant PRC laws, rules and regulations.

PRIOR LISTING ON NEEQ AND SUBSEQUENT DELISTING OF OCEAN HOMEPLUS

Prior Listing of Shares of Ocean Homeplus on NEEQ

On April 1, 2016, Ocean Homeplus received approval for its shares to be listed on NEEQ in the PRC (stock code: 837149 NEEQ). The shares of Ocean Homeplus began trading on NEEQ on May 9, 2016.

Delisting of Shares of Ocean Homeplus from NEEQ and Reasons for Seeking Listing on the Stock Exchange

Considering the reasons below for seeking listing on the Stock Exchange, Ocean Homeplus had resolved to voluntarily delist the shares of Ocean Homeplus from NEEQ. The delisting from NEEQ was completed on March 2, 2018.

Our Directors believe that the Listing will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

- (1) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and broaden our fund-raising channels and our Shareholders base as well as strengthen our corporate governance;
- (2) the Listing would give us a better platform for our development in our business; and

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- (3) a listing on the Stock Exchange will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

Compliance During Listing on NEEQ

As confirmed by our Directors, to the best of their knowledge and belief.

- (i) during the period that Ocean Homeplus was listed on NEEQ:
 - (a) as advised by our PRC Legal Advisors, Ocean Homeplus and its directors had been in compliance in all material respects with all applicable laws and regulations and rules and regulations of NEEQ; and
 - (b) Ocean Homeplus and its directors had not been subject to any disciplinary investigation and/or action by NEEQ and/or any relevant law enforcement authority or regulator; and
- (ii) there are no further matters in relation to the prior listing of Ocean Homeplus on NEEQ that need to be brought to the attention of the Stock Exchange or our Shareholders.

Based on the independent due diligence works performed by the Joint Sponsors and the advice from the PRC Legal Advisors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' views mentioned above in relation to the compliance record of Ocean Homeplus during its listing on NEEQ.

REASONS FOR THE SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the Listing of our Company will constitute the Spin-off of Sino-Ocean.

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

- (a) the Spin-off will enable us to build our identity as a separately listed group, and have a separate fund-raising platform; the Spin-off would allow us to gain direct access to the capital markets for equity and/or debt financing to fund our existing operations and future expansion, thereby accelerating our expansion and improving our operating and financial performance, which will in turn result in better financial return to the shareholders of both the Sino-Ocean Group and our Group;

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- (b) as a separately listed group, we will be able to build on our reputation further and be in a better position to negotiate and solicit more business, and Sino-Ocean will in turn be able to benefit from our growth through its shareholding in our Group;
- (c) the Spin-off will enable us to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for us, for investment in and forming strategic partnerships directly with us; and
- (d) the Spin-off would enable a more focused development, strategic planning and better allocation of resources for the Sino-Ocean Group and our Group with respect to our respective businesses; both the Sino-Ocean Group and our Group would benefit from the efficient decision-making process under the separate management structure for taking emerging business opportunities, especially with a dedicated management team for our Group to focus on its development.

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

BUSINESS

OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. We were ranked 13th and 11th by China Index Academy among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We are also recognized as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management, according to China Index Academy. Our market share in terms of total GFA under management and revenue in the overall PRC property management market in 2019 was 0.2% and 0.3%, respectively, according to China Index Academy. We have been providing property management services in China for more than 20 years with a focus on first-tier and second-tier cities in China. As of June 30, 2020, our total contracted GFA reached 61.9 million sq.m., covering 54 cities across 24 provinces, municipalities and autonomous regions in China and we managed 210 properties in China with a total GFA under management of 42.3 million sq.m., including 155 residential communities and 55 non-residential properties. Headquartered in Beijing, we are a leading property management service provider in terms of the amounts of contracted GFA and GFA under management among the 35 Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region, according to China Index Academy. We have a strong presence in the Beijing-Tianjin-Hebei region and the Bohai Rim region, and our GFA under management in each of these two regions accounted for 32.9% and 28.8% of our total GFA under management as of June 30, 2020, respectively.

Our property management services cover a wide range of property types, including residential communities, commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). In addition to property management services, we provide value-added services to non-property owners, including pre-delivery services, consultancy services and property engineering services to property developers and other property management companies, and a variety of community value-added services to property owners and residents of the properties under our management, including community asset value-added services, community living services and property brokerage services. The following table sets forth the breakdown of our revenue by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Property management services	830,111	68.4	1,051,601	65.3	1,219,641	66.6	581,620	68.6	647,666	71.7
Value-added services to non-property owners . .	204,703	16.9	317,377	19.7	372,643	20.4	167,651	19.8	154,309	17.1
Community value-added services	178,214	14.7	241,331	15.0	237,291	13.0	98,771	11.6	101,719	11.2
Total revenue	1,213,028	100.0	1,610,309	100.0	1,829,575	100.0	848,042	100.0	903,694	100.0

We experienced continual growth during the Track Record Period. Our revenue increased by 32.8% from RMB1,213.0 million in 2017 to RMB1,610.3 million in 2018 and further increased by 13.6% to RMB1,829.6 million in 2019, representing a CAGR of 22.8% from 2017 to 2019. Our revenue increased by 6.6% from RMB848.0 million for the six months ended June 30, 2019 to RMB903.7 million for the six months ended June 30, 2020. Our profit for the year increased by 37.0% from RMB105.1 million in 2017 to RMB143.9 million in 2018 and further increased by 42.6% to RMB205.3 million in 2019, representing a CAGR of 39.8% from 2017 to 2019. Our profit for the period increased by 26.1% to RMB154.1 million for the six months ended June 30, 2020 from RMB122.2 million for the six months ended June 30, 2019. According to China Index Academy, both CAGR of our revenue and profit were higher than the industry average among the Top 100 Property Management Companies in China for the same period.

COMPETITIVE STRENGTHS

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

A comprehensive property management service provider with extensive geographic coverage, a rapidly growing track record and strong brand recognition

We have been providing property management services in China for more than 20 years and are a comprehensive property management service provider in China with a consistently strong market position and extensive property management coverage. We obtained the Level One Property Management Qualification from MOHURD in 2005. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We are also recognized by China Index Academy as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management.

We had an extensive property management portfolio of 282 property management projects with a total contracted GFA of 61.9 million sq.m. as of June 30, 2020, covering 54 cities across 24 provinces, municipalities and autonomous regions in China. As of June 30, 2020, we provided property management services to 155 residential communities and 55 non-residential properties with GFA under management of 42.3 million sq.m. We have established a national and strategic layout of property management projects through organic growth as well as mergers and acquisitions, with a clear focus on economically developed regions covering the five national-level urban agglomerations in China, according to China Index Academy. Our geographic coverage of GFA under management in first-tier and second-tier cities in China reached 38.4 million sq.m. as of June 30, 2020, accounting for 90.8% of our total GFA under management.

BUSINESS

In particular, we have a strong presence in the Beijing-Tianjin-Hebei region and the Bohai Rim region, and our GFA under management in each of these two regions accounted for 32.9% and 28.8% of our total GFA under management as of June 30, 2020, respectively. We are headquartered in Beijing and, according to China Index Academy, we ranked fourth in terms of contracted GFA, fifth in terms of GFA under management, sixth in terms of Reserved GFA and growth rate of Reserved GFA in 2019 among the 35 Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region. Our total Reserved GFA increased by 43.8% from 13.1 million sq.m. in 2018 to 18.9 million sq.m. in 2019 and ranked fifth in 2019 as compared to the 24 PRC property management companies that were listed in Hong Kong as of June 30, 2020, in terms of growth rate of Reserved GFA. We believe our extensive property management business coverage has served and will continue to serve as a strong basis for us to solidify our market position and further expand our portfolio to other major cities in China.

Seizing industry opportunities, we have been accelerating the expansion of our property management scale and experienced continuous growth across our business lines during the Track Record Period. Our revenue increased by 32.8% from RMB1,213.0 million in 2017 to RMB1,610.3 million in 2018 and further increased by 13.6% to RMB1,829.6 million in 2019. Our revenue increased at a CAGR of 22.8% from 2017 to 2019, which was higher than the industry average of 18.4% of the Top 100 Property Management Companies in China for the same period, according to China Index Academy. Our revenue increased by 6.6% from RMB848.0 million for the six months ended June 30, 2019 to RMB903.7 million for the six months ended June 30, 2020. Our profit for the year increased by 37.0% from RMB105.1 million in 2017 to RMB143.9 million in 2018 and further increased by 42.6% to RMB205.3 million in 2019. Our profit for the year increased at a CAGR of 39.8% from 2017 to 2019, and was higher than the industry average of 26.1% among the Top 100 Property Management Companies in China for the same period, which increased from RMB57.3 million in 2017 to RMB91.1 million in 2019, according to China Index Academy. Our profit for the period increased by 26.1% to RMB154.1 million for the six months ended June 30, 2020 from RMB122.2 million for the six months ended June 30, 2019.

We have received various awards and accolades over the years in recognition of our brand and competitiveness. In 2020, we are recognized as the “Potential Unicorn of Property Management Service” and “Top 100 Most Valuable Brand of Property Management Service” by China Property Management Institute, E-house China R&D Institute and China Real Estate Appraisal Centre. For further details, see the section headed “— Awards and Recognitions” below. We believe that our brand has helped and will continue to help us maintain a high retention rate for property management service contracts, accelerate the growth of our contracted GFA and GFA under management and achieve a rapid growth of our property management scale.

Strong leverage on the diversified project portfolio and high-quality landbank of our Controlling Shareholder, Sino-Ocean, as well as its subsidiaries, joint ventures and associates and its substantial shareholders, leading to our highly visible and sustainable growth opportunities

We benefit from the business cooperation with our Controlling Shareholder, Sino-Ocean, which is a reputable property developer in China and its subsidiaries, joint ventures and associates, such as Sino-Ocean Capital Limited (“**Sino-Ocean Capital**”). Sino-Ocean recorded contracted sales of RMB70.6 billion, RMB109.5 billion and RMB130.0 billion in 2017, 2018 and 2019, respectively, which increased at a CAGR of 35.8% from 2017 to 2019. Sino-Ocean achieved increasing GFA of contracted sales in China amounting to 3.7 million sq.m., 5.2 million sq.m. and 6.3 million sq.m. in 2017, 2018 and 2019, respectively, which increased at a CAGR of 30.8% from 2017 to 2019 with average selling price of RMB19,000, RMB21,200 and RMB20,500 per sq.m. in 2017, 2018 and 2019, respectively. As of June 30, 2020, Sino-Ocean had approximately 200 property development projects across 51 cities worldwide with a landbank of more than 37.0 million sq.m., covering residential, commercial, office, logistics and elderly care properties. Sino-Ocean focuses its business on first-tier and second-tier cities and its total landbank amounted to 34.6 million sq.m., accounting for 92.4% of its total landbank as of June 30, 2020. We believe that the landbank and stable development of Sino-Ocean will help solidify our industry reputation and market position as a comprehensive property management service provider in China.

We maintain a close business relationship with Sino-Ocean and provide property management services for most of the properties developed by the Sino-Ocean Group (including its joint ventures and associates). Our tender success rates for managing properties developed by the Sino-Ocean Group (including its joint ventures and associates) were 100% throughout the Track Record Period. In addition, we also provide value-added services to non-property owners which include pre-delivery services and pre-sale consultancy services, to the Sino-Ocean Group (including its joint ventures and associates). We believe that our long-term and stable business cooperation with Sino-Ocean will position us well to benefit from its extensive and large project pipelines as we expect to provide property management and other services in relation to the vast majority of its property development projects under construction and in the pipeline.

In addition, we benefit from potential and continual business cooperation with the two substantial shareholders of Sino-Ocean, namely China Life and Dajia Insurance. China Life is a leading insurance company in China and a Fortune Global 500 Company for 18 years. We seek to explore potential business cooperation in relation to property management and value-added services with China Life, which has nationwide investment properties in China, so as to support our business growth. Dajia Insurance is a comprehensive insurance group. As of June 30, 2020, we had contracted to provide property management services to or had managed certain properties for Dajia Insurance and its subsidiaries with a total contracted GFA of 1.0 million sq.m., including its Beijing headquarters, residential properties in Wenzhou and commercial and residential properties in Chengdu.

We believe that strong brand recognition, outstanding contracted sales performance and the abundant landbank of Sino-Ocean, together with the potential and continual business cooperation with China Life and Dajia Insurance, will continue to provide us with more business opportunities and considerable project resources to expand our services, 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 as well as community value-added services, and laying a solid foundation for our highly visible and sustainable business growth.

Broad sources of revenue generating channels attributable to diversified property management portfolio with cutting edge property management services to high-end commercial properties and multiple service offerings

We have broad sources of revenue generating channels attributable to our diversified property management portfolio and multiple service offerings:

Diversified types of managed properties

In addition to residential communities, we have successfully diversified our property management portfolio by extending our services to an increasing variety of non-residential properties, including commercial properties, office buildings, multi-purpose complexes, government buildings, public facilities, highway service stations and hospitals. Since we started providing property management related services to non-residential property in 1997, we have been expanding our non-residential portfolio. Leveraging our in-depth experience in property management and through the efforts of our Group and our joint ventures and associates, we have expanded our provision of property management services to high-end commercial properties and office buildings including Sino-Ocean Taikoo Li Chengdu (Chengdu), INDIGO (Beijing), Ocean International Center (Beijing), Ocean Office Park (Beijing), Ocean Plaza (Beijing), Grand Canal Place (Hangzhou) and Beijing headquarters of Dajia Insurance, etc.

Our total contracted GFA for management of non-residential properties increased from 2.4 million sq.m. as of December 31, 2017 to 8.3 million sq.m. as of June 30, 2020 and our GFA under management for non-residential properties increased from 2.2 million sq.m. as of December 31, 2017 to 5.4 million sq.m. as of June 30, 2020. Our revenue generated from management of non-residential properties increased from RMB250.8 million in 2017 to RMB332.7 million in 2018 and further to RMB401.6 million in 2019, at a CAGR of 26.5% from 2017 to 2019. Our revenue generated from management of non-residential properties increased from RMB193.3 million for the six months ended June 30, 2019 to RMB224.6 million for the six months ended June 30, 2020. We generally record higher average property management fee and gross profit margin from property management services for commercial properties as compared to residential communities since the entry barrier of managing commercial properties is relatively high and as a result, the property management fees charged for managing commercial properties are generally higher than those charged for residential

communities. The increasing revenue contribution from property management services for non-residential properties, in particular, commercial properties, enables us to achieve a better overall gross profit margin and net profit.

Our capability of providing high-quality property management services to non-residential properties is widely recognized and has earned us the Certificate of Excellence from BOMA and certification from LEED in 2018 as well as gold level certification from the International Well Building Institute in 2019. The diversification of our managed property types has enriched our service dimensions and operating revenue streams with business opportunities emerging from newer markets.

Multiple service offerings

Apart from traditional property management services, we offer a range of services, namely community value-added services provided to property owners and residents and value-added services to non-property owners, such as property developers and other property management companies.

Our community value-added services comprise a series of value-added services including (i) community asset value-added services such as carpark management services, utilities management services and community space operation services; (ii) community living services, such as housekeeping, turnkey furnishing and move-in, repair and maintenance and other bespoke services and (iii) property brokerage services. We provide these services through deployment of a combination of our professional property management team and our online service platform in order to enhance customer experience, satisfaction and loyalty and to create a healthier and more convenient living community for property owners and residents. During the Track Record Period, revenue generated from our community value-added services increased from RMB178.2 million in 2017 to RMB237.3 million in 2019, at a CAGR of 15.4%.

Our value-added services to non-property owners provide a full chain of services to property developers from planning and pre-sales to the final delivery of properties and are supported by our professional team to provide mid-to-high-end value-added services during the entire cycle of a property development project. We provide consultancy services to assist property developers with their overall planning and pre-sale activities and pre-delivery services, including cleaning, security inspection, repair and maintenance to property units, as well as parking management and other customer related services. We also provide property engineering services through a professional engineering team that covers local and regional engineering business in China. Our professional engineering team undertakes community maintenance, greening, gardening and other engineering services for property developers and other property management companies. During the Track Record Period, we undertook various property engineering projects and our revenue generated from such property engineering services increased from RMB23.4 million in 2017 to RMB61.2 million in 2019, at a CAGR of 61.8%. During the Track Record Period, revenue generated from our value-added services to non-property owners increased from RMB204.7 million in 2017 to RMB372.6 million in 2019, at a CAGR of 34.9%.

High levels of customer satisfaction, brand recognition and average property management fees underpinned by our high-quality property management services

We are committed to providing high-quality and comprehensive property management services. Since our establishment, we have adhered to the service concept of “being understanding and innovative,” and we strive to provide high-quality property management services to bring convenience to life and foster a more valuable living environment and experience to property owners and residents. We have established nationwide reputation for our high-quality and comprehensive services and won numerous awards for the residential communities and non-residential properties under our management. As of June 30, 2020, 37 projects managed by us were accredited as demonstration sites (“示範基地”), model residential communities (“模範住宅小區”), benchmarking projects (“標杆項目”) or excellent projects (“優秀項目”) at municipal, provincial or national levels, including Ocean Office Park (Beijing), Ocean Great Harmony (Beijing), Ocean Residence (Shenyang), Canal Business Center (Hangzhou), Ocean International Center (Beijing), Ocean Landscape Eastern Area (Beijing), Ocean Haiyue Mansion (Qinhuangdao) and Ocean Prospect (Dalian). As of June 30, 2020, we had also won 20 national-level awards or recognitions for property management. According to China Index Academy, we were one of the leading Top 100 Property Management Companies in China in terms of service quality in 2018.

We believe that consistently high-quality services are vital to gain our customers’ trust and enhance their satisfaction level. According to Savi Consulting, an independent researcher focused on real estate customer relationship, our customer satisfaction rate was 86% in 2019, which was higher than the average customer satisfaction rate of 73% for the property management industry. For the years ended December 31, 2017, 2018 and 2019, the retention rate of our property management service contracts (being the number of property management service contracts effective as of the relevant period end divided by the number of property management service contracts existing during the same period) was 100%, 98.7% and 97.4%, respectively, while the industry average retention rate was 98.5%, 98.3% and 98.4% for the same periods, respectively, according to China Index Academy.

The provision of basic and high-quality property management services has not only enhanced our brand recognition among customers but also paved the way for us to become a superior brand in China. This brand premium is reflected in our average monthly property management fee. Our average property management fee charged for residential communities under our management was approximately RMB2.5, RMB2.4 and RMB2.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, and was higher than the industry average amongst the Top 100 Property Management Companies in the PRC of RMB2.3, RMB2.3 and RMB2.1 per sq.m. per month for the same period, respectively, according to China Index Academy. In addition, our average property management fee charged for commercial properties under our management was approximately RMB14.2, RMB15.9 and RMB17.4 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, and was also higher than the industry average amongst the Top 100 Property Management Companies in the PRC of RMB7.4, RMB7.4 and RMB6.6 per sq.m. per month for the same period, respectively, according to China Index Academy. Our average property

management fees for both residential communities and commercial properties were higher than the industry average as properties managed by us were mainly mid-to-high-end properties in first tier cities in the PRC and we were able to provide high-quality property management services with high customer satisfaction rate. Having benefited from our high-quality services and high customer satisfaction level, we are able to maintain a relatively high collection rate of property management fees. Our collection rate of property management fees from property owners and residents, calculated by dividing the aggregate property management fees collected for the relevant period and up to June 30, 2020 by the corresponding total property management fees receivable for the same period, was 96.3%, 95.9%, 93.9% and 78.0% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The decrease in collection rate during the first half of 2020 was primarily due to the payment pattern of certain property owners and residents and slow down of payment by property owners and residents as affected by the outbreak of COVID-19.

Leveraging our brand and high-quality services, we have been providing customized, diversified and quality services to properties developed or owned by other third parties in addition to providing services to properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders to expand our market share. We have also implemented various incentive measures to encourage our employees to seek business cooperation opportunities from third-party developers through investigation and analysis of and communication with target customers in the real estate industry. The contribution of GFA under management from other third parties to our total GFA under management increased significantly during the Track Record Period from 13.4% as of December 31, 2017, to 25.5% as of December 31, 2018 and further to 27.5% and 28.4% as of December 31, 2019 and June 30, 2020, respectively, with our GFA under management from other third parties reaching 12.0 million sq.m. as of June 30, 2020. Revenue generated from property management services provided in respect to such properties increased from RMB49.4 million in 2017 to RMB225.7 million in 2019, at a CAGR of 113.8%.

Effective standardization and automation, digitization and smart management contributing to enhanced operational and cost efficiency

We are dedicated to implementing standardization and automation, digitization and smart management to optimize operational procedures and improve efficiency and customers' experience. We endeavor to strengthen our competitiveness by upgrading systems through information technologies, reducing reliance on manual labor and thus decreasing operational costs. We have implemented various systems to enhance the living experience of property owners and residents as well as to enhance the efficiency of our business operations and financial performance:

- *Standardization and automation.* We have established a standardized operation model and an effective internal management system and have put in place internal guidelines and written operating manuals in accordance with the quality standards represented by our ISO certifications, which set forth our standardized operating procedures. Standardization of these procedures ensures that our employees adhere

to our quality standards when providing property management services. We have also adopted automation systems to alleviate our staff from repetitive and redundant works in our daily operations such as cleaning and greening. Such standardization and automation on one hand enable us to provide consistently high-quality services, and on the other hand, lower our labor cost and enhance our service efficiency.

- *Digitization.* In collaboration with data management and cloud computing services providers, we have implemented our customer relationship management (CRM) system and business process management (BPM) system to manage customer profiles and data for more personalized and timely services, as well as conducting big data analysis on the overall operational status of our managed properties to identify customer needs and behavioral pattern, for better formulation of our future service procedures and business strategies. We have also digitized our business operations by implementing various systems such as financial management system, report and repair system and engineering management system, all of which are able to facilitate our monitor of the facilities in the properties under management and to enhance our service efficiency and quality.
- *Smart management.* We have diversified smart service platforms, namely “Yi Butler” (億管家), “Yi Life” (億家生活), “Yi Maintenance” (億家修) and “Yi Space” (億空間) and together with our EBA system, which realize a smart property ecosystem among property owners, residents, other customers and business partners. Our “Yi Butler” is an internal service platform for us to better manage the diversified requirements of property owners and residents both online and offline. It also serves as a practical assistant for our external and internal management of properties. “Yi Maintenance” is a service platform with more than 600 professional engineers that focuses on maintenance of utility facilities and electrical products, as well as indoor renovation for the residential communities. Our “Yi Life” is an integrated service platform for property owners and residents to access and utilize our services including one-stop community living services. Our “Yi Space” is an application that enables our property owners and residents to access convenient storage services within the communities. Our EBA system is developed for the smart management of equipment and facilities in our managed communities which collect equipment operating information, prompt error and abnormalities of our equipment and facilities in time and automatically dispatch orders to our staff through “Yi Butler.” With our EBA system, we are able to achieve remote equipment monitoring, effective allocation of human resources and enhance the efficiency of property management. Our smart service platforms together with our EBA system have provided a convenient and smart service interface to our customers, facilitated our provision of property management services and improved the satisfaction of our customers.

BUSINESS

As of the Latest Practicable Date, we had registered 12 software copyrights in the PRC which were primarily related to our efforts in developing smart residential communities. For further details, see the section headed “— Standardization, Digitization, Smart Management and Upgrades of Information Technologies systems” below.

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

Our professional management team and employees are crucial to our success. Our directors and senior management have on average more than 10 years of experience in property management services and real estate development industries and more than 15 years of experience in management. The real estate development industry experience and hindsight of our core management team help us understand industry trends within a broader context and from a higher perspective which enable us to seize market opportunities and steer the course of our business to the right directions. The industry experience of our core management team has also strengthened our capabilities to understand the needs of our customers and integrate and optimize the upstream and downstream resources along the value chain of our industries for us to provide comprehensive and diversified services. In addition, the general managers of our subsidiaries and branch offices generally have long-term front-line experience in the property management industry, which help guarantee the effective implementation of decisions from our management team and lead a service team of more than 12,000 staff to serve our customers with utmost dedication.

We have adopted an effective human resource system that provides differentiated employee training, performance evaluation and incentive measures which are tailored to the needs of different positions, from entry-level staff to senior management, with different skill requirements and career aspirations. We have competitive compensation plan, sound employee welfare policy, regular performance appraisal and internal rating system to attract external talents as well as retaining employees and management for our business expansion. We have also implemented various types of incentive schemes for different levels of employees. We believe that our results-driven and value-sharing culture together with our well-developed talent selection, cultivation and evaluation initiatives have enabled us to identify, recruit, train and retain employees who share our fundamental values and are able to provide professional and high-quality services to customers, thus making us stand out from our competitors.

BUSINESS STRATEGIES

We aim to be a leading comprehensive property management service provider with a focus on mid-to-high-end properties and be the creator of healthy life in China. We seek to continue to increase our market share and recognition by implementing the following strategies:

Further expand the scale and diversity of our property management business and property management portfolio through multiple channels

We intend to expand the scale of our property management business in terms of total contracted GFA, GFA under management and number of properties under management, to diversify our property management portfolio and to increase our market share in the industry through internal resources, external extension and mergers and acquisitions.

Leveraging our cooperative advantages with the Sino-Ocean Group and its substantial shareholders, we believe we are able to achieve a steady growth of GFA under management from them. On August 21, 2020, we entered into a strategic cooperation agreement with Sino-Ocean (China), Huazhu Enterprise Management Co., Ltd., a leading hotel operator in the PRC, and Chengjia Hotel Management Co., Ltd., a service apartment operator in the PRC, to provide property management services for the properties of Huazhu Enterprise Management Co., Ltd. and Chengjia Hotel Management Co., Ltd.. On August 21, 2020, we also entered into a strategic cooperation agreement with Sino-Ocean Capital, an associate of Sino-Ocean, to provide customized property management services for its real estate projects including commercial properties, industrial parks, logistic centers and data centers with an additional contracted GFA of not less than 2.0 million sq.m. each year. Moreover, we seek to have strategic cooperation with China Life Insurance to provide customized property management services as well as value-added services including consultancy, renovation, and asset value-added services to them.

In addition, leveraging our solid foundation in the Beijing-Tianjin-Hebei region and the Bohai Rim region, we seek to achieve business expansion independently by capitalizing our brand value and business opportunities and obtaining new projects and attracting new customers in economically developed cities with high population density in China. On one hand, we will continue to expand our business scale in providing property management services to mid-to-high-end residential communities. On the other hand, we also intend to provide comprehensive property management services to an increasing number of non-residential properties through strengthening our strategic cooperation with large corporations and local government agencies.

When suitable opportunities arise, we may explore selective strategic investments in alliances with or acquisitions of other property management companies or other business partners in China. We intend to focus on companies that are consistent with our brand image and market positioning and with complementary business profile and know-how that can increase the depth and breadth of our service offerings and our managed property portfolio. We seek to expand our investment and strategy team to identify potential targets and carry out feasibility studies and establish an internal audit system to facilitate our decision making process. For details of our selection criteria for merger and acquisitions, see the section headed “Future Plans and Use of Proceeds.”

Leveraging the above resources and channels to expand our business, we aim to increase our market share while maintaining a reasonable balance between our property management scale and level of profitability. On one hand, we intend to further expand into the eastern, southern, central and western China through various means as abovementioned. On the other hand, we seek to further diversify our property management portfolio and provide comprehensive property management services to more property types, including but not limited to residential, commercial, hotels, industrial parks and logistics and data centers as well as public and other properties, such as government buildings, public service facilities and municipal constructions.

Continue to provide and develop diversified and differentiated high-quality value-added services with a focus on exploring service value and preserving and appreciating asset value as well as expanding our service scope

We believe high-quality value-added services are a crucial part of realizing our business value and enhancing customer loyalty. We intend to continue to enhance our service diversity and value creation capability by deepening and broadening our value-added services provided to property owners and residents as well as property developers in order to satisfy the diversifying needs of customers and to build a personalized community ecosphere.

We intend to utilize our professional property management team as the hub and through various service platforms to further explore and address the evolving needs of property owners and residents, and to bring convenience to their daily life and enhance their well-being of living by deepening our business development on community value-added services. In order to optimize the living experience and satisfaction of property owners and residents, we intend to diversify our revenue stream of community asset value-added services by expanding our custodian services for the lease and/or management of carpark spaces as well as common areas such as advertising spaces and common facilities. We also plan to further develop our property brokerage services by collaborating with professional real estate agency companies in China, with a view to assisting property owners in relation to their idle properties and further improving our property leasing and secondary property sale business. We seek to increase the number of service points in the residential communities under management and organize a series of marketing activities to attract more property owners and residents with relevant demands, so as to expand the coverage of our property brokerage services. Moreover, we will continue to enhance our existing community living services such as decoration, turnkey furnishing and move-in, purchase assistance and housekeeping and cleaning services as well as expanding the coverage of our community living services based on the feedback from property owners and residents. We seek to collect and analyze the demands of our property owners and residents through our day-to-day interaction with them, our CRM system and “Yi Butler” application and to provide selected products and services to our property owners and residents both online and offline through maintaining and exploring more cooperation with industry-renowned suppliers.

For property developers, we intend to provide all-lifecycle value-added services to non-property owners addressing their needs from preliminary consultancy for property development to post-delivery management. Leveraging the extensive customer base of our community value-added services and our know-how and experience in smart management and information management, we intend to strengthen our pre-delivery services, consultancy services and property engineering services provided to the non-property owners and further expand our business scale. In particular, we seek to customize and expand our consultancy services to include consultation on project planning, design and management, construction management, marketing management from a property management point of view. In addition, we plan to improve our pre-delivery services by strengthening our cleaning, security inspection, maintenance, concierge reception and catering services provided at the property sales site, so as to attract more collaboration with third-party property developers. We believe the provision of such value-added services to property developers would put us in an advantageous position in obtaining the property management engagements for the same projects.

Further enhance our standardized and automated operations with upgraded information technology and smart management to maximize cost efficiency and enhance service standards

We aim to continue to provide high-quality services to our customers through standardization, automation, smart management and upgrades of IT systems to enable us to strengthen our operating efficiency and control our costs effectively. For instance, we intend to develop a smart community by extending the coverage of our various automation and smart management measures within our managed residential communities in order to improve our profitability and expand our business scale. These measures include the upgrades of EBA systems for the management of equipment and facilities, smart carpark management system and smart entrance system in properties under our management. To enhance our level of digitization and our internal information technology infrastructure, we also plan to develop a comprehensive online service platform based on our existing service platforms for our nationwide customers and business partners. We also intend to continuously develop and upgrade our internal IT systems for property management including operation management system for community value-added services, financial-related systems and information sharing platform and database such as BPM system and CRM system, with more standardized modular management functions covering a full range of service contact points with customers to facilitate our day-to-day operations and to ensure a more focused quality control and straightforward internal management from our headquarters all the way to each of our managed properties. These upgraded property management systems will be designed to enhance the gathering and consolidation of first-hand customer data and service record from our managed properties so that we are able to analyze customer needs and behavioral patterns during our provision of property management services and formulation of business strategies.

Establish a strong reputation of high-quality property management services and enhance brand awareness

We place great emphasis on maintaining high-quality and differentiated services to maintain our brand image and our reputation as a quality property management service provider in the PRC. To improve customer experience and satisfaction, we aim to enhance our service quality through providing relevant trainings to our employees. We will continue to strengthen and equip our employees with up-to-date knowledge and skills necessary to the smooth delivery of the continuously diversifying types of services that we have introduced to enhance the living experience and to satisfy the increasingly diversified service demand of property owners and residents. We will continue to engage independent third-party researchers to conduct satisfaction survey with our property owners and residents in order to monitor the customer satisfaction level from time to time and to rectify any deficiency in our property management services.

We seek to continue to enhance our brand awareness by strengthening our reputation of high-quality property management services. For instance, instead of passively responding to the demand of customers, we intend to establish a star-rated butler service system to proactively provide tailor-made services to property owners and residents and bring a more convenient and better service experience to them. We will provide customized services for different communities managed by us in terms of variety of value-added services and resources allocated. We intend to designate one to two customer service managers to each of the residential communities depending on the level of properties. We plan to enhance the functionality of our “Yi Life” service platform, with an aim to increase the accessibility of our services provided and improve customer experience and satisfaction. We also intend to strengthen our capability in providing property management services among the non-residential sector, aiming at asset preservation and appreciation and focusing on providing high-end service experience to customers, and eventually establish a reputable sub-brand under this sector. In order to assist non-residential property owners to maintain their asset quality, we plan to provide professional facilities and equipment management as well as computer room management services to these non-residential customers. In addition, we plan to further increase our brand awareness by organizing industry events and publishing articles on our brand stories through our online platforms from time to time.

Further improve our human resources training and incentive system to support sustainable development of our business

We are committed to establishing effective human resources system and incentives to identify, select and cultivate employees in various positions and functions with the spirit of continuous pursuit of development. We will continue to review our internal and external training systems and establish a hierarchical training system for staff of different professions and seniority. We intend to implement a number of employee incentive plans and ensure the association of remuneration, bonus and performance to advocate a result-oriented and high-performance culture. We will continue to stimulate employees’ creativity and value by performance evaluation and assessment system to achieve our performance sharing culture. For

key employees, we may provide them with long-term incentive opportunities through our share option scheme to ensure the stability of talents. We will enhance the introduction of professional talents through recruitment and referral so as to maintain high-quality talent reserves for our business development, in particular, our value-added services. In light of this, we intend to strengthen our collaboration with professional institutions and vocational schools to cultivate and recruit qualified graduates. We also plan to provide broader and long-term career development opportunities through internal redeployment to cultivate our core employees. We will continue to build our human resources management system in property management industry to create a good corporate culture and working atmosphere as well as guarantee long-term development and attribution of our staff.

OUR BUSINESS MODEL

Our services include three main business lines, namely, (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, which form an integrated service offering to our customers along the value chain of property management.

- ***Property management services.*** We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services. Our property management portfolio covers both residential and non-residential properties including commercial properties (such as office buildings, shopping malls and hotels) and public and other properties (such as hospitals, public service facilities, government buildings and schools). During the Track Record Period, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.
- ***Value-added services to non-property owners.*** We provide value-added services to non-property owners (mainly property developers and other property management companies), including (i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units; (ii) consultancy services to assist with the overall planning and management of pre-sale activities; and (iii) property engineering services.
- ***Community value-added services.*** We provide community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs which mainly include: (i) community asset value-added services such as carpark management, utility management and community space operation services; (ii) community living services, such as home decoration services, purchase assistance, turnkey furnishing and move-in services, housekeeping as well as other bespoke services; and (iii) property brokerage services.

BUSINESS

The table below sets forth the breakdown of our total revenue by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>			
Property management services	830,111	68.4	1,051,601	65.3	1,219,641	66.6	581,620	68.6	647,666	71.7
Value-added services to non-property owners . .	204,703	16.9	317,377	19.7	372,643	20.4	167,651	19.8	154,309	17.1
Community value-added services	178,214	14.7	241,331	15.0	237,291	13.0	98,771	11.6	101,719	11.2
Total revenue	1,213,028	100.0	1,610,309	100.0	1,829,575	100.0	848,042	100.0	903,694	100.0

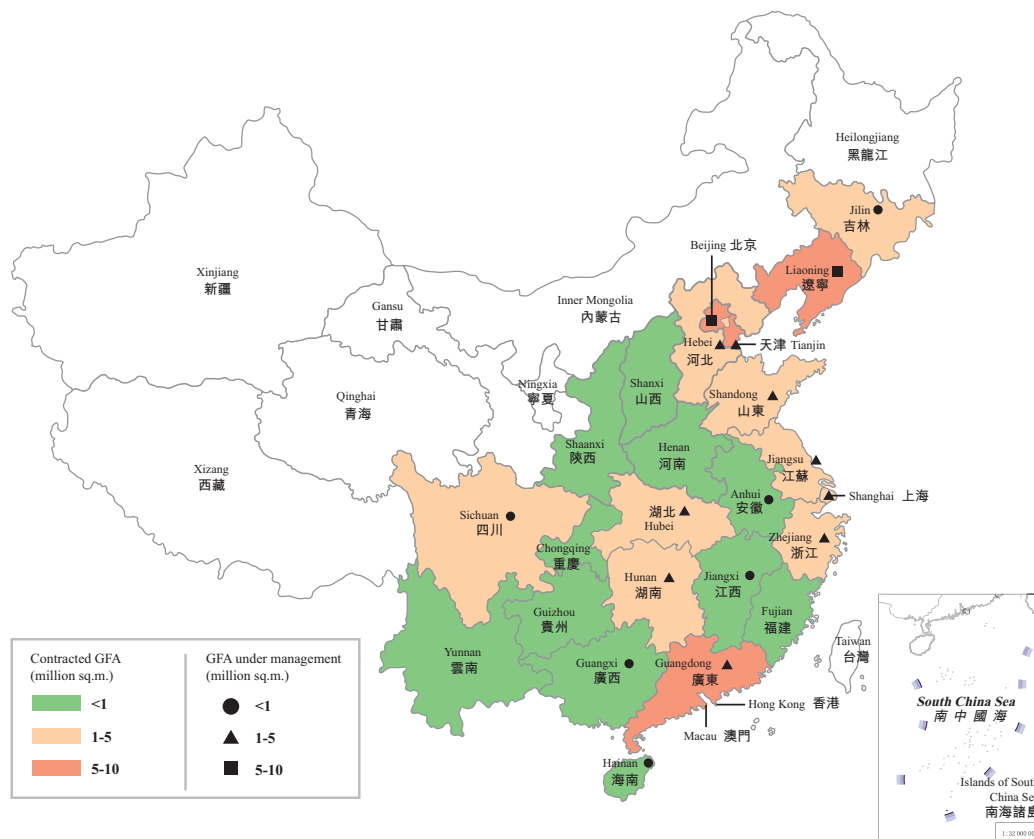
Property Management Services

Our history can be traced back to 1997 when we began to provide property management related services in China. Over the years, we have grown our presence with contracted GFA of approximately 61.9 million sq.m. covering 54 cities across 24 provinces, municipalities and autonomous regions in China as of June 30, 2020. In particular, we managed 155 residential communities and 55 non-residential properties in 35 cities across 17 provinces, municipalities and autonomous regions in China with a total GFA under management of approximately 42.3 million sq.m. as of June 30, 2020. The table below sets forth our (i) contracted GFA; (ii) GFA under management; (iii) number of properties managed in contracted GFA; and (iv) number of properties managed in GFA under management, as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30, 2020
Contracted GFA (<i>'000 sq.m.</i>)	35,611	50,432	59,404	61,918
GFA under management (<i>'000 sq.m.</i>) . . .	29,499	37,302	40,529	42,300
Number of properties managed in contracted GFA	127	228	264	282
Number of properties managed in GFA under management	108	172	197	210

Geographic Coverage

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



The table below sets forth the cities in China where our contracted properties were located for each relevant region as of June 30, 2020:

Beijing-Tianjin-Hebei Region

- Beijing
- Tianjin
- Shijiazhuang
- Qinhuangdao
- Tangshan
- Hengshui
- Langfang

Bohai Rim Region

- Changchun
- Songyuan
- Jinan
- Qingdao
- Yantai
- Linyi
- Taiyuan

Eastern China

- Lianyungang
- Dalian
- Shenyang
- Fushun
- Shanghai
- Wuhu
- Nanjing
- Suzhou
- Wuxi
- Zhenjiang
- Nantong

Southern China

- Guangzhou
- Shenzhen
- Zhongshan
- Foshan
- Maoming
- Zhanjiang
- Haikou
- Sanya
- Xiamen
- Zhangzhou
- Nanning

Central and western China

- Kunming
- Chengdu
- Hefei
- Chuzhou
- Ganzhou
- Zhengzhou
- Wuhan
- Changsha
- Huaihua
- Yongzhou
- Guiyang
- Chongqing
- Xi'an

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The table below sets forth the breakdown of our revenue from property management services by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Beijing-Tianjin-Hebei region ⁽¹⁾	459,472	55.4	498,297	47.4	546,364	44.8	262,716	45.2	279,201	43.1
Bohai Rim region ⁽²⁾	161,020	19.4	229,986	21.9	270,308	22.2	125,262	21.5	141,074	21.8
Eastern China ⁽³⁾	97,683	11.8	165,519	15.7	209,532	17.2	100,568	17.3	116,012	17.9
Southern China ⁽⁴⁾	100,131	12.1	116,149	11.0	132,269	10.8	64,979	11.2	76,610	11.8
Central and western China ⁽⁵⁾	11,805	1.3	41,650	4.0	61,168	5.0	28,095	4.8	34,769	5.4
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

The table below sets forth the breakdown of our contracted GFA, GFA under management and number of properties under management by geographic region as of the dates indicated:

	As of December 31,									As of June 30,		
	2017			2018			2019			2020		
	Number of properties			Number of properties			Number of properties			Number of properties		
	Contracted GFA	GFA under management	under management	Contracted GFA	GFA under management	under management	Contracted GFA	GFA under management	under management	Contracted GFA	GFA under management	under management
	<i>'000 sq.m.</i>	<i>'000 sq.m.</i>		<i>'000 sq.m.</i>	<i>'000 sq.m.</i>		<i>'000 sq.m.</i>	<i>'000 sq.m.</i>		<i>'000 sq.m.</i>	<i>'000 sq.m.</i>	
Beijing-Tianjin-Hebei region ⁽¹⁾	14,266	12,119	41	17,057	13,483	47	17,815	13,585	50	18,110	13,903	53
Bohai Rim region ⁽²⁾	9,382	8,227	24	12,625	11,070	57	14,277	11,782	62	15,319	12,190	66
Eastern China ⁽³⁾	5,317	4,308	26	7,881	4,849	29	9,555	6,079	36	9,053	5,995	38
Southern China ⁽⁴⁾	5,278	3,866	13	7,242	4,460	18	8,723	4,847	21	9,773	5,747	22
Central and western China ⁽⁵⁾	1,368	979	4	5,627	3,440	21	9,034	4,236	28	9,663	4,465	31
Total	35,611	29,499	108	50,432	37,302	172	59,404	40,529	197	61,918	42,300	210

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Notes:

- (1) “Beijing-Tianjin-Hebei region” refers to cities or municipalities including Beijing, Qinhuangdao, Tianjin, Tangshan and Hengshui.
- (2) “Bohai Rim region” refers to cities or municipalities including Dalian, Shenyang, Changchun, Qingdao, Jinan, Yantai, Fushun, Linyi and Lianyungang.
- (3) “Eastern China” refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Wuxi, Zhenjiang, Huzhou, Wuhu, Nantong, Suzhou and Huangshan.
- (4) “Southern China” refers to cities or municipalities including Shenzhen, Zhongshan, Guangzhou, Maoming, Nanning, Sanya and Haikou.
- (5) “Central and western China” refers to cities or municipalities including Wuhan, Changsha, Nanchang, Ganzhou, Huaihua, Yongzhou and Chengdu.

Types of Properties Managed

We manage a diverse portfolio of properties covering (i) residential communities; and (ii) non-residential properties, including commercial properties such as office buildings, shopping malls and hotels and public and other properties such as hospitals, public service facilities, government buildings and schools.

The table below sets forth the breakdown of our revenue from property management services by property type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Residential communities	579,286	69.8	718,905	68.4	818,004	67.1	388,287	66.8	423,067	65.3
Non-residential properties:										
– Commercial properties	250,825	30.2	296,956	28.2	335,908	27.5	163,886	28.1	181,713	28.1
– Public and other properties . . .	–	–	35,740	3.4	65,729	5.4	29,447	5.1	42,886	6.6
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

BUSINESS

The table below sets forth the breakdown of our GFA under management and number of properties under management by property type as of the dates indicated:

	As of December 31,									As of June 30,			
	2017			2018			2019			2020			
	GFA under		Number of	GFA under		Number of	GFA under		Number of	GFA under		Number of	
	management	under	properties	management	under	properties	management	under	properties	management	under	management	properties
	'000 sq.m.	%		'000 sq.m.	%		'000 sq.m.	%		'000 sq.m.	%		
Residential communities . . .	27,275	92.5	94	33,519	89.9	128	36,359	89.7	147	36,921	87.3	155	
Non-residential properties:													
– Commercial properties . . .	2,224	7.5	14	2,323	6.2	18	2,415	6.0	20	2,550	6.0	21	
– Public and other properties. .	–	–	0	1,460	3.9	26	1,755	4.3	30	2,829	6.7	34	
Total	29,499	100.0	108	37,302	100.0	172	40,529	100.0	197	42,300	100.0	210	

During the Track Record Period, residential communities accounted for 92.5%, 89.9%, 89.7% and 87.3% of our total GFA under management as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, while non-residential properties accounted for 7.5%, 10.1%, 10.3% and 12.7% of our total GFA under management as of the same dates, respectively. The general decrease in the percentage of GFA under management for residential communities and general increase in the percentage of GFA under management for non-residential communities were primarily due to our continuous efforts in diversifying our revenue streams from residential communities to different kinds of non-residential properties.

BUSINESS

Growth of our Property Management Services Portfolio

We have been expanding our property management services business during the Track Record Period primarily through obtaining new service engagements from property developers or property owners' associations. In the future, we also plan to expand our coverage by acquiring more property management companies with complementary business profile and industry experience. For further details, see the section headed “— Business Strategies — Further expand the scale and diversity of our property management business and property management portfolio through multiple channels” above. The table below indicates the movement of our (i) contracted GFA; (ii) GFA under management; and (iii) number of properties under management as of the dates indicated:

	As of December 31,						As of June 30,					
	2017			2018			2019			2020		
	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management	Contracted GFA	GFA under management	Number of properties under management
	'000 sq.m.	'000 sq.m.		'000 sq.m.	'000 sq.m.		'000 sq.m.	'000 sq.m.		'000 sq.m.	'000 sq.m.	
As of beginning of the period	32,880	27,842	95	35,611	29,499	108	50,432	37,302	172	59,404	40,529	197
New engagements ⁽¹⁾ :												
- Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽²⁾	925	104	2	7,018	2,248	8	8,732	1,869	15	1,094	928	8
- Properties developed/owned by other third parties ⁽³⁾	253	-	-	3,657	1,504	13	881	1,824	17	1,899	1,322	6
	1,178	104	2	10,675	3,752	21	9,613	3,693	32	2,993	2,250	14
Acquisitions ⁽⁴⁾	1,553	1,553	11	4,802	4,425	45	-	-	-	-	-	-
Terminations ⁽⁵⁾ :												
- Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽²⁾	-	-	-	-	-	-	(447)	(272)	(5)	-	-	-
- Properties developed/owned by other third parties ⁽³⁾	-	-	-	(656)	(374)	(2)	(194)	(194)	(2)	(479)	(479)	(1)
	-	-	-	(656)	(374)	(2)	(641)	(466)	(7)	(479)	(479)	(1)
As of end of the period	35,611	29,499	108	50,432	37,302	172	59,404	40,529	197	61,918	42,300	210

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) For purposes of the above table, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (3) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.
- (4) These refer to new engagements obtained through our acquisitions of certain property management companies during the Track Record Period.
- (5) These terminations mainly included our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable engagements to optimize our property management portfolio.

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We conduct market research and 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 businesses, such as value-added services.

Source of Projects

During the Track Record Period, the properties under our management were developed or owned mainly by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders while the rest were developed or owned by other third-party property developers and owners. For further information concerning the business delineation between the Sino-Ocean Group and us, see the section headed “Relationship with Our Controlling Shareholders — Delineation of Business.” The tables below set forth the breakdown of our revenue generated from the management of properties by source of projects for the periods indicated and our contracted GFA, GFA under management and number of properties under management, as of the dates indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Properties developed by										
the Sino-Ocean Group . . .	712,698	85.8	711,462	67.7	683,183	56.0	324,262	55.8	354,366	54.7
Properties owned by the										
substantial shareholders										
of the Sino-Ocean										
Group	-	-	-	-	-	-	-	-	14,007	2.1
Properties developed by										
the joint ventures and										
associates of the Sino-										
Ocean Group ⁽¹⁾	68,019	8.2	177,329	16.8	310,744	25.5	152,665	26.2	157,838	24.4
Properties										
developed/owned by										
other third parties ⁽²⁾ . . .	49,394	6.0	162,810	15.5	225,714	18.5	104,693	18.0	121,455	18.8
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

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	As of December 31,												As of June 30,					
	2017				2018				2019				2020					
			Number of properties under management				Number of properties under management				Number of properties under management			Number of properties 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.	%			
Properties developed by the Sino-Ocean Group	28,042	23,416	79.4	76	33,287	24,621	66.0	76	37,567	24,724	61.0	82	38,325	25,378	60.0	88		
Properties owned by the substantial shareholders of the Sino-Ocean Group	-	-	-	-	-	-	-	-	871	-	-	-	1,030	98	0.2	1		
Properties developed by the joint ventures and associates of the Sino-Ocean Group ⁽¹⁾	2,749	2,114	7.2	13	4,522	3,157	8.5	21	7,655	4,651	11.5	25	7,833	4,827	11.4	26		
Properties developed/owned by other third parties ⁽²⁾	4,820	3,969	13.4	19	12,623	9,524	25.5	75	13,311	11,154	27.5	90	14,730	11,997	28.4	95		
Total	35,611	29,499	100.0	108	50,432	37,302	100.0	172	59,404	40,529	100.0	197	61,918	42,300	100.0	210		

Notes:

- (1) These joint ventures and associates of the Sino-Ocean Group were primarily engaged in the business of land and property development and investment management in the PRC, of which the Sino-Ocean Group exercises joint control under the contractual agreements in the strategic financial and operating policy decisions of its joint ventures and exercises significant influence under the contractual agreements in the strategic financial and operating policy decisions of its associates.
- (2) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

During the Track Record Period, the revenue contribution from properties developed by the Sino-Ocean Group decreased while those from its joint ventures and associates increased as the Sino-Ocean Group has undergone asset securitization arrangements with certain subsidiaries that were managing certain high-end commercial properties, and these subsidiaries became joint ventures of the Sino-Ocean Group in 2018 and 2019.

Tender and Bidding Process of Service Engagement

Under the PRC laws, property developers are typically required to select property management service providers and enter into preliminary property management service contracts for residential properties and non-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 service providers without conducting any tender and bidding process, subject to approval by the relevant PRC property administration authorities. A public tender process may also be required under the PRC laws and regulations for the PRC government, public institutions and bodies with public fiscal funds to engage property management service providers for properties, such as government buildings and public service facilities.

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

- ***Invitation.*** The property developer may publish an announcement to invite potential bidders or issue private invitations to at least three qualified bidders setting forth the specifications and requirements for the tendered property management project. Tender invitation related documents and governmental approvals in relation to the property project are required to be submitted and filed with the competent local real estate administration department in the PRC in advance.
- ***Tender submission.*** Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.
- ***Evaluation.*** The property developer will establish a tender evaluation committee to review and rank the submitted tenders. The tender evaluation process and the composition of the tender evaluation committee must comply with the requirements of the relevant PRC laws and regulations. The tender evaluation committee generally takes into account factors such as credentials, service quality, availability of capital and proposed fee levels when it evaluates the proposals.
- ***Selection.*** Based on its evaluation, the tender evaluation committee recommends to the property developer and rank the top three bidders. The property developer will generally confirm the top one bidder as the winner and proceed to arrange for necessary notification.
- ***Award and contract signing.*** The property developer must file the result of the tender with the relevant local authorities within 15 days upon confirmation of the award. The property management contract as awarded to the winner is expected to be signed within 30 days upon issuing the notification of the award.

During the Track Record Period, we have participated in tender and bidding processes for property management projects developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and other third parties for both residential communities and non-residential properties. During the Track Record Period, we have submitted 10, 27, 32 and eight tenders to the Sino-Ocean Group (including its joint ventures and associates) for properties developed by them for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our tender success rate was 100%, 100%, 100% and 100% for the respective periods. During the Track Record Period, we have submitted 11, 44, 12 and eight tender to other third parties for properties developed or owned by them for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, of which we have won four, 18, six and four tenders, respectively, representing a tender success rate of approximately 36.4%, 40.9%, 50.0% and 50.0% for the respective periods. During the Track Record Period, we have submitted 15, 52, 37 and 11 tenders for residential communities and six, 19, seven and five tenders for non-residential properties, of which our tender success rate was 80.0%, 71.2%, 91.9% and 90.9% for residential communities and 33.3%, 42.1%, 57.1% and 40.0% for non-residential properties for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The increase in our tender success rates during the Track Record Period was primarily due to our increased effort and participation in tender and bidding process in order to obtain more engagements for management of properties developed or owned by other third-party property developers or owners.

During the Track Record Period, we procured our property management service contracts as of June 30, 2020 from property developers mainly through (i) tender and bidding processes regulated by the applicable PRC laws or (ii) commercial negotiation with property developers when the lack of tender and bidding processes is approved by the relevant local authorities or otherwise when tender and bidding processes are not compulsorily required by the relevant local authorities, except for a small portion of preliminary property management service contract. For further details, see the section headed “Risk Factors — Risks relating to our Business and Industry — Our property management service contracts may have been obtained without going through the required tender and bidding process.”

As of 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 service contracts.

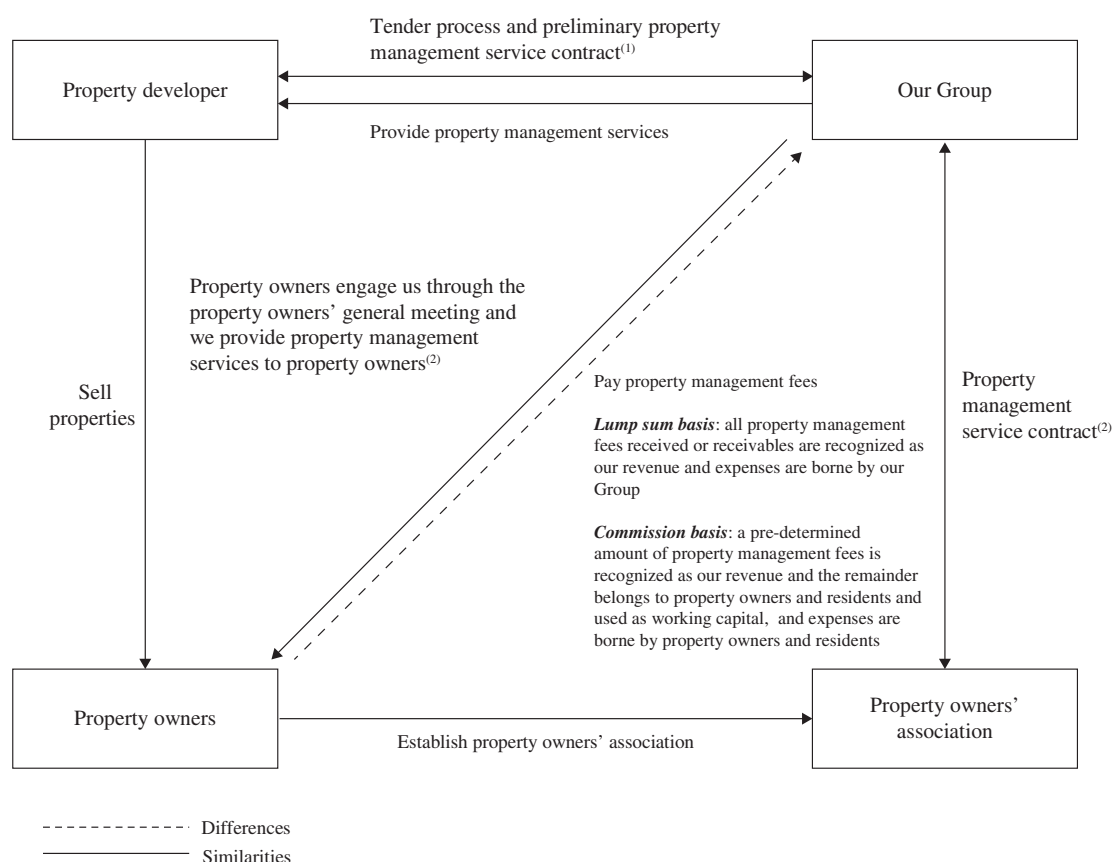
General Scope of Property Management Services

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

- ***Security services.*** The security services that we provide primarily include patrolling, keeping order, electronic access control, manned guard stations, fire safety management, video surveillance, carpark security, visitor management and emergency response. We generally outsource our security services to sub-contractors and, to a much lesser extent, staff with our own employees.
- ***Cleaning, greening and gardening services.*** We provide general cleaning and pest control services mostly through sub-contractors. We generally provide greening and gardening services through our own employees or outsourcing to sub-contractors.
- ***Repair and maintenance services.*** The scope of our property repair and maintenance services typically covers (i) common area equipment and facilities, such as elevators, escalators and central air conditioning systems; (ii) fire and safety facilities, such as fire extinguishers 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. We generally staff our repair and maintenance services with our own employees and may outsource some of the specialized property repair and maintenance services to sub-contractors. For further details, see the section headed “— Our Suppliers — Sub-contracting” below. Our in-house technicians also perform routine management and inspections of certain 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.

Revenue Model of Property Management Services

During the Track Record Period, we charged property management fees substantially on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis. Our property management revenue generated from services charged on a lump sum basis accounted for approximately 100%, 99.99%, 99.97% and 99.94% of our total revenue from property management services for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. For the same periods, our property management revenue generated from services charged on a commission basis accounted for approximately nil, 0.01%, 0.03% and 0.06%, of our total revenue from property management services, respectively. The following diagram illustrates the similarities and major differences between managing properties under the two revenue models:



Notes:

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

The differences between lump sum basis and commission basis are explained in more detail 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, quarterly or yearly basis, as agreed under the property management service contracts, which represents “all-inclusive” fees for all of the property management services provided by us with respect to a managed property. We are entitled to retain the full amount of property management fees received from property owners, residents and property developers.

On a lump sum basis, we bear the costs of managing properties, and recognize 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, 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. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, 16, 18, 16 and 13 of the properties we managed on a lump sum basis incurred losses, which amounted to RMB18.5 million, RMB28.9 million, RMB23.6 million and RMB4.9 million, respectively. The revenue we generated from managing such properties accounted for 9.9%, 6.1%, 6.1% and 4.0% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The losses incurred with respect to such properties were primarily due to the relatively large costs incurred at the early stage of our management of such properties as well as a relatively low efficiency achieved in cost-saving measures through automation, smart management and hardware upgrade. To improve and maintain the profitability of our managed properties, we have undertaken various cost-saving measures during the Track Record Period including upgrade of our EBA system for better management of labors and lower labor cost as well as automation of certain business operations by using mechanicals such as cleaning and patrolling equipment. For further details, see the section headed “— Standardization, Digitization, Smart Management and Upgrades of Information Technologies Systems” below. For information on related risks, see the section headed “Risk Factors — Risks relating to our Business and Industry.”

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

During the Track Record Period, we derived revenue from a limited number of property management service contracts on a commission basis. Such revenue amounted to nil, RMB0.1 million, RMB0.4 million and RMB0.4 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. On a commission basis, we recognize as revenue a pre-determined amount of the property management fee payable by property owners, residents or property developers, the remainder of which is used as property management working capital to cover the property management expense associated with the provision of our property management services. In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period, and the balance is added to receipts on behalf of residents on our balance sheets. In the event of a shortfall of working capital to pay for the relevant property management expenses, we may need to make up for the shortfall and pay on behalf of the community management offices and property owners first, with a view to recovering from the residents or property owners subsequently.

When we are contracted to manage communities on a commission basis, we essentially act as an agent of the property owners where transactions related to the management offices of these communities 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, residents or 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 recognize any direct cost under property management service contracts charged on a commission basis in general. Such costs are borne by the property owners, residents or property developers, as the case may be.

Property Management Fees

Pricing of Property Management Fees

We generally price our property management services for both residential and non-residential properties based on a number of factors, including (i) the type and location of the property; (ii) the scope and quality of the services provided; (iii) the level of property management fees for comparable properties; (iv) our estimated expenses; (v) our target profit margin; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the profiles of the property owners and residents.

In the PRC, 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. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow the PRC government guidance prices in different regions in China. For further details, see the section headed "Regulatory Overview — Supervision Over Property Management Services and other Related Services — Property Management Service Charges."

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Our average property management fee charged for residential communities was approximately RMB2.5, RMB2.4, RMB2.6 and RMB2.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our average property management fee charged for non-residential properties was approximately RMB14.2, RMB10.6, RMB11.4 and RMB9.5 per sq.m. per month for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively. In particular, our average property management fee charged for commercial properties was approximately RMB14.2, RMB15.9, RMB17.4 and RMB17.3 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our average property management fee charged for public and other properties was approximately nil, RMB2.0, RMB3.1 and RMB2.5 per sq.m. per month for the respective periods. The decrease in average property management fee charged for non-residential properties in 2018 and the six months ended June 30, 2020 was primarily due to the increase in revenue contribution from public and other properties which generally have a lower average property management fee charged.

The following table sets forth our average property management fee for residential communities and non-residential properties by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2017		2018		2019		2020	
	RMB/month/sq.m.		RMB/month/sq.m.		RMB/month/sq.m.		RMB/month/sq.m.	
	Residential communities	Non-residential properties	Residential communities	Non-residential properties	Residential communities	Non-residential properties	Residential communities	Non-residential properties
Beijing-Tianjin-Hebei region ⁽¹⁾	3.0	19.5	2.9	19.3	3.3	19.1	3.2	17.3
Bohai Rim region ⁽²⁾	2.1	1.1	2.1	2.9	2.1	4.4	2.1	4.7
Eastern China ⁽³⁾	1.7	8.4	2.2	13.2	2.1	17.8	2.4	20.0
Southern China ⁽⁴⁾	2.8	10.7	2.8	10.7	2.8	10.8	3.0	3.5
Central and western China ⁽⁵⁾	1.2	-	1.4	0.4	1.7	1.0	1.9	1.1

Notes:

- (1) “Beijing-Tianjin-Hebei region” refers to cities or municipalities including Beijing, Qinhuangdao, Tianjin, Tangshan and Hengshui.
- (2) “Bohai Rim region” refers to cities or municipalities including Dalian, Shenyang, Changchun, Qingdao, Jinan, Yantai, Fushun, Linyi and Lianyungang.
- (3) “Eastern China” refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Wuxi, Zhenjiang, Huzhou, Wuhu, Nantong, Suzhou and Huangshan.
- (4) “Southern China” refers to cities or municipalities including Shenzhen, Zhongshan, Guangzhou, Maoming, Nanning, Sanya and Haikou.
- (5) “Central and western China” refers to cities or municipalities including Wuhan, Changsha, Nanchang, Ganzhou, Huaihua, Yongzhou and Chengdu.

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During the Track Record Period, our average property management fee charged for non-residential properties in the Bohai Rim region and central and western China was relatively low since we mainly provided property management services to public and other properties in these regions which generally have a lower average property management fee charged. The significant decrease in average property management fee charged for non-residential properties in southern China for the six months ended June 30, 2020 was primarily due to our increase in number of public properties managed.

The following table sets forth our average property management fee by source of projects for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB/month/sq.m.	RMB/month/sq.m.	RMB/month/sq.m.	RMB/month/sq.m.
Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽¹⁾	3.7	3.8	4.0	4.1
Properties developed/owned by other third parties ⁽²⁾ . .	1.5	1.7	2.1	2.0

Notes:

- (1) For purposes of the above tables, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (2) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

During the Track Record Period, our average property management fee charged for properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders were higher than for those developed or owned by other third parties primarily because the property projects developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders mainly comprised residential properties and high-end commercial and office buildings located in first-tier cities in China, where we generally charge higher property management fee; while the property projects developed or owned by other third parties comprised a higher proportion of different types of properties including residential properties, public service facilities and office buildings located in lower tier cities (other than first-tier and second-tier cities) in China, where we generally charge lower property management fee.

During the Track Record Period, properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders and by other third parties are mainly located in first-tier cities, while the remaining properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders are mainly located in second-tier cities and the remaining properties developed by other third parties are located in both second and lower-tier cities. As of June 30, 2020, properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders are mainly located in cities including Beijing, Tianjin, Hangzhou, Shenyang, Qingdao, Wuhan, Dalian and Zhongshan; while properties developed or owned by other third parties are mainly located in cities including Changsha, Qingdao, Beijing, Shanghai, Hangzhou, Nantong, Dalian, Nanning and Linyi. The following table sets forth our GFA under management and its percentage in different city-tiers by source of projects as of the dates indicated:

	As of December 31,				As of June 30, 2020			
	2017		2018		2019		2020	
	Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽¹⁾		Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽¹⁾		Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽¹⁾		Properties developed/owned by other third parties ⁽²⁾	
	Properties developed/owned by other third parties ⁽²⁾		Properties developed/owned by other third parties ⁽²⁾		Properties developed/owned by other third parties ⁽²⁾		Properties developed/owned by other third parties ⁽²⁾	
	GFA under management	%	GFA under management	%	GFA under management	%	GFA under management	%
	'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.	
First-tier cities	15,057	59.0	2,044	51.5	17,004	61.2	6,196	65.1
	8,928	35.0	1,431	36.0	9,199	33.1	1,822	19.1
	1,545	6.0	494	12.5	1,575	5.7	1,506	15.8
Second-tier cities								
Others								
Total	25,530	100.0	3,969	100.0	27,778	100.0	9,524	100.0

Notes:

- (1) For purposes of the above table, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (2) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

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Our average property management fee charged for residential properties in first-tier cities in China was approximately RMB2.7, RMB2.5 and RMB2.8 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the second-tier cities in China amounted to RMB2.0, RMB2.2 and RMB2.2 per sq.m. per month for the respective periods. According to China Index Academy, industry average property management fee of residential properties located in the same first-tier cities in China amongst the Top 100 Property Management Companies in the PRC amounted to RMB2.5, RMB2.5 and RMB2.4 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the same second-tier cities in China amounted to RMB2.2, RMB2.0 and RMB1.9 per sq.m. per month for the respective periods.

During the Track Record Period, residential properties contributed 69.8%, 68.4%, 67.1% and 65.3% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. In particular, revenue generated from our top 10 cities accounted for approximately 87.8%, 84.9%, 82.6% and 82.1% of our total revenue generated from residential properties for the respective periods. The table below sets forth the industry's and our average property management fees attributable to residential properties in our top 10 cities in terms of revenue generated by source of projects for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2017			2018			2019			2020		
	Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽⁷⁾	Properties developed/owned by other third parties ⁽⁸⁾	Industry average ⁽⁹⁾	Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽⁷⁾	Properties developed/owned by other third parties ⁽⁸⁾	Industry average ⁽⁹⁾	Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽⁷⁾	Properties developed/owned by other third parties ⁽⁸⁾	Industry average ⁽⁹⁾	Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽⁷⁾	Properties developed/owned by other third parties ⁽⁸⁾	Industry average ⁽⁹⁾
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Beijing ⁽¹⁾	3.7	2.8	2.8	3.5	2.9	2.8	3.9	3.0	2.8	3.8	3.1	N/A
Dalian ⁽²⁾	2.3	1.0	2.1	2.4	1.0	2.2	2.4	1.2	2.1	2.4	1.3	N/A
Tianjin	2.1	-	2.2	2.0	-	2.2	2.4	-	2.3	2.3	-	N/A
Zhongshan ⁽³⁾	2.3	-	2.3	2.4	1.0	2.3	2.3	2.5	2.2	2.4	2.6	N/A
Shanghai ⁽⁴⁾	3.3	3.7	2.4	2.9	3.7	2.4	2.7	3.7	2.4	3.8	3.7	N/A
Hangzhou ⁽⁵⁾	3.1	0.8	2.4	3.0	1.9	2.5	2.8	1.9	2.5	2.9	1.7	N/A
Wuhan	1.2	-	2.0	2.1	-	2.1	2.1	-	2.1	2.3	-	N/A
Shenyang	2.0	-	2.1	2.0	-	2.1	2.1	-	2.0	2.3	-	N/A
Changsha ⁽⁶⁾	N/A	-	1.9	-	1.0	1.9	1.2	1.5	1.9	3.6	1.5	N/A
Qingdao	1.8	-	2.1	2.1	1.5	2.1	2.1	1.8	2.2	1.9	1.5	N/A

Notes:

- (1) Properties developed/owned by the Sino-Ocean Group and its substantial shareholders generally have a higher average property management fees than those developed/owned by other third parties as well as the industry average in Beijing as properties developed by the Sino-Ocean Group and its substantial shareholders in Beijing are mainly mid-to-high-end residential properties, which require higher quality of property management services and thus higher property management fees. According to China Index Academy, properties with average property management fees beyond the industry average in Beijing are

recognized as mid-to-high-end residential properties. During the Track Record Period, we managed 22, 25, 25 and 25 residential properties in Beijing for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, of which 12, 14, 16 and 16 were mid-to-high-end residential properties with revenue amounted to RMB99.3 million, RMB123.8 million, RMB147.5 million and RMB73.9 million for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, which accounted for approximately 54.0%, 61.3%, 67.0% and 67.6% of our total revenue generated from provision of property management services to residential properties in Beijing, respectively. In particular, we provided property management services to (i) Ocean LA VIE, which are high-end villas developed by the Sino-Ocean Group with different phrases since 2008 and has an average property management fee of RMB15.6, RMB14.2, RMB19.9 and RMB17.0 per sq.m. per month in 2017, 2018 and 2019 and for the six months ended June 30, 2020, respectively; and (ii) Ocean Crown (Beijing), a series of luxurious apartments with high renovation standard developed by the Sino-Ocean Group with different phrases since 2012, which has an average property management fee of RMB7.3, RMB7.0, RMB7.0 and RMB7.0 per sq.m. per month in 2017, 2018 and 2019 and for the six months ended June 30, 2020, respectively. During the Track Record Period, Ocean LA VIE and Ocean Crown (Beijing) has contributed approximately 15.6%, 16.8%, 19.8% and 17.9% of our total revenue generated from provision of property management services to residential properties in Beijing in 2017, 2018 and 2019 and for the six months ended June 30, 2020, respectively, and have contributed to our higher average property management fees for properties developed by the Sino-Ocean Group and its substantial shareholders in Beijing. In addition, according to China Index Academy, as of June 30, 2020 and based on available information, the average selling price in secondary market per sq.m. of residential properties developed/owned by the Sino-Ocean Group and its substantial shareholders in Beijing amounted to approximately RMB67,840, which was higher than the average selling price of second-hand urban residential properties of approximately RMB61,320.

- (2) Properties developed/owned by the Sino-Ocean Group and its substantial shareholders generally have higher average property management fees than those developed/owned by other third parties in Dalian as (i) properties developed by the Sino-Ocean Group and its substantial shareholders in Dalian are mainly mid-to-high-end residential properties such as Ocean Prospect (Dalian) and Diamond Bay (Dalian), which require higher quality of property management services and thus higher property management fees; and (ii) the majority of the properties developed/owned by other third parties are relatively old residential properties, leading to a lower average property management fees. According to China Index Academy, as of June 30, 2020 and based on available information, the average selling price in secondary market per sq.m. of residential properties developed/owned by the Sino-Ocean Group and its substantial shareholders in Dalian amounted to approximately RMB17,580, which was higher than the average selling price of second-hand urban residential properties of approximately RMB14,190.
- (3) The average property management fee for properties developed/owned by other third parties in Zhongshan in 2018 was low since we only have one property under management in Zhongshan in 2018 and such property was delivered to us during the second half of 2018 when we started recognizing revenue.
- (4) Properties developed/owned by the Sino-Ocean Group and its substantial shareholders as well as by other third parties generally have higher average property management fees than the industry average in Shanghai as we only provided property management services to a few residential properties in Shanghai, including villas, most of which were developed in or after 2012. We managed two, two, three and three residential properties developed by the Sino-Ocean Group in 2017, 2018, 2019 and for the six months ended June 30, 2020, respectively, of which the two residential properties managed in 2017 and 2018 was developed in 2012 and 2013, respectively, with relatively higher property management fees as newly developed properties. We started management of Dongtan Villa (Shanghai) in 2019, a new high-end villa developed by the Sino-Ocean Group with different phrases since 2014 and delivered to us in late 2019, which has an average property management fee of RMB5.2 per sq.m. per month for the six months ended June 30, 2020. We managed one residential property and two villas developed by other third parties during the Track Record Period, of which Bond Castle, a high-end villa developed in 2012, has an average property management fee of RMB9.5, RMB11.0, RMB11.4 and RMB11.4 per sq.m. per month in 2017, 2018 and 2019 and for the six months ended June 30, 2020, respectively.
- (5) Properties developed/owned by the Sino-Ocean Group and its substantial shareholders generally have a higher average property management fees than those developed/owned by other third parties as well as the industry average in Hangzhou since (i) properties developed/owned by other third parties were generally delivered from 2003 to 2014 when the general pricing for property management fees were lower; and (ii) properties developed/owned by the Sino-Ocean Group in Hangzhou were generally newly delivered properties from 2014 to 2019 when the general pricing for property management fee was higher by then.

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- (6) The significantly higher average property management fee for properties developed/owned by the Sino-Ocean Group in Changsha for the first half of 2020 was primarily due to the single newly delivered residential property in 2019 with higher property management fees charged; while those properties developed/owned by other third parties in Changsha are generally old residential properties with lower property management fees.
- (7) For purposes of the above table, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (8) Refers to property developers/owners other than the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders.
- (9) According to China Index Academy, as the property management industry in the PRC is fragmented with approximately 130,000 property management companies operating in the industry in 2019, the industry average sets forth in the table above for each city was calculated based on the relevant data of properties located in the relevant cities of Top 100 Property Management Companies in the PRC for the corresponding years and only represents a small percentage of property management companies. As such, the industry average is for illustrative purpose only, and may not accurately represent the overall average monthly property management service fee in such city.

Our average property management fee charged for non-residential properties in first-tier cities in China was approximately RMB15.2, RMB11.6 and RMB12.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the second-tier cities in China amounted to RMB8.8, RMB6.9 and RMB6.9 per sq.m. per month for the respective periods. According to China Index Academy, industry average property management fee of non-residential properties located in the same first-tier cities in China amounted to RMB6.7, RMB6.7 and RMB6.0 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the same second-tier cities in China amounted to RMB4.8, RMB4.9 and RMB4.7 per sq.m. per month for the respective periods.

In particular, our average property management fee charged for commercial properties in first-tier cities in China was approximately RMB15.2, RMB17.2 and RMB19.1 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the second-tier cities in China amounted to RMB8.8, RMB8.9 and RMB8.9 per sq.m. per month for the respective periods. According to China Index Academy, industry average property management fee of commercial properties located in the same first-tier cities in China amongst the Top 100 Property Management Companies in the PRC amounted to RMB8.6, RMB8.6 and RMB8.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019, respectively, while those located in the same second-tier cities in China amounted to RMB5.6, RMB5.7 and RMB5.6 per sq.m. per month for the respective periods.

The significantly higher average property management fees charged by us as compared with industry average for non-residential properties from 2017 to 2019 was primarily due to (i) the difference in composition of commercial properties and public and other properties between us and the industry as the majority of our non-residential properties comprised of commercial properties which generally had a much higher property management fees than public and other properties; and (ii) our average property management fees charged for commercial properties were higher than the industry average from 2017 to 2019 as we have provided property management services to certain high-end commercial properties. In

particular, our average property management fees charged for high-end commercial properties such as Ocean Office Park (Beijing), Ocean Plaza (Beijing) and Beijing headquarters of Dajia Insurance ranged from RMB19.4 to RMB29.8 per sq.m. per month during 2017 to 2019, which were comparable to other high-end commercial properties in Beijing by our industry peers which ranged from RMB20.0 to RMB36.0 per sq.m. per month during the same periods, according to China Index Academy.

Under our property management service 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. We generally would propose to adjust the property management fees when we consider it necessary for commercial reasons, for example, when property owners and residents requested us to expand the scope of our services or when we need to improve the profitability of any potentially loss-making managed property. During the Track Record Period, we have managed to increase property management fees for seven properties under management, generally with a growth rate of 20%. Nevertheless, there is no assurance that we will be able to successfully raise the fees whenever necessary. For further details, see the section headed “Risk Factors — Risks relating to Our Business and Industry.”

Taking into account our property management fees charged on the lump sum basis and the time and procedures it takes to adjust such fees from time to time, we have undertaken various internal measures to reduce cost and maintain profitability for our property management services. For instance, our approach to obtain property management engagements in the vicinity of existing projects helps us achieve synergy and optimize our workforce and other resources within a geographic area at both regional office and managed property levels. In addition, to reduce our operational costs, we have outsourced certain labor-intensive services such as cleaning, as well as specialized services such as repair and maintenance of elevator systems, to third-party subcontractors. Moreover, we also focus on implementing standardization, digitization and smart management measures to reduce our reliance on manual labor. For further details, see the section headed “— Standardization, Digitization, Smart Management and Upgrades of Information Technologies Systems” below.

Collection and Payment of Property Management Fees

When the properties to be managed by us have reached the delivery stage, we begin to receive 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, quarterly or yearly basis. Property management fees are due for payment by property owners and residents upon the issuance of a demand note. In practice, we may issue demand note on a monthly, quarterly or annually basis to property owners and residents, depending on the location of the properties under management. We generally do not grant credit terms to property owners and residents for

the property management fees we charge. For further details on our trade receivables, see the section headed “Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Trade and Note Receivables.”

Payment of property management fees can be made to us by bank transfer, credit or debit card or via third-party online payment platforms which are linked to our online service platform. To a limited extent, payment of property management fees can also be made to us in cash.

During the Track Record Period, we also received property management fees from property developers for completed but unsold property units and completed and sold property units prior to the delivery date agreed in the relevant property sales and purchase agreements between property developers and property purchasers. In line with the general market practice and in accordance with the applicable PRC laws and regulations, property management fees for certain of these property units were charged by us during the Track Record Period at a discount of generally up to 30% off.

We have undertaken various measures to enhance the timeliness of the collection of property management fees. When the property management fees become overdue, we will send overdue payment notices to the property owners or residents by phone or message, or deliver in person or to the mailboxes of the relevant residents and follow up with frequent payment reminders. In the event of significant payment delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect the fees.

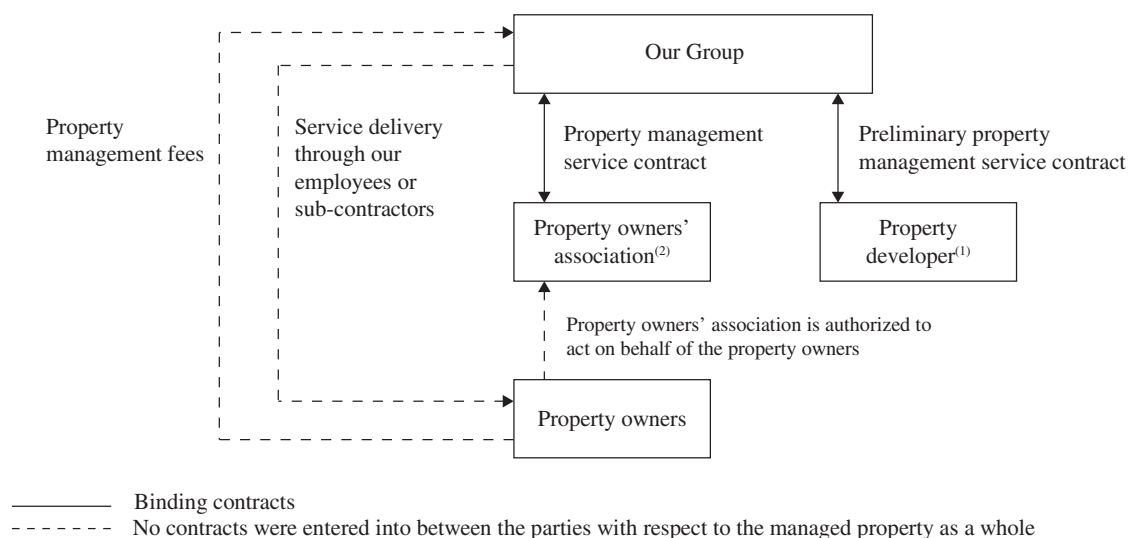
Our collection rate of property management fees from property owners and residents, calculated as a percentage by dividing the aggregate property management fees collected for the relevant period and up to June 30, 2020 by the corresponding total property management fees receivable for the same period, was 96.3%, 95.9%, 93.9%, 94.1% and 78.0%, for the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2019 and 2020, respectively. The decrease of our collection rate from 93.9% for the year ended December 31, 2019 to 78.0% for the six months ended June 30, 2020 was primarily attributable to (i) the payment pattern of certain property owners and residents which generally centralized at the end of the year; and (ii) slow down of property management fees paid by property owners and residents as affected by the outbreak of COVID-19. Our collection of property management fees from property owners and residents slowed down during the first half of 2020 since it was more difficult for us to follow up with and collect the property management fees from the relevant property owners and residents in person due to safety reasons and we have been more focused on maintaining a hygienic environment within the properties under our management. We have accelerated our collection of property management fees during the second half of 2020. As of October 31, 2020, our collection rate for the six months ended June 30, 2020 increased to 86.2%. Our Directors believe that, with our continual fee collection efforts, we have maintained a good property management fee collection level during the Track Record Period.

Property Management Service Contracts

Property management service contracts for residential communities

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

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



Notes:

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

We generally enter into preliminary property management service contracts with property developers at the construction and pre-delivery stage of property development projects. Property developers typically engage and are able to contract directly with property management service providers before newly developed properties are sold to property owners. Property developers generally organize tendering processes to engage property management companies after they have obtained the land use rights of land parcels for the relevant projects and normally enter into preliminary property management service contracts with property management companies before the commencement of pre-sales. Upon engagement by the property developers, property management companies will generally need to make registration

of the preliminary property management service contracts (together with the proposed property management fees) with the local government authorities. Such filing, as required by the local government authorities, generally has to be made prior to the approval of property pre-sale permits for the property developers by the local government authorities.

We typically start providing property management services to property owners and residents after property developers delivered the properties to them. The date of delivery is a contractually binding term stipulated in the purchase agreement entered into between the property developers and the purchaser and is typically stated to be on or before a certain date and conditional upon full settlement of the purchase price. Since property developers are contractually bound to deliver the property according to the purchase agreement and any delay of delivery will adversely affect their financial performance, it will not be in property developers' interest to delay the date of delivery.

Moreover, whether property developers can deliver the property according to the agreed date of delivery depends on, among others, the construction progress as well as whether they can successfully obtain the relevant certificates and approvals from the government authorities as required by the relevant laws and regulations. Therefore, the date of delivery by property developers can be brought forward only under the preconditions that the construction progress is met and the relevant certificates and approvals are successfully obtained from the government authorities. As such, it is not in the interest of property developers, including the Sino-Ocean Group, to manipulate the date of delivery of the properties.

Our PRC Legal Advisors have advised us that although neither the property owners' associations nor property owners are parties to the preliminary property management service contracts, these contracts are nonetheless legally binding on the future property owners 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 service 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 authorized by the property owners to enter into a property management service contract on behalf of the property owners.

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

- ***Scope of services.*** We provide standard property management services including security, cleaning, greening, gardening, repair and maintenance of the common areas and related equipment and facilities, including carparks. We may also be responsible for collecting utility fees of the common areas on behalf of the property owners and residents and providing other auxiliary property management services.
- ***Performance standards.*** The contract sets forth the quality standards required for providing the property management services, as well as the requirement for regular examination and maintenance of equipment and facilities in the common areas.
- ***Property developer's obligations.*** The property developer is primarily responsible for, among other things, (i) obtaining an undertaking from every property purchaser that it will comply with the preliminary property management service contract which is usually attached to the property sales and purchase agreements; (ii) providing a readily available office space for us to use as our on-site property management office; (iii) ensuring the quality of the common area equipment and facilities delivered to a property; and (iv) providing us with blueprints and other construction design documents and completion inspection documents.
- ***Property management fees.*** The contract sets forth the property management fee rates to be collected per sq.m. which generally begin to accrue upon delivery of the purchased property as agreed under the property management service contracts. The property developer is generally responsible for paying the property management fees for unsold property units and sold property units prior to the delivery date agreed in the relevant property sales and purchase agreements. 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.
- ***Sub-contracting.*** We are allowed to outsource individual components of the property management services to specialized third-party sub-contractors. For example, we may choose to outsource security, cleaning, greening, gardening and repair and maintenance services to third-party sub-contractors and only conduct the overall coordination and planning ourselves. For arrangements with our third-party sub-contractors, see the section headed “— Our Suppliers — Sub-contracting” below.

- ***Term of service.*** The majority of our preliminary property management service contracts entered into with property developers do not have a fixed term and can be terminated when the property owners select another property management service provider through the property owners' general meeting and a replacing property management service contract entered into by the property owners' association takes effect. Property owners' associations are generally authorized by the property owners to enter into property management service contracts with us on behalf of the property owners which typically have fixed terms of three years.
- ***Dispute Resolution.*** Any disputes between the parties shall be resolved by way of negotiation or arbitration or the parties may proceed to litigation at the relevant People's Court where such property is located.

Property management service contracts for non-residential properties

We enter into preliminary property management service contracts or property management service contracts with customers such as property owners and property developers for the management of non-residential properties. As advised by our PRC Legal Advisors, the regulations on property owner' association also applies to non-residential properties in the PRC and property owners of non-residential properties may engage a property management company through the property owners' general meeting and property owners' association as property owners of residential properties. The general terms of our preliminary property management service contracts and property management service contracts for non-residential properties are substantially identical and typically include the following:

- ***Scope of services.*** We generally provide property management services including security, cleaning, greening, gardening, repair and maintenance of the common areas and related equipment and facilities.
- ***Performance standards.*** The contract sets forth 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 service contracts for non-residential properties are primarily responsible for, among other things, (i) payment of property management fee in the agreed manner; (ii) approval of the annual property management plan, budget and accounts proposed by us; (iii) providing a readily available office space for us to use; and (iv) ensuring the quality of the common area equipment and facilities.
- ***Property management fees.*** The contract sets forth 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 customers to collect the fees.

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- ***Sub-contracting.*** We are allowed to outsource individual components of the property management services to third-party sub-contractors and only conduct the overall coordination and planning ourselves.
- ***Term of service.*** Our property management service contracts for non-residential properties generally have a fixed contract term of two to three years.
- ***Dispute Resolution.*** Any disputes between the parties shall be resolved by way of negotiation or reported to the property management administrative department for mediation or arbitration or the parties may proceed to litigation at the relevant People's Court where such property is located.

For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, 21, 31, 32 and 28 properties under our management have formed property owners' association, respectively, and none of our property management contracts was terminated by property owners or owners' association during the Track Record Period.

During the Track Record Period, seven, 10, 30 and 12 preliminary contracts with a fixed term has expired during the year for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, of which four, one, 12 and three of them were with the Sino-Ocean Group (including its joint ventures and associates) for the respective periods. Out of these contracts, we have renewed all, seven, 23 and 11 of them or continued to provide property management services pursuant to the original preliminary contracts for the same periods, representing a renewal rate of 100%, 70.0%, 76.7% and 91.7% for the same periods respectively, of which four, one, seven and three of them were renewed with the Sino-Ocean Group (including its joint ventures and associates) for the respective periods, representing a renewal rate of 100%, 100%, 58.3% and 100%, respectively.

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Expiration schedule of property management service contracts

The table below sets forth the expiration schedule of our property management service contracts as of June 30, 2020:

	<u>Number of contracts</u>		%
Property management service contracts without fixed term ⁽¹⁾	237	59.0	
Property management service contracts under which we provided services beyond contract expiration ⁽²⁾	41	10.2	
Property management service contracts with fixed terms expiring in			
Year ending December 31, 2020 ⁽³⁾	45	11.2	
Year ending December 31, 2021	28	6.9	
Year ending December 31, 2022 and beyond . . .	51	12.7	
Subtotal	124	30.8	
Total	402	100.0	

Notes:

- (1) A property management service contract without fixed term primarily refers to a preliminary property management service contract entered into with the property developer which does not have a fixed term and can be terminated when the property owners' association is formed and the property owners select the property service provider with a replacing property management service contract entered into by the property owners' association. A considerable portion of the property management service contracts we entered into as of June 30, 2020 were preliminary property management service contracts entered into with property developers.
- (2) We continued to provide services under these property management service contracts despite of their expired contract terms as of June 30, 2020. This was mainly because the relevant property owners' general meetings of such properties are yet to be convened to renew our property management service contracts or to select a replacement property management service provider. As advised by our PRC Legal Advisors, we are entitled to receive the property management fees for the continued services we provide for such property management service contracts beyond contract expiration.
- (3) These property management service contracts with fixed terms expiring in the year ending December 31, 2020 has contributed RMB66.0 million, representing 10.2% of our revenue from property management services for the six months ended June 30, 2020.

Depending on the scale of the property under management, we may enter into more than one property management service contract with the property developer or the property owners' association for the project. We maintained a relatively high project retention rate for our property management services during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, the retention rate of our property management service projects (being the number of property management service projects effective as of the relevant period-end divided by the number of property management service projects existing during the same period), was 100%, 98.7%, 97.4% and 99.6%, respectively. 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. Our property management service contracts for non-residential properties are also subject to renewal or can be terminated pursuant to the relevant contract clauses. In the event of termination or non-renewal of property management service contracts, we may be adversely affected. For further details, see the section headed "Risk Factors — Risks relating to our Business and Industry — Termination or non-renewal of our property management service contracts for a significant number of properties could have a material adverse effect on our business, financial position and results of operations."

Value-Added Services to Non-Property Owners

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

- ***Pre-delivery Services.*** We provide pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units so as to create a good service brand for property developers to potential property buyers. We deploy on-site staff at the property sales venues and display units to provide pre-delivery services generally including cleaning, security inspection, repair and maintenance to property units as well as parking management, concierge and other customer related services.
- ***Consultancy services.*** During the Track Record Period, we provided consultancy services to property developers at an early stage of their property development on the overall planning of properties and coordination of their relevant pre-sale activities to avoid possible planning defects and reduce development and construction costs as well as operation and management costs at the later stage. We advise on the formulation of management systems, operating procedures and shift plans, as well as providing on-site instructions to the property developers' pre-sale customer service team at display units and property sales venues from the perspective of property management. We also provide consultancy services at the pre-sale stage by deploying on-site consultants to property developers' display units and property sales venues to assist with their pre-sale activities. We assist property developers with the establishment and training of their pre-sale customer service

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team at display units and property sales venues, with respect to services in relation to property management such as visitor reception, customer enquiries, catering, logistics coordination, cleaning, repair and maintenance, as well as knowledge on property management etiquette and laws and regulations;

- **Property engineering services.** We provide property engineering services to property developers and other property management companies which include engineering, greening, gardening, renovation and refurbishment of properties, repair and maintenance for residential communities and non-residential properties including facilities and equipment operation and maintenance and upgrade of smart security systems such as smart access control, smart elevator control, fire alarm, electronic fence and smart patrol management. We provide these property engineering services on a project-by-project basis.

During the Track Record Period, our revenue from value-added services to non-property owners amounted to RMB204.7 million, RMB317.4 million, RMB372.6 million and RMB154.3 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 16.9%, 19.7%, 20.4% and 17.1% of our total revenue for the respective periods. The following table sets forth the breakdown of our revenue from value-added services to non-property owners by service type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Pre-delivery services . .	125,224	61.2	213,690	67.3	250,442	67.2	117,070	69.8	102,796	66.6
Consultancy services . .	56,107	27.4	64,974	20.5	61,027	16.4	23,478	14.0	24,403	15.8
Property engineering services	23,372	11.4	38,713	12.2	61,174	16.4	27,103	16.2	27,110	17.6
Total	204,703	100.0	317,377	100.0	372,643	100.0	167,651	100.0	154,309	100.0

We generally charge a pre-determined fee for the provision of value-added services to non-property owners on a per-transaction basis. 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 various factors including the headcount and positions of the staff we deploy and the size, location and positioning of the properties developed or owned by our customers. The contracts of value-added services to non-property owners generally have a fixed contract term of one year. We usually grant our customers a credit term of up to 60 days for value-added services to non-property owners.

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During the Track Record Period, we generated the vast majority of our revenue of value-added services to non-property owners from the Sino-Ocean Group (including its joint ventures and associates), demonstrating an enhanced synergy between our business and the property development business of the Sino-Ocean Group (including its joint ventures and associates). As we continue to promote our brand and industry presence to diversify our customer base, we also began to serve an increasing number of other third-party property developers or property management companies for our value-added services to non-property owners during the Track Record Period. We believe providing such services to other third-party property developers and property management companies would help us establish our relationships with these customers at an early stage of property development and enable us to subsequently cross sell our property management services to them.

Community Value-Added Services

As an extension of our property management services, we provide community value-added services to property owners and residents of our managed properties in order to address their lifestyle and daily needs, enhance their customer experience, satisfaction and loyalty, and to create a healthier and more convenient living community for them. We provide these services primarily through day-to-day in-person interaction with our customers during the provision of traditional property management services and sometimes through our online service platform such as our mobile applications.

Our community value-added services mainly include: (i) community asset value-added services; (ii) community living services; and (iii) property brokerage services. During the Track Record Period, revenue generated from our community value-added services amounted to RMB178.2 million, RMB241.3 million, RMB237.3 million and RMB101.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 14.7%, 15.0%, 13.0% and 11.2% of our total revenue for the respective periods. The following table sets forth the breakdown of our revenue from community value-added services by service type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Community asset value-added services	109,485	61.4	153,248	63.5	162,847	68.6	76,208	77.2	84,072	82.7
Community living services	35,847	20.1	39,824	16.5	33,782	14.2	11,644	11.8	10,142	10.0
Property brokerage services	32,882	18.5	48,259	20.0	40,662	17.2	10,919	11.0	7,505	7.3
Total.	178,214	100.0	241,331	100.0	237,291	100.0	98,771	100.0	101,719	100.0

Community Asset Value-added Services

Our community asset value-added services primarily consist of (i) carpark management services; (ii) utility management services including payment of utilities fees on behalf of property owners mainly for non-residential properties; and (iii) community space operation services including publishing advertisement in common area, leasing community properties and facilities, leasing common areas for third-party commercial activities and common area maintenance services. For our carpark management services, we are responsible for the daily operation and maintenance of the carparks of properties under our management by providing cleaning, security and facilities management services for carpark space owners. We are also responsible for managing vehicle parking within the area of properties under our management and manage the rental transactions of our self-owned carpark spaces. We have a smart carpark management system to record all the entries and exits of vehicles. We generally charge a monthly service fee for our carpark management services. For our utility management services, we generally charge a fee for such services at a pre-negotiated fixed amount with property owners. For our community space operation services, we are authorized under the property management service contracts or under property owners' consent of a certain scale as required by the PRC laws to lease out the common areas for use or advertising purposes on behalf of the property owners.

Community Living Services

Leveraging our long-term experience and professional teams for property management services, we provide community living services to property owners and residents for their property units, such as (i) housekeeping and cleaning services; and (ii) repair and maintenance services of home appliances, electric equipment and permanent fixtures. We provide these services either by ourselves or through qualified third-party sub-contractors engaged for our property management services. We charge a fee for such services at a pre-negotiated fixed amount on a per-transaction basis.

We also collaborate with third-party merchants to provide other community living services to property owners and residents, including purchase assistance for groceries and seasonal products, group purchase assistance for home appliances and furniture, decoration, turnkey furnishing and move-in, catering as well as other bespoke services. We enter into collaboration agreements with third-party merchants and make their products or service information available to property owners and residents primarily through our daily interaction in providing property management services. Based on the orders from the property owner or residents, the merchants will make deliveries or render the services to them. Pursuant to the collaboration agreements, we generally receive commission from the merchants either being a fixed fee or a percentage of the sales price.

We screen and select suitable merchants based on a number of factors including price competitiveness, quality of products or services and responsiveness to demands of customers. We may select one third-party merchant to provide certain products or services to managed communities within the same region, considering the nature of the product or service in question and the operating scale and capability of the merchant to cater to the different needs and preferences of the residents in such communities. We typically enter into written collaboration agreements with merchants, setting forth, among other things, referral fee rates, settlement mechanisms, logistics for deliveries of products and services. We may replace a third-party merchant in the event of substandard performances.

Property brokerage Services

We provide property brokerage services to property owners and residents for (i) sales transactions of our self-owned carpark spaces; and (ii) secondary sales or rental transactions of properties and carpark spaces of other property owners. Through the community service centers located in our managed properties, we provide property brokerage services which primarily include property and carpark spaces listing, advertising of property and carpark spaces listings at our managed properties and assistance in the negotiations and documentation of leases and sales agreements. We recognize the purchase price of our self-owned carpark spaces as revenue. Upon the closing of a successful secondary sale of property or carpark space of other property owners, we charge a commission equal to a pre-determined percentage of the purchase price, which is typically borne by both the purchaser and seller. Upon the closing of a successful rental transaction of property or carpark space of other property owners, we typically charge a commission from either the landlord or the tenant of an amount equal to the monthly rent.

STANDARDIZATION, DIGITIZATION, SMART MANAGEMENT AND UPGRADES OF INFORMATION TECHNOLOGIES SYSTEMS

In order to strengthen our competitiveness, reduce operational costs and reliance on manual labor, we have been implementing standardization, digitization, smart management and upgrades of information technologies systems for our business. We evaluate our property management services and formulate processes to render such services in a manner that is intended to improve operation procedures, to maximize operation efficiency and to optimize customers' experience.

Standardization

We have streamlined and standardized our property management services, focusing particularly on standardizing key elements of our services such as environmental management, occupational health and safety management, quality management and other services which involve significant customer interaction based on the ISO9001, ISO14001 and BS-OHSAS18001 standards.

We have established our internal service guidelines and policies and formulated a series of rules laying out detailed guidance on key standards and procedures for providing property management services covering a full spectrum of property types. Our quality control staff has also formulated written operating manuals to facilitate the implementation of such service standards. Our headquarters also standardize certain commercial documents such as tender invitations, contracts and agreements by formulating templates for our daily operational use.

We provide systematic trainings to our property management staff as well as subcontractors to help them understand and follow our service standards and procedures. For further details about our training system, see the section headed “— Employees” below.

By leveraging our standardized procedures, we can achieve centralized management at our headquarters where we plan, command, supervise and evaluate service process and quality. Standardization helps us strengthen our brand and reputation by ensuring consistency in our service process and quality, as well as minimizing human error.

Digitization and Smart Management

We have developed our own smart management system with EBA system and different smart service platforms such as “Yi Butler,” “Yi Maintenance,” “Yi Life” and “Yi Space.” We continue to improve the management level of common areas by formulating various automation and smart management measures.

Our smart management systems include carpark management systems, entrance video intercom systems, procurement supply chain platform, intelligent patrol management system, face recognition systems for smart access, video surveillance cameras as well as mechanized cleaning and patrolling equipment, all of which are used for smart management of our properties under management to reduce dependency on manual labor and to lower operational costs. For example, our smart carpark management system has been utilized in an increasing number of our residential communities under management and is uniformly controlled through a cloud computing system. In addition, through the smart transformation of elevators, common area lamps and pumps, we are able to reduce energy consumption, increase equipment service life, and provide more energy-saving, environmental friendly and safe services to property owners and residents. We have an EBA system which is used for the smart management of equipment and facilities in our managed communities and it is able to collect equipment operating information, prompt error and abnormalities of our equipment and facilities in time and automatically dispatch orders to our staff through “Yi Butler.” With our EBA system, we are able to achieve remote equipment monitoring, effective allocation of human resources and enhance the efficiency of property management.

We have also implemented different smart service platform including “Yi Butler,” “Yi Maintenance,” “Yi Life” and “Yi Space” for our provision of property management services. “Yi Butler” is an internal service platform used by our property management team which enable us to better manage the diversified requirements of property owners and residents both online and offline on one hand, and on the other hand support us for our management of

properties from various aspects. “Yi Butler” assists our external management of inspection, patrol, report and complaint in relation to our property management services, as well as internal management including allocation of human resources, holiday application and approval for our staff and collation of statistics and reports. “Yi Maintenance” is a service platform with more than 600 professional engineers that focuses on maintenance of utility facilities and electrical products, as well as indoor renovation for the residential communities. “Yi Life” serves as a service platform for property owners and residents, who are registered users, to access and utilize our services, including but not limited to property management services and one-stop community living services. “Yi Space” is a handy mobile application that enables our property owners and residents to access storage services within the communities and manage their storages conveniently and remotely. As advised by the PRC Legal Advisors, “Yi Life” has provided certain online shopping services in collaboration with suppliers and constituted commercial Internet information services, of which we did not obtain the relevant ICP license and EDI license during the Track Record Period. We did not generate any revenue from the License-related App Services for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2020, respectively. For the year ended December 31, 2019, we have generated revenue amounting to approximately RMB11,612 from such services. As of the Latest Practicable Date, we have ceased to provide such online services. Our Directors consider the cessation of the provision of License-related APP Services did not affect our other existing businesses as such service was not correlated with our other services and the scale of it was very small. For further details, see the section headed “Risk Factors — Risk Relating to Our Business and Industry — The development of our online service platform may not be successful and we may be subject to liabilities from providing license required services on our online service platform.”

Upgrades of Information Technologies Systems

We have been developing and upgrading our information technologies systems for business management. We have developed a CRM system for management of customer relationship based on the characteristics of the PRC property management industry with a cloud computing service provider. Through our CRM system, we are able to provide more customized services to our customers in a timely manner. We have developed a BPM system for property management with a leading PRC big data and cloud computing service provider to realize remote monitoring and examination of each property management project, regularly obtain and summarize the overall operational status on all properties we managed in real time and to provide guidance or make appropriate decisions for follow-up management. We continue to upgrade our property management systems to achieve unified supervision of business and standardized management, and use the data collected by the information platform to conduct big data analysis so as to identify the needs of property owners or residents, which will facilitate our provision of property management services and improve customer satisfaction. We have also upgraded the information technology used in the communities such as promoting the use of community Wi-Fi systems, cloud computing systems, smart visitor system and smart energy-saving system to enhance the property owners and residents’ living experience.

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We believe the aforementioned measures enable us to efficiently scale up and consistently replicate our operations without compromising our service quality. They also provide our on-site teams with technical and other support from our headquarters' resources and enable our headquarters to closely monitor and track work status as well as conduct evaluations, which we believe would further improve our operational efficiency and ensure the delivery of consistent and high-quality services. As of the Latest Practicable Date, we registered 12 software copyrights in the PRC which were related to the development and implementation of our digitization, smart management and upgrades of information technologies systems efforts.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily included (i) sub-contractors providing security, cleaning, greening and gardening services for our property management and value-added services; (ii) vendors of tools and materials needed for our daily operations and property engineering services; (iii) utility providers; and (iv) property developers for selling carpark spaces.

During the Track Record Period, we procured certain goods and services from the Sino-Ocean Group and other related parties, which mainly included purchase of catering services and engineering services and purchase of computer software and carpark spaces. For further details, see the sections headed "Financial Information — Related Party Transactions and Balances" and "Connected Transactions." During the Track Record Period and up to the Latest Practicable Date, save as disclosed below, all of our suppliers were Independent Third Parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

We generally do not enter into long-term contracts with our suppliers. Our suppliers generally grant us credit terms of up to 90 days and payments to our suppliers are typically settled by bank transfers.

Selection of Suppliers

To ensure the overall quality of services provided to our customers, we have maintained a list of qualified suppliers, the selection of which is primarily based on their product or service quality, necessary industry and regulatory licenses and professional qualifications, past performance and customer feedback, as well as price competitiveness. Our list of qualified suppliers is subject to periodical 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 business department and purchase department, as well as quality control and finance personnel. We first select a number of competent suppliers (generally three for selection of sub-contractors) from the list of qualified suppliers and invited them to submit a fee quote and other bidding documents. The internal

committees then assess the submitted bids and consider a wide range of factors, such as the bidders' price competitiveness, product or service quality, professional qualifications, industry reputation and financial strength, in selecting the bid awardee. We may also procure materials in relatively small amounts through the requests for fee quotes from and commercial negotiation with shortlisted vendors.

Once a selected supplier commences to provide products or services, we periodically monitor and evaluate its performance in accordance with the signed contracts. 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 suppliers will be terminated and removed from our list of qualified suppliers.

Sub-contracting

We delegate certain labor-intensive services and specialized services, primarily including security, cleaning, greening and gardening services, to sub-contractors, in order to reduce our operating costs and to utilize our own workforce more efficiently. We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our operational costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. During the Track Record Period, our sub-contracting costs amounted to RMB291.4 million, RMB466.7 million, RMB544.1 million and RMB277.1 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, accounting for 30.3%, 36.3%, 37.4% and 42.9% of our total cost of sales for the respective periods.

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 of one year and may be renewed upon mutual consent.
- *Our responsibilities.* We are typically responsible for providing on-site sub-contractors with necessary working spaces, facilities and utilities for the completion of their services.

- *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. Sub-contractors are also required to manage their staff providing the contracted services and there is no employment relationship between us and the staff of our sub-contractors.
- *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. We typically require sub-contractors to indemnify us for any damages that they cause to our customers which have been paid by us. Sub-contractors are also required to pay all social insurance and housing provident funds contributions for their staff in accordance with the applicable PRC laws and bear the liabilities and responsibilities in the event of any non-compliance with the applicable PRC laws or industry standards.
- *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, labor costs, procurement of raw materials and other miscellaneous costs incurred by the sub-contractors. We may conduct regular 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.
- *Termination and renewal.* We have the right to claim damages or unilaterally terminate the sub-contracting agreements if the sub-contractors fail to adhere to their obligations, or fail to take necessary rectification measures within the period required by us in the event of sub-standard performance. Sub-contracting agreement is generally being renewed in writing 30 days before expiry.

Procurement of Materials and Utilities

During the Track Record Period, we procured materials, mainly including food ingredients for staff canteens and tools and materials for providing repairs and maintenance services, from vendors primarily in China. We also procured for the common areas of our managed properties utilities, such as water, electricity and heating, from utility providers in China 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 forth any requirement or binding commitment on the supply quantities.

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Major Suppliers

During the Track Record Period, most of our top five suppliers were sub-contractors for our property management services business. Our single largest supplier in 2017, 2019 and for the six months ended June 30, 2020 was Beijing Best Technology, a provider of cleaning services. Beijing Best Technology was an independent third party in 2017 and became our joint venture in 2018. Our single largest supplier in 2018 was the Sino-Ocean Group, providing leasing and catering services for our staff canteens as well as sales services for unsold carpark spaces. Purchases from our respective single largest supplier for the Track Record Period amounted to RMB24.0 million, RMB87.7 million, RMB107.0 million and RMB46.9 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, representing 2.5%, 6.8%, 7.4% and 7.2% of our total cost of sales, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, purchases from our five largest suppliers for the Track Record Period amounted to in aggregate RMB66.6 million, RMB247.2 million, RMB256.9 million and RMB108.1 million, respectively, representing 7.0%, 19.2%, 17.7% and 16.7% of our total cost of sales, respectively. We have maintained business relationship with our five largest suppliers for the Track Record Period for approximately six years on average. We typically enter into supply agreements with our five largest suppliers for the Track Record Period which generally have a term ranging from one to two years.

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

For the year ended December 31, 2017

<u>Rank</u>	<u>Supplier</u>	<u>Year commencing relationship</u>	<u>Services provided by the supplier</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Beijing Best Technology	2017	Cleaning services	23,950	2.5
2	Supplier A	2013	Security services	11,400	1.2
3	Sino-Ocean Group	2001	Leasing and catering services and carpark spaces provider	11,374	1.2
4	Supplier B	2015	Security services	10,501	1.1
5	Supplier C	2016	Security services	9,411	1.0

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For the year ended December 31, 2018

<u>Rank</u>	<u>Supplier</u>	<u>Year commencing relationship</u>	<u>Services provided by the supplier</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Sino-Ocean Group	2001	Leasing and catering services and carpark spaces provider	87,676	6.8
2	Beijing Best Technology	2017	Cleaning services	61,925	4.8
3	Supplier D	2017	Outsourcing labor provider	52,174	4.1
4	Supplier E	2015	Security services	26,090	2.0
5	Supplier A	2013	Security services	19,298	1.5

For the year ended December 31, 2019

<u>Rank</u>	<u>Supplier</u>	<u>Year commencing relationship</u>	<u>Services provided by the supplier</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Beijing Best Technology	2017	Cleaning services	107,006	7.4
2	Supplier D	2017	Outsourcing labor provider	71,561	4.9
3	Supplier E	2015	Security services	31,803	2.2
4	Supplier A	2013	Security services	27,692	1.9
5	Supplier F	2017	Security services	18,861	1.3

For the six months ended June 30, 2020

<u>Rank</u>	<u>Supplier</u>	<u>Year commencing relationship</u>	<u>Services provided by the supplier</u>	<u>Purchase amount</u> <i>RMB'000</i>	<u>Contribution to cost of sales</u> %
1	Beijing Best Technology	2017	Cleaning services	46,861	7.2
2	Supplier D	2017	Outsourcing labor provider	22,759	3.5
3	Supplier E	2015	Security services	16,713	2.6
4	Supplier G	2017	Engineering services	11,990	1.9
5	Supplier F	2017	Security services	9,814	1.5

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As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest suppliers for the Track Record Period. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest suppliers for the Track Record Period.

INVENTORY MANAGEMENT

Our inventories primarily consist of carpark spaces and consumables. During the Track Record Period, we have acquired certain unsold carpark spaces from property developers for sale to property owners and residents in properties under our management. The following table sets forth certain details of our carpark spaces during the Track Record Period:

	As of/Year ended December 31,			As of/Six months ended June 30,
	2017	2018	2019	2020
Number of carpark spaces				
acquired	26	1,774	359	–
Number of carpark spaces sold	96	100	274	19
Number of carpark spaces held	1,505	3,179	3,264	3,245
Purchase costs (RMB'000).	1,242	66,005	17,286	–
Sales proceeds (RMB'000)	7,851	18,754	18,375	1,645

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our carpark spaces in inventory had a carrying value of RMB61.1 million, RMB123.5 million, RMB130.8 million and RMB129.2 million, respectively. Our carpark spaces in our inventory are all unsold carpark spaces located in the properties under our management in Beijing, Zhongshan, Dalian, Nanjing, Qinhuaogdao, Shenyang and Changchun and were purchased from the Sino-Ocean Group and a third-party property developer. Such carpark spaces were acquired at a discounted market rate of similar carpark spaces available in the market since they were remaining unsold carpark spaces and were bulk purchased. We take into consideration the following factors when purchasing the carpark spaces, including but not limited to (i) the location of the carpark spaces; (ii) the purchase price; (iii) the gross profit margin of selling such carpark spaces; and (iv) the market demand of such carpark spaces. Despite the low subsequent sales of certain carpark spaces, our Directors consider that such investments is reasonable and is of the interest of the Group because (i) we are in a better position to sell such remaining unsold carpark spaces as property management services provider than property developers since we have close interaction with property owners and residents and can better understand the market and the demands of property owners and residents; (ii) selling these remaining unsold carpark spaces enable us to provide more comprehensive community value-added services to property owners and residents; and (iii) it provides a source of income for us with high gross profit margin.

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Our property management team and finance team in the headquarters are responsible for setting up the selling strategies and implementation plan of such unsold carpark spaces each year including their selling price and expected sales volume and reviewing inventory report from time to time. All of our purchased carpark spaces in inventory are held for sale with the purpose of obtaining a selling premium. During the Track Record Period, our gross profit margin for selling carpark spaces was 30.0%, 80.3%, 45.2% and 35.7% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. It is expected that the selling price of carpark spaces in Beijing is going to increase due to limited supply and therefore we will strategically control the sales volume in the coming five years in order to maximize our return. For other cities such as Zhongshan and Nanjing, we expect to sell out the relevant carpark spaces in three to five years' time when the occupancy rate of these newly developed properties is higher. Our management will periodically review and refine the strategies in relation to selling the carpark spaces in inventory.

Our inventories including unsold carpark spaces are managed locally by the relevant branch office or subsidiaries where they are located. The relevant branch office or subsidiaries shall strictly implement the plan set by the headquarters and be responsible for the daily transactions and management of the carpark spaces and consumables, conduct periodic on-site inventory check and report to the headquarters. During the Track Record Period, our inventories amounted to RMB65.1 million, RMB128.7 million, RMB134.8 million and RMB133.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. For further details, see the section headed “Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Inventories.”

OUR CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management and community value-added services, 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 customers were Independent Third Parties except for the Sino-Ocean Group and certain other related parties. For further details, see the sections headed “Financial Information — Related Party Transactions and Balances” and “Connected Transactions.”

Major Customers

Our single largest customer during the Track Record Period was the Sino-Ocean Group. During the Track Record Period, we provided value-added services to non-property owners as well as property management services to the Sino-Ocean Group. For further details, see the section headed “Connected Transactions.” For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our single largest customer amounted to RMB239.4 million, RMB247.6 million, RMB250.3 million and RMB98.6 million, respectively, representing 19.7%, 15.4%, 13.7% and 10.9% of our total revenue, respectively. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue from our five largest customers, who were mostly banking and financial institutions, government bureaus or agency and property developers, amounted to RMB258.7 million, RMB273.9 million, RMB290.2 million and RMB158.2 million, respectively,

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representing 21.3%, 17.1%, 15.9% and 17.5% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties except for the Sino-Ocean Group and three property developers which are joint ventures of Sino-Ocean. We have established on-going business relationships and co-operations with our top five customers for the Track Record Period for more than nine years on average. We entered into property management service contracts with some of our five largest customers who were property developers for management of residential communities or government entities for management of non-residential communities, the typical terms of which were all described in the section headed “— Property Management Service Contracts” above.

The following tables set forth certain details of our five largest customers for the Track Record Period:

For the year ended December 31, 2017

<u>Rank</u>	<u>Customer</u>	<u>Customer Type</u>	<u>Year commencing relationship</u>	<u>Services provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Percentage of total revenue</u> %
1	Sino-Ocean Group	Property developer	1998	Value-added services to non-property owners/Property management services	239,405	19.7
2	Customer A	Banking and financial institution	2017	Property management services	7,261	0.6
3	Customer B	Trademark agency	2000	Property management services	4,696	0.4
4	Customer C	Government Bureau	2015	Property management services	3,950	0.3
5	Customer D	IT Company	2010	Property management services	3,340	0.3

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For the year ended December 31, 2018

<u>Rank</u>	<u>Customer</u>	<u>Customer Type</u>	<u>Year commencing relationship</u>	<u>Services provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Percentage of total revenue</u> %
1	Sino-Ocean Group	Property developer	1998	Value-added services to non-property owners/Property management services	247,570	15.4
2	Customer A	Banking and financial institution	2017	Property management services	7,476	0.5
3	Customer E	Property developer	2005	Value-added services to non-property owners/Property management services	6,417	0.4
4	Customer F	Government Bureau	2016	Property management services	6,292	0.4
5	Customer G	Property developer	2018	Value-added services to non-property owners	6,104	0.4

For the year ended December 31, 2019

<u>Rank</u>	<u>Customer</u>	<u>Customer Type</u>	<u>Year commencing relationship</u>	<u>Services provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Percentage of total revenue</u> %
1	Sino-Ocean Group	Property developer	1998	Value-added services to non-property owners/Property management services	250,267	13.7
2	Customer H	Property developer	2006	Property management services	15,795	0.9
3	Customer F	Government Bureau	2016	Property management services	8,716	0.5
4	Customer I	Property developer	2017	Value-added services to non-property owners	7,925	0.4
5	Customer A	Banking and financial institution	2017	Property management services	7,476	0.4

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For the six months ended June 30, 2020

<u>Rank</u>	<u>Customer</u>	<u>Customer Type</u>	<u>Year commencing relationship</u>	<u>Services provided by us</u>	<u>Revenue</u> <i>RMB'000</i>	<u>Percentage of total revenue</u> %
1	Sino-Ocean Group	Property developer	1998	Value-added services to non-property owners/Property management services	98,622	10.9
2	Customer J	Property developer	2017	Property management services	20,537	2.3
3	Customer K	Insurance company	2019	Property management services	14,740	1.6
4	Customer E	Property developer	2005	Property management services	13,788	1.5
5	Customer H	Property developer	2006	Property management services	10,540	1.2

As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers for the Track Record Period. As of the Latest Practicable Date, save as disclosed above, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owns more than 5% of the number of issued shares of the Company, had any interest in any of our five largest customers during the Track Record Period.

Customer Relationship Management

Our customer relationship management aims to build and maintain sustainable customer relationships by focusing on delivering superior customer value and satisfaction, which we believe are critical to the long-term success of our businesses. We aim to build long-term relationships with our customers. We regularly conduct surveys of the satisfaction level among the property owners and residents of our managed properties to proactively identify issues through telephone inquiries. We prepare annual and monthly property management work reports, which are accessible to all property owners of the communities we manage. We have developed multiple customer communication channels to better access and address customers' needs and requests and to maximize customer experience and loyalty, including our information service platform and toll-free customer service hotline serving property owners and residents on a 24-hour basis. Our customer satisfaction rate was 86% in 2019, according to Savi Consulting, an independent researcher focused on real estate customer relationship, and is higher than the average satisfaction rate of 73% for the property management industry.

Feedback and Complaint Management

During the ordinary course of our business operations, we receive feedbacks, suggestions and complaints from property owners and residents from time to time regarding our services. We encourage property owners or residents to reach out to our property management staff

face-to-face or through telephone. For complaints received, our property management team is generally required to respond within two hours. Depending on the nature and seriousness of the complaint, the responsible staff will attend the concerned property to resolve the issue when necessary. Pursuant to the internal control policies, all complaints are recorded in the “complaint log-book” and the handling progress is reviewed and monitored by our project management team regularly. These procedures ensure that all complaints are handled and resolved in a timely manner in order to uphold the quality of our service.

MARKET DEVELOPMENT

Our management is responsible for, amongst others, 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. Our headquarters manage our overall market development strategies, while our regional subsidiaries and branches oversee the implementation of our market development activities within their respective regions. We have implemented market development systems, business operational guidelines and employee incentive measures to support our market development efforts in relation to obtaining property management and value-added service engagements, as well as seeking opportunities for acquisition and investment in suitable companies along the value chain of our industry.

We have taken various marketing measures that are tailored to the characteristics of different customers and business partners. In addition to maintaining a long-term and stable business relationship with the Sino-Ocean Group, we will endeavor to expand our cooperation with other third-party property developers by providing customized, diversified and quality services. We have implemented various incentive measures to encourage our employees to obtain property management contracts developed by third-party developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise. Moreover, we utilize our various customer communication channels, such as our service hotline and mobile application, 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 services. We also organize community events utilizing outdoor open spaces in our managed communities to increase our engagement level with the property owners and residents and expand our access to consumer activities of the residents at the same time. We continually seek business cooperation opportunities from third-party merchants to enhance the width and depth of our community value-added services.

COMPETITION

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. As a comprehensive industry 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 services to property owners and residents may compete with vendors and e-commerce business that

provide similar products and services. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources. For further details about the industry and markets that we operate in, see the section headed “Industry Overview.”

QUALITY CONTROL

We prioritize quality in our services and believe quality control is crucial to the long-term success of our business. We have established a comprehensive quality control system and a professional quality control team, who primarily focus on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

Quality Control for Property Management Services

We have obtained ISO9001 certification in recognition of our service quality. We adopt strict quality monitoring measures to ensure that our quality standards are achieved. We have set up a three-level quality control system among our headquarters, regional offices and onsite property management offices. Quality control staff at the headquarters level would conduct unannounced inspections on randomly-selected managed properties for the implementation of our quality control standards and specific operating procedures. Internal quality review is conducted regularly at headquarters and regional office levels on key projects with random sampling of other projects. Management office for each of our managed properties conducts self-review on a daily, weekly and monthly basis.

We require our employees and suppliers to strictly observe our quality standards. We value and seek to proactively address customer complaints on the quality of our services and the materials used for providing such services. We receive customer suggestions, appraises and complaints from time to time during the ordinary course of our business while our on-site staff also actively solicits feedback from property owners and residents and conduct thorough inspection of our managed properties to identify potential issues on a daily basis. We also conduct surveys, such as “mystery customer” surveys, to assess customer needs and satisfaction level. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints from our customers. We hold meetings to organize and implement rectifying measures for any issue identified in a timely manner. We record, analyze and evaluate such customer feedback by creating logs on our internal systems and each level of our management tracks the progress in addressing the underlying customer concerns and problems and conduct follow-up reviews. Such performance revaluations facilitate us to ensure the services provided by us could meet the needs of property owners and residents. In addition, we seek to enhance the quality of our services through equipment upgrades and regular work performance assessment of our staff.

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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 have implemented both internal and external evaluation systems for sub-contractors and may also conduct surveys among property owners and residents regarding the quality of services provided by our sub-contractors. We will classify the sub-contractors based on their performance which affects our future engagement with them. 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 the property owners' satisfaction, or fail annual performance review conducted by us, they will be excluded from our selected list of qualified sub-contractors. We will not further engage such sub-contractors who have been excluded or blacklisted by us.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaints that may have a material adverse impact on our operations or business reputation from our customers.

EMPLOYEES

As of June 30, 2020, we have a total of 5,458 full-time employees. The table below sets forth the breakdown of our employees by function as of June 30, 2020:

Function	Number of employees
Property management services	4,930
Value-added services	32
Management	63
Administration and human resources	165
Finance	234
Risk Management	9
Investment and strategies	15
Information technology	10
Total	5,458

We enter into individual employment contracts with all of our full-time employees. 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.

We endeavor to hire high-quality employees in the market by offering competitive wages and benefits, systematic training opportunities, expatriate opportunities and internal upward mobility. We have established a series of policies and measures to acquire talents suitable for our business.

We regularly host comprehensive internal staff training programs 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 also offer education subsidies for eligible staffs to attend external training programs in relation to professional property management or related qualifications for their job. 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 newly hired fresh graduates who provide the fresh graduates with tailored coaching and guidance. We also 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 have maintained good working relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

Social Insurance and Housing Provident Fund Contributions

Pursuant to the 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 further details, see the section headed “Regulatory Overview — Supervision over Labor and Social Protection.”

During the Track Record Period, we did not make full contributions to the social insurance and housing provident funds for certain employees, which were mainly related to (i) rural household employees who have already made contributions under their rural accounts; (ii) certain property management employees who were reluctant to make full contribution according to their actual wages as they consider themselves with high mobility and full contribution creates heavy financial burden to them; and (iii) inconsistent implementation or interpretation of the relevant regulations by local authorities in connection with the applicable contribution base of social insurance and housing provident funds in the PRC.

As advised by our PRC Legal Advisors, 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

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of the outstanding contributions. Our PRC Legal Advisors have also advised us that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, application may be made to a people's court in the PRC for compulsory enforcement. In view of that, we have made provisions of RMB1.2 million, RMB1.1 million, RMB0.9 million and RMB0.5 million for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, in respect of such potential liabilities arising from our insufficient contributions in relation to social insurance and housing provident fund. Our Directors are of the view that such provisions made are adequate. During the Track Record Period and up to the Latest Practicable Date, we had not entered into any material litigation with our employees for insufficient contributions by us to any social insurance or housing provident fund nor had we received any order or notice from the regulatory authorities requesting contributions to any social insurance or housing provident fund. As advised by our PRC Legal Advisors, based on their due diligence search, we had not been subject to any material fines or administrative penalties due to non-compliance with or any violation of the applicable laws and regulations in the PRC of social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, a vast majority of our PRC subsidiaries with employees had obtained written confirmation from the relevant government authorities which confirmed that during the Track Record Period, we were not in violation of the applicable PRC laws and regulations in relation to social insurance and housing provident funds, no penalties had been imposed on us with respect to the relevant laws and regulations and/or we did not have any outstanding contributions for the social insurance and housing provident fund. In addition, we have implemented relevant internal controls to ensure that we make full contributions in relation to the social insurance and housing provident funds, including reviewing the calculation result of social insurance and housing provident funds for all eligible employees and actively communicate with local human resources, social security bureau and housing fund management center on a regular basis, to ensure we acquire the most updated information about the relevant laws and regulations. In view of the above, our PRC Legal Advisors are of the view that our aforementioned failure to make full contributions to the social insurance and housing provident funds for certain of our employees would not materially and adversely affect the Spin-off and the Listing. For further details, see the section headed "Risk Factors — Risks relating to our Business and Industry — We may be subject to fines for our failure to contribute to social insurance and housing provident funds on behalf of some of our employees."

PROPERTIES

As of the Latest Practicable Date, we owned three properties, including two commercial properties in Dalian and one underground carpark in Beijing Chaoyang with an aggregate GFA of approximately 18,350 sq.m., which we held for self-use or as investment properties. As of the Latest Practicable Date, we had obtained the building title certificates for all the properties we own.

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As of the Latest Practicable Date, we leased 18 properties with a total GFA of approximately 6,693 sq.m. primarily for staff dormitories and offices in the PRC. None of these properties is individually material to our operations.

As of the Latest Practicable Date, the lessors of seven leased properties in the PRC with an aggregate GFA of approximately 5,193 sq.m. had not obtained or provided us with the relevant building title certificates. As advised by our PRC Legal Advisors, we are unable to ascertain whether the lessors have the legal right or requisite authority to lease such properties to us, whether such properties are subject to mortgages or third-party rights, or whether such leases are subject to challenge by third parties. Our Directors are of the views that, as the leased properties without building title certificates are mainly used for our offices and staff dormitories, and replacement premises are readily available in the market, such defects will not have a material adverse effect on our business or financial condition taken as a whole.

As of the Latest Practicable Date, we had not filed the lease agreements for 13 of our leased properties with the local housing administration authorities as required under the PRC law. Our PRC Legal Advisors have advised us that we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. As of 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 file the lease agreements described above. Our PRC Legal Advisors have also advised us that the failure to file the lease agreements would not affect the validity of the lease agreements nor would such non-filing have a material adverse effect on our business operations or constitute a material legal obstacle for the Spin-off and the Listing. For further details, see the section headed “Risk Factors — Risks relating to our Business and Industry — Some landlords may not have provided to us relevant title 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.”

Cushman & Wakefield, an independent property valuer, had valued our selected properties as of September 30, 2020. For the full property valuation report, see the section headed “Property Valuation Report” in Appendix III to this prospectus. Having considered the implications of Rule 5.01A of the Listing Rules, the property interests not subject to valuation are the property interests (i) that form part of our property activities and with a carrying amount below 1% of our total assets, and the total carrying amount of such property interests not valued does not exceed 10% of our total assets, or (ii) that do not form part of our property activities and the carrying amount of such property interest is below 15% of our total assets.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property is a key component to our strong brand recognition, and is an integral part of our business. As of the Latest Practicable Date, we had registered three trademarks, 21 patents, 35 software copyrights and four domain names in the PRC and six domain names in Hong Kong. During the Track Record Period, we had been licensed by the Sino-Ocean Group to use certain of its trademarks for our operation pursuant to a trademark

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license agreement, under which we were entitled to use such trademarks for the valid period stipulated in the agreement. For further details, see the section headed “Connected Transactions — Fully Exempt Continuing Connected Transactions — Trademark Licensing Agreement.”

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us. For further details of our intellectual property rights, see the section headed “Statutory and General Information — Further Information about Our Business — Intellectual Property Rights of our Group.”

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, service quality and customer satisfaction in the PRC property management industry. The table below sets forth our major industry and business awards and recognitions during the Track Record Period and up to the Latest Practicable Date:

Awarding Year	Honor/Award	Awarding Entity
2017	Top 100 Property Management Companies in China in terms of overall strength (中國物業服務百強企業綜合實力) (Ranking 15th in 2016)	China Index Academy
2017	China Property Management Industry Demonstration Site – Ocean Office Park (Beijing) (中國物業服務行業示範基地—北京遠洋光華國際)	China Index Academy
2017	China Property Management Industry Demonstration Site – Ocean Great Harmony (Beijing) (中國物業服務行業示範基地—北京遠洋萬和城)	China Index Academy
2018	BOMA Chinese Building Management Certificate of Excellence certification – Ocean Office Park (Beijing) – Block C (BOMA中國建築管理卓越認證—北京遠洋光華國際C座)	Building Owners and Managers Association
2018	LEED-EB Platinum certification – Ocean International Center-Tower A (Beijing) (LEED-EB鉑金認證—北京遠洋國際中心A座)	US Green Building Council
2018	2018 China Property Management Industry Demonstration Site – Ocean Residence (Shenyang) (2018中國物業服務行業示範基地—瀋陽遠洋公館)	China Index Academy
2018	2018 China Property Management Industry Demonstration Site-Ocean Canal Business Center (Hangzhou) (2018中國物業服務行業示範基地—杭州遠洋大運河商務區)	China Index Academy

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Awarding Year	Honor/Award	Awarding Entity
2018	Top 100 Property Management Companies in China in terms of overall strength (中國物業服務百強企業綜合實力) (Ranking 14th in 2017)	China Index Academy
2018	China Leading Property Management Companies in terms of growth potential in 2017 (中國物業服務百強企業成長性) (Top 10)	China Index Academy
2018	China Leading Property Management Companies in terms of service quality in 2017 (中國物業服務百強服務質量領先企業)	China Index Academy
2018	2018 Excellent Property Management Companies in China in terms of commercial property management services (2018中國專項物業服務優秀企業—商業物業管理)	China Index Academy
2019	BOMA 360 Performance Program certification – Ocean Office Park Block C (Beijing) (BOMA國際360認證—北京遠洋光華國際C座)	Building Owners and Managers Association
2019	First Batch of Provincial Benchmark Property Service Projects – Ocean Peace Mansion (Shenyang) (全省首批物業服務標桿項目—瀋陽遠洋和平府)	Department of Housing and Urban-Rural Development, Liaoning Province (遼寧省住房和城鄉建設廳)
2019	Top 500 Property Management Companies in terms of Comprehensive Strength in China (2019物業服務企業綜合實力500強) (Ranking 28th in 2018)	China Property Management Institute (中國物業管理協會)
2019	2019 Model Property Management Standardization Project in Hebei Province-Ocean Haiyue Mansion (Qinhuangdao) (2019年度河北省物業管理標準化示範項目—秦皇島遠洋海悅公館)	Hebei Property Management Institute (河北省物業管理行業協會)
2019	2019 Liaoning Province Property Service Benchmarking Project – Ocean Prospect (Dalian) (2019年度遼寧省物業服務標桿項目—大連遠洋風景)	Department of Housing and Urban-Rural Development, Liaoning Province (遼寧省住房和城鄉建設廳)
2019	Gold level Certification – Ocean Melody Building 10 (Shanghai) (金級認證—上海遠洋萬和四季10號樓)	International WELL Building Institute
2020	Top 100 Property Management Companies in China in terms of overall strength (中國物業服務百強企業綜合實力) (Ranking 13th in 2019)	China Index Academy
2020	China Leading Property Management Companies in terms of growth potential (中國物業服務百強企業成長性) (Ranking 11th in 2019)	China Index Academy

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Awarding Year	Honor/Award	Awarding Entity
2020	2020 Excellent Property Management Companies in China in terms of commercial property management services (2020中國專項物業服務優秀企業—商業物業管理)	China Index Academy
2020	2020 Top 10 Property Management Companies in Beijing (2020中國主要城市物業服務優秀企業—北京TOP10)	China Index Academy
2020	China Property Management Industry Demonstration Site-Ocean International Center (Beijing) and Ocean Landscape Eastern Area (Beijing) (中國物業服務行業示範基地—北京遠洋國際中心和北京遠洋沁山水)	China Index Academy
2020	2020 Potential Unicorn of Property Management Service (2020物業服務企業潛力獨角獸)	China Property Management Institute (中國物業管理協會), E-house China R&D Institute (上海易居房地產研究院) and China Real Estate Appraisal Center (中國房地產測評中心)
2020	2020 Top 100 Most Valuable Brand of Property Management Service (2020物業服務企業品牌價值100強)	China Property Management Institute (中國物業管理協會), E-house China R&D Institute (上海易居房地產研究院) and China Real Estate Appraisal Center (中國房地產測評中心)
2020	2020 Top 100 Blue Chip Property Management Companies (2020藍籌物業百強企業)	Economic Observer (經濟觀察報)

INSURANCE

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, personal accident insurance for some of our employees and vehicle insurance. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We believe our insurance coverage is in line with industry 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 further details, see the section headed “Risk Factors — Risks relating to our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, any losses or liabilities we may encounter.”

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

We are engaged in the provision of property management and value-added services in the PRC, and substantially all of our revenue is generated from customers located in the PRC during the Track Record Period. An outbreak of respiratory illness caused by a novel coronavirus was first emerged in late 2019 and which continues to expand within the PRC and globally. As of the Latest Practicable Date, COVID-19 had spread across China and to other countries and territories globally, and causing a large number of death toll and infected cases. Since the outbreak of COVID-19, the PRC government has introduced a series of measures in order to prevent and control the pneumonia epidemic, including but not limited to lock-down measures, travel restrictions, restrictions on enterprises from resuming work, management and control over commencement schedules of construction in new and existing construction sites and mandatory quarantine requirements on infected individual and anyone deemed potentially infected.

Impact on Our Business Operation

In relation to the provision of our services in general, our Directors confirm that (i) prior arrangement had been made in ensuring sufficient workforce available for our business operations during and after the outbreak of the epidemic and that our frontline staff did not experience material disruption in carrying out their responsibilities for the provision of our services; and (ii) our major suppliers are sub-contractors which provide services such as cleaning, greening, gardening and security services, and the workers assigned by our sub-contractors to our managed properties did not experience material disruption in performing their duties for the sub-contracting services following the outbreak of the epidemic.

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To the best of our Directors' knowledge, as of the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of our staff and none of our staff was subject to the mandatory quarantine requirements and thus failed to report to duties. Since the outbreak of COVID-19 and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our sub-contractors and the supply of materials from our suppliers. Our Directors consider that while the supply chains in all industries will be disrupted to a certain extent by the outbreak of COVID-19, in view of the nature of our business, our Directors do not expect that our Group will encounter any material disruptions of our supply chain given that we do not rely on any particular service sub-contractors or suppliers and there are many other readily available subcontractors and suppliers in the market as back-up. In view of the foregoing, our Directors are confident that our Group is able to discharge the obligations under all existing property management agreements and property engineering agreements, and therefore there is no financial damage to our Group or impact on our long-term relationship with our customers.

The negative impact of COVID-19 to our property management services was and is expected to be minimal as we continued to record a steady growth of revenue, except for our less timeliness of collection of property management fees. For details, see the section headed "Business — Our Business Model — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees."

For our value-added services to non-property owners, due to the delay in construction, sales and marketing activities and delivery of some of the property development projects by our customers caused by temporary lock-down in response to the COVID-19 outbreak in the first half of 2020, we had experienced a decrease in revenue from our value-added services to non-property owners, including a decrease in revenue from pre-delivery services by 12.2% in the first half of 2020 as compared to the same period in 2019. However, we have recorded a slight increase in revenue from consultancy services.

For our community value-added services, we had experienced a relatively slower growth in revenue from our community value-added services attributable to the increase in revenue from community asset value-added services by 10.3% and partially offset by a decrease in revenue for our community living services by 12.9% and a decrease in revenue for property brokerage services by 31.3% in the first half of 2020 as compared to the same period in 2019 as a result of the decrease in demand as affected by the outbreak of COVID-19.

During the first half of 2020, we incurred less selling and marketing expenses since we have been focusing on implementing and enhancing hygiene and precautionary measures across the properties under our management and canceled most of the community events and activities as affected by the outbreak of COVID-19.

In the long-term, our Directors believe that the COVID-19 pandemic is expected to bring about changes in our favor. During the fight against the COVID-19 pandemic, property management companies played a significant role, serving as a bridge among the government, community workers and residents. We believe our efforts to control the outbreak has earned us higher degrees of trust and reliance from property owners and residents at properties under our management, which we believe will lead to higher collection rate of property management fees and higher degrees of cooperation with our various management services. The lockdown measures imposed in many regions have also led to residents' increasing reliance on community value-added services to address their daily living needs, which presents us significant opportunities to expand our related service offerings. We also expect that new government regulations on property management industry may be promulgated from time to time, which offers us a higher degree of regulatory certainty in our long-term business operations. In addition, unlike other industries such as retail and manufacturing which may be subject to extensive or even complete suspension of operations for a period of time as a result of the COVID-19 outbreak, given the nature of our business operations, our Directors are of the view that the risks of our Group having to suspend our operations or terminate our provision of property management services to customers, experience material interruption to the services provided by our subcontractors and supplies of raw materials, and reduce our property management fees as a result of the COVID-19 outbreak are remote. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 outbreak.

Impact on Our Pipeline Properties

Our Directors confirm that, as of the Latest Practicable Date, the Sino-Ocean Group, our Group's major customer for property management services, does not expect the delivery date of the pipeline properties developed by them to be delayed by a large extent as a result of the outbreak of COVID-19, since such pipeline properties had resumed in full force once permitted and resources were precisely allocated to resolve the risks associated with supply and completion. Our Directors also confirm that, as of the Latest Practicable Date, the delivery date of the vast majority of properties developed by other third parties was not, and is not expected to be materially delayed. In light of this, our Directors do not expect the revenue to be generated from pipeline properties to be materially affected.

Our Contingency Plan and Response towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have established a safety management committee and they have implemented a contingency plan to minimize the disruptions that may be caused to our business operations, including identification of and discussions with various suitable alternative service subcontractors and material suppliers which meet our demands and requirements to ensure the stability and consistency of our services, sourcing of additional quantities of materials needed for our operations to reduce any disruptions that may cause, and implementation of the flexible rotation arrangements for our staff across the PRC with an aim to control and minimize possible community transmission of COVID-19 to ensure a stable

workforce available. Further, we have also adopted enhanced hygiene and precautionary measures across the properties under our management since January 2020. For further details of these measures, see the section headed “— Social health, Safety and Environmental Matters” below.

Impact on Our Financial Condition

Some of our community value-added services and value-added services to non-property owners were affected by the COVID-19 outbreak. In specific, the demand for our catering, home decoration and pre-delivery services has reduced as a result of COVID-19 pandemic. We believe the impact was immaterial on our overall business operation and financial performance as the revenue generated from community living services accounted less than 3.0% of our total revenue during the Track Record Period and the revenue generated from pre-delivery services accounted less than 14.0% of our total revenue during the Track Record Period. As of the Latest Practicable Date, the COVID-19 outbreak had not materially affected our property management services.

In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, taking into account (i) our cash and cash equivalent including our expected cash generated from operating activities; (ii) the expected 10% of the net proceeds from the Global Offering designated for working capital and general corporate purpose; (iii) realization of liquid assets; (iv) additional financial resources available to us; (v) estimated settlement of trade and note receivables as well as other receivables based on historical settlement pattern; and (vi) estimated settlement of trade payables and borrowings when due, our Directors are of the opinion that we will have available sufficient working capital for our present capital requirements for at least 13 months following the date of this prospectus.

We have taken a series of precautionary measures in relation to the COVID-19 outbreak and incurred additional costs for consumables such as masks, ethanol hand wash, disinfectants, infrared thermometers, etc. Our Directors confirmed that the additional costs associated with the enhanced measures would have no significant impact on our Group’s financial position for the year ending December 31, 2020. Nonetheless, this was based on the widely-accepted assumption that the COVID-19 outbreak had been effectively contained in the PRC, and the actual impact caused by the COVID-19 pandemic on our business operations will depend on its subsequent development. Thus, with the risks being remote, it remains a possibility that the impact of COVID-19 pandemic on our results of operations and financial position might eventually evolve to be beyond our expectation and control. See the section headed “Risk Factors — Risks Relating to Our Business and Industry — Our business operations and financial performance have been and may continue to be affected by the outbreak of COVID-19.”

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In light of the above, our Directors confirm that the outbreak of COVID-19 does not have a material adverse impact on our Group's continuing business operation and sustainability as (i) the property management industry is an industry involving community necessities services; (ii) our employees and workers of our sub-contractors did not experience material disruption in performing their job duty during the outbreak of the COVID-19; (iii) our Group is able to discharge our obligations under all existing property management service contracts and other business contracts; (iv) the delivery date of the pipeline properties developed by the Sino-Ocean Group and other third parties was not, and is not expected to be, materially delayed; and (v) our Group has sufficient cash and cash equivalents to maintain our operation.

Effects of the COVID-19 Outbreak on Our Business Strategies

According to China Index Academy, although the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across the PRC, it will unlikely affect the regional macroeconomic development plan and talent attraction plan in the long run, and it is expected that once the outbreak is effectively controlled, the outlook for the demand of residential and commercial properties and related property management services in these cities will remain positive. Our Directors therefore confirm that the COVID-19 outbreak will not have adverse effect on our business strategies and our Group will utilize the net proceeds from the Global Offering in accordance with the section headed "Future plans and use of proceeds."

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to the PRC laws and regulations in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001 and BS-OHSAS18001 standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues.

In view of the outbreak of COVID-19 in the PRC, we have adopted a contingency plan for pandemic outbreak in January 2020 whereby our employees and subcontractors shall take all practicable steps in our properties under management to maintain a hygienic environment in the interest of all personnel who may be present including property owners, residents, visitors, our employees and subcontractors. Our Directors confirmed that the contingency plan includes the following measures to be taken in our properties under management, which include:

- temperature screening at entry of properties;
- placing hand sanitizing products in our managed properties;
- regularly cleaning and disinfecting the common areas in our managed properties;
- provision of face masks to employees and our subcontractors;

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- adopting the use of video conferencing software for corporate meetings amongst our employees as an alternative to in-person meetings; and
- promoting personal hygiene and appropriate social distancing practices among our employees as well as property owners and residents of the properties under our management.

Accordingly, all employees and our subcontractors are required to familiarize themselves with requirements of our contingency plan for pandemic outbreak and ensure that the measures are properly implemented. Our Directors also consider that establishing and implementing sound environmental, social and governance (“ESG”) principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders. To ensure the effectiveness of our ESG risk management measures and internal control systems, our Board will be responsible for overseeing the formulation and reporting of our ESG strategies and determining the ESG related risks. We intend to adopt the following approaches and strategies to evaluate and manage the material ESG related issues and ensure our compliance with the relevant rules and regulations, including but not limited to, reviewing ESG reports of similar industry to identify the relevant ESG areas, discussing with our key stakeholders on the material ESG areas identified, and discussing among our management to ensure all the material ESG areas which are important to our business development are being reported and complied with.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had implemented necessary internal policies and procedures for compliance with the PRC laws in relation to workplace safety in all material respects and have not had any incidents which had materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs.

As advised by our PRC Legal Advisors, based on their due diligence search, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or administrative penalties due to non-compliance with or any violation of health, work safety, social or environmental laws and regulations in the PRC that would have materially and adversely affected our financial and business operation and the Listing.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining our internal control system, covering areas such as corporate governance, operations, management, legal, finance and audit. We believe that our internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for our current business operation.

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 further details of the major risks identified by our management, see the section headed “Risk Factors — Risks Relating to Our Business and Industry.” In addition, we face various financial risks, including credit and liquidity risks that arise during our ordinary course of business. See the section headed “Financial Information — Quantitative and Qualitative Disclosures about Financial Risks” for a discussion of these financial risks.

Prior to the Listing, we have adopted internal policies and procedures set by Sino-Ocean, our Controlling Shareholder and a company listed on the Stock Exchange, on various compliance matters, including the Stock Exchange’s requirements on corporate governance and environmental, social and governance matters. We, as a subsidiary of Sino-Ocean, have cultivated a compliance culture and will adopt similar policies and procedures as a separate listed company effective upon the Listing.

To monitor the ongoing implementation of our internal control and 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:

- Our risk control department is responsible for supervising the compliance with our internal control and risk management policies and will timely conduct routine inspections and report for any non-compliance to ensure our compliance with relevant laws and regulations;
- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See the section headed “Directors and Senior Management — Board Committees — Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

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- the appointment of Ms. Zhu Geyang as our chief financial officer and Mr. Chung Kai Cheong as our company secretary and to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see the section headed “Directors and Senior Management;”
- the appointment of Somerley Capital Limited as our compliance advisor upon the Listing to advise us on compliance with the Listing Rules; and
- the engagement of external legal advisors to advise us on compliance with the Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

LEGAL PROCEEDINGS

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of our business such as proceedings in respect of disputes with suppliers or customers, labor disputes or infringement of intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, there had not been any material legal, arbitration or administrative proceedings, regulatory inquiries or investigations made or pending or threatened against us or any of our Directors.

REGULATORY COMPLIANCE

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all material approvals, permits, licenses 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. Our Directors confirmed that they do not foresee material obstacles for renewing the relevant approvals, permits, licenses and certificates for carrying out our operations. Our Directors also confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any non-compliance incidents that had or would reasonably be expected to have a material financial or operational impact on our business. As advised by our PRC Legal Advisors, 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), Shine Wind, which is wholly-owned by Sino-Ocean, will directly hold approximately 67.57% of the issued share capital of our Company. As such, each of Shine Wind and Sino-Ocean will be a Controlling Shareholder of our Company for the purpose of the Listing Rules.

Sino-Ocean is a leading large-scale national property developer with developments in key economic regions in the PRC. Sino-Ocean has been listed on the Main Board of the Stock Exchange since 2007. Shine Wind is an investment holding company.

DELINEATION OF BUSINESS

The following table sets forth the principal businesses of our Group and the Sino-Ocean Group as of the Latest Practicable Date:

	<u>Principal business operations</u>
Our Group	<ul style="list-style-type: none">(a) property management services, including, among others, security, cleaning, greening, gardening and repair and maintenance services;(b) value-added services to non-property owners (mainly property developers and other property management companies), including (i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units; (ii) consultancy services to assist with the overall planning and management of pre-sale activities; and (iii) property engineering services; and(c) community value-added services to property owners and residents of our managed properties to address their lifestyle and daily needs, including (i) community asset value-added services such as carpark management, utility management and community space operation services; (ii) community living services, such as home decoration services, purchase assistance, turnkey furnishing and move-in services, housekeeping and other bespoke services; and (iii) property brokerage services.
Sino-Ocean Group	<ul style="list-style-type: none">(a) property development;(b) property investment; and(c) other real estate related businesses such as construction and first-hand property agency services.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Given the clear delineation between the principal business operations of our Group and those of the Sino-Ocean Group, our Directors are of the view that there is no business competition between our Group and the Sino-Ocean Group.

To avoid any possible future competition between our Group and the Sino-Ocean Group, each of our Controlling Shareholders has executed the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective subsidiaries not to, except through us, carry on, engage in or make investment in our principal business, subject to certain exceptions. For further details, see the section headed “— Non-competition Undertaking” below.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Group’s business which would require disclosure in this prospectus under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of operating our business independently of the Sino-Ocean Group following the Listing based on the following grounds.

Operational Independence

Substantial portion of revenue and gross profit generated from independent third parties

The following tables set forth the breakdowns of the revenue and gross profit of our Group generated from (a) the Sino-Ocean Group and its joint ventures and associates; and (b) independent customers not related to the Sino-Ocean Group, during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2017		2018		2019		2020	
	<i>RMB</i> <i>(million)</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>(million)</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>(million)</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>(million)</i>	<i>% of</i> <i>total</i> <i>revenue</i>
Sino-Ocean Group and its joint ventures and associates.	253	20.8	316	19.6	373	20.4	182	20.1
Independent customers.	960	79.2	1,294	80.4	1,457	79.6	722	79.9
Total revenue	1,213	100.0	1,610	100.0	1,830	100.0	904	100.0

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

	For the year ended December 31,						For the six months ended June 30,	
	2017		2018		2019		2020	
	% of total		% of total		% of total		% of total	
	RMB gross profit (million)		RMB gross profit (million)		RMB gross profit (million)		RMB gross profit (million)	
Sino-Ocean Group and its joint ventures and associates.	57	22.7	69	21.4	79	21.0	41	16.0
Independent customers. .	194	77.3	254	78.6	298	79.0	216	84.0
Total gross profit	251	100.0	323	100.0	377	100.0	257	100.0

During the Track Record Period, revenue generated from independent customers not related to the Sino-Ocean Group accounted for 79.2%, 80.4%, 79.6% and 79.9% of the total revenue of our Group and gross profit generated from independent customers not related to the Sino-Ocean Group accounted for 77.3%, 78.6%, 79.0% and 84.0% of the total gross profit of our Group for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The vast majority of the our customers are independent third-party property owners and our Group does not rely on the Sino-Ocean Group as our main source of revenue and profit.

Preliminary property management service contracts obtained through a standard and regulated tender and bidding process

In the PRC, property developers of newly developed properties typically engage and enter into preliminary property management service contracts with property management service providers before sale and delivery of the newly developed properties.

Under the PRC laws, unless otherwise approved by the competent PRC property administration authorities or otherwise exempted under the applicable PRC laws and regulations, property developers are required to select and engage property management service providers through a standard and regulated tender and bidding process, which involves, among other things, the invitation of a minimum of three qualified bidders and the establishment of a tender evaluation committee to review and rank the tender documents submitted by the bidders. The composition of the tender evaluation committee and the tender evaluation process must comply with the requirements of the relevant PRC laws and regulations. For further details, see the section headed “Business — Our Business Model — Property Management Services — Growth of our Property Management Services Portfolio.”

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, properties owned or developed by the Sino-Ocean Group and its joint ventures and associates accounted for (a) 86.6%, 75.0%, 76.1% and 74.5% of the total contracted GFA of our Group as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively; and (b) 94.0%, 84.5%, 81.5% and 79.1% of the total revenue generated from properties under the management of our Group for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. However, it should not be regarded as over reliance of our Group on the Sino-Ocean Group because during the Track Record Period, our Group, according to the industry practice, obtained most of the preliminary property management service contracts from property developers (including the Sino-Ocean Group) through the abovementioned tender and bidding process in accordance with the PRC laws and regulations. We won the bids for the preliminary property management service contracts for properties developed by the Sino-Ocean Group solely based on merits of our profile and proposals and we did not enjoy any preferential treatment in the selection process due to the shareholding relationship between the Sino-Ocean Group and our Group.

Our Group has been providing property management services and other value-added services to the Sino-Ocean Group and for properties owned or developed by the Sino-Ocean Group since 2001. Given such long standing business relationship, our Group and the Sino-Ocean Group have developed a mutual understanding of the standards and requirements of the Sino-Ocean Group, and our Group is able to provide tailored services to satisfy the specific needs of the Sino-Ocean Group. Therefore, notwithstanding a wide selection of comparable property management service providers in the market, the Sino-Ocean Group, having comprehensively considered its strategies and tendering requirements for its selection of service providers (including but not limited to credentials, service quality, collaboration efficiency and fee levels), has continued to engage our Group for the provision of property management and value-added services. During the Track Record Period, we have submitted 10, 27, 32 and eight tenders to the Sino-Ocean Group and its joint ventures and associates for properties developed by them for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our tender success rates were 100% throughout the Track Record Period. During the Track Record Period, approximately 89.6%, 86.4%, 82.2% and 84.5% of the total number of property projects developed by the Sino-Ocean Group which had reached the delivery stage were managed or contracted to be managed by our Group for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Based on (a) the long and close historical business relationship between our Group and the Sino-Ocean Group; and (b) the mutuality and complementarity in the business collaborations between our Group and the Sino-Ocean Group; and (c) the fact that our Group is expected to remain as a subsidiary of Sino-Ocean after the Listing, we expect that the relationship between our Group and the Sino-Ocean Group will not terminate or experience any material adverse change in the foreseeable future after the Listing, and we believe that we will be able to continue to secure engagements from and for properties owned or developed by the Sino-Ocean Group and its joint ventures and associates.

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Property owners' right to re-appoint or replace property management service providers after delivery of the properties

At the post-delivery stage of the property projects where all or part of the property units have been sold and delivered by the property developers to individual property owners, the property owners may establish property owners' associations to handle daily communications with the property management service providers on their behalves. The property owners' associations, once established, are operated by the property owners independently without the involvement of the property developers.

Under the PRC laws, the property owners have the right to, through the property owners' general meetings, re-appoint or replace the existing property management service providers and authorize the property owners' associations to enter into new property management service contracts with the selected property management service providers. The property developers (including the Sino-Ocean Group) do not have any influence over the decision making process of the property owners in respect of the re-appointment or replacement of the property management service providers.

External projects

In order to reduce our reliance on the Sino-Ocean Group, further expand our property management portfolio and increase the proportion of property projects developed by independent third-party developers ("**External Projects**"), our Group has also been actively obtaining property management service contracts for External Projects by way of (a) participating in public or private tender and bidding processes for External Projects; and (b) acquiring third-party property management companies with existing property management service contracts for External Projects. During the Track Record Period, our Group has (a) submitted 11, 44, 12 and eight tenders for External Projects for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively; and (b) acquired four third-party property management companies (which became our subsidiaries after the relevant acquisitions), namely Hangzhou New Era, Ocean Nantong, Shandong Liantai and Changsha Xiangcheng. For further details, see the section headed "History, Reorganization and Corporate Structure — Material Acquisitions of Subsidiaries during the Track Record Period."

During the Track Record Period, our Group has obtained property management service contracts for 13, 72, 10 and 12 External Projects for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. During the Track Record Period, there was an increasing trend in the contribution of the External Projects to (a) the total contracted GFA of our Group, which amounted to 13.5%, 25.0%, 23.9% and 25.5% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively; and (b) the total revenue generated from the properties under the management of our Group, which amounted to 6.0%, 15.5%, 18.5% and 20.9% for the three years ended December 31, 2017, 2018 and 2019 and the

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six months ended June 30, 2020, respectively. As of June 30, 2020, our Group has 111 External Projects under our management, which include residential properties, commercial properties, office buildings, hospitals, campuses, industrial park and other types of properties.

We intend to continue to actively obtain property management service contracts for External Projects. Based on our current expansion plan (which is subject to prevailing economic and market conditions and various other factors), we will (a) obtain opportunities to participate in public or private tender and bidding processes for External Projects through public or private invitations from property developers and property owners' associations as well as referrals from marketing agencies and our business contacts and existing customers, with a focus on residential properties, commercial properties, office buildings, public service facilities and other types of properties located in first-tier cities such as Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, core second-tier cities except for those located in the Northwestern region and selected third-tier cities in the PRC; and (b) identify suitable third-party property management companies as potential acquisition targets, which shall generally (i) have a focus on management of residential properties, commercial properties, office buildings and public service facilities; (ii) have a minimum business scale with total GFA under management of not less than 2 million sq.m. and an annual income of not less than RMB20 million; and (iii) charge a minimum level of management service fee of not less than the average of RMB1.8 per sq.m. per month.

Licenses required for operations

We hold all the relevant licenses and permits that are material to our business operations, and enjoy the benefits brought by them.

Operational facilities

As of the Latest Practicable Date, save as disclosed in the section headed "Connected Transactions," all properties and facilities necessary for our business operations are separate from and independent of the Sino-Ocean Group.

Employees

As of the Latest Practicable Date, our full-time employees were recruited primarily through independent recruitment methods, such as recruitment websites, campus recruitment programs, newspaper advertisements and recruitment agencies, and internal referrals.

Continuing connected transactions

The section headed "Connected Transactions" sets forth the continuing connected transactions between our Group and Sino-Ocean and its associates which will continue after the Listing. All such transactions will be carried out after arm's length negotiations and on normal commercial terms. Save for the continuing connected transactions set forth in the section

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headed “Connected Transactions,” our Directors currently do not expect that there will be additional continuing connected transactions between our Group and Sino-Ocean or its associates upon or shortly after the Listing.

As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transactions between our Group and Sino-Ocean and its associates at a reasonable percentage with respect to our total revenue after the Listing. Accordingly, we are of the view that such continuing connected transactions do not and will not affect our operational independence from the Sino-Ocean Group.

Financial Independence

In April 2018, our Group entered into asset-backed securities (the “**ABS**”) arrangement with a third-party investment bank and brokerage firm in the PRC by securitizing our rights of receiving property management fees in respect of certain properties under our management. The ABS were divided into priority level and subordinated level with total principal amount of RMB3 billion and RMB158 million, respectively. The payment obligations of our Group under the priority level ABS were guaranteed (the “**ABS Guarantee**”) by Sino-Ocean. As of the Latest Practicable Date, the ABS (including the priority level ABS) have been fully redeemed by our Group and accordingly the ABS Guarantee has expired.

We are of the view that our Group can finance our own operations and function independently without reliance on the Sino-Ocean Group for the following reasons:

- (a) our Group has stable and sufficient cash flows to support and finance our own operations. As of the Latest Practicable Date, there was no outstanding loan owed by our Group to the Sino-Ocean Group, nor was there any guarantee or other financial assistance provided by the Sino-Ocean Group to our Group;
- (b) we consider our Group to have the ability to obtain financing facilities from independent financial institutions on a standalone basis without guarantee or other credit support from the Sino-Ocean Group, if necessary or desirable; and
- (c) our Group has our own financial and accounting systems and our own team of financial and accounting staff. All financial decisions are made independently of the Sino-Ocean Group based on our Group’s own business needs and financial conditions.

Management Independence

We have an independent management team which has extensive experience in management and in the property management industry. Our management team makes management decisions independent of the Sino-Ocean Group.

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Our Board is comprised of two executive Directors, two non-executive Directors and three independent non-executive Directors. For further details of our Directors, see the section headed “Directors and Senior Management.” The following table sets forth details of the role of our Directors in our Group and in the Sino-Ocean Group.

<u>Name of Board member</u>	<u>Position(s) in our Company upon Listing</u>	<u>Position(s) in the Sino-Ocean Group upon Listing</u>
Mr. Yang Deyong	Joint chairman, chief executive officer and executive Director	None
Ms. Zhu Geying	Chief financial officer and executive Director	None
Mr. Cui Hongjie	Joint chairman and non-executive Director	Executive director, executive president and general manager of the product construction center of Sino-Ocean
Mr. Zhu Xiaoxing	Vice chairman and non-executive Director	General manager of the investment and finance business center of the Sino-Ocean Group
Dr. Guo Jie	Independent non-executive Director	None
Dr. Xue Jun	Independent non-executive Director	None
Mr. Zhu Lin	Independent non-executive Director	None

We are of the view that our Board and the senior management of our Group is capable of operating and functioning independently of the Sino-Ocean Group for the following reasons:

- (a) all of our executive Directors, who are responsible for the day-to-day operations and management of our business, will not, upon Listing, hold any directorship or other role in the Sino-Ocean Group;

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- (b) while Mr. Cui Hongjie and Mr. Zhu Xiaoxing, each a non-executive Director, also hold directorship and/or senior positions in the Sino-Ocean Group, we do not consider that this will affect our management independence as Mr. Cui Hongjie and Mr. Zhu Xiaoxing will not be involved in the day-to-day operations and management of our business;
- (c) none of the three members of the senior management team of our Group holds any directorship or senior management role in the Sino-Ocean Group; and
- (d) our Articles of Association provide that no Director shall vote (or be counted in the quorum) in respect of any contract or arrangement or proposal in which he or any of his close associates has any material interest, except in certain prescribed circumstances, details of which are set forth in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.”

In addition, each Director is aware of his fiduciary duties which require, among other things, that he must act for the benefit and in the best interests of our Company and must not allow any conflict between his duties as our Director and his personal interests. In the event that there is a potential or actual conflict of interests arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, the interested Director(s) shall, in accordance with the requirements of the Listing Rules and our Articles of Association, abstain from voting at the relevant meeting(s) of our Board in respect of such transactions and shall not be counted in the quorum. In such circumstances, the remaining Directors will have sufficient expertise and experience to consider and decide on the relevant matters.

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, and in order to avoid any possible future competition between our Group and the Sino-Ocean Group, each of our Controlling Shareholders (namely (a) Sino-Ocean; and (b) Shine Wind) (together, the “**Covenantors**”) has executed the Deed of Non-competition in favor of our Company (for ourselves and as trustee for each member of our Group).

Pursuant to the Deed of Non-competition, each of the Covenantors undertakes that it shall not, and shall use its best endeavors to procure that its close associates (excluding our Group) shall not, solely or jointly or through representation of any person, enterprise or company, carry on, engage in or make any investment, whether for profit, reward or otherwise in our principal business, namely, the provision of property management services, value-added services to non-property owners and community value-added services (collectively, the “**Relevant Business**”).

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The undertakings mentioned above are conditional upon the Listing becoming unconditional in accordance with the conditions set forth in the section headed “Underwriting.” If any of such conditions is not fulfilled on or before the Listing Date, the Deed of Non-competition shall lapse and cease to have any effect.

The Deed of Non-competition does not apply to:

- (a) the holding or acquiring of any interest in the shares, securities or equity of any member of our Group; or
- (b) the holding or acquiring of any interest in the shares, securities or equity of any company (other than any member of our Group) if:
 - (i) any Relevant Business conducted or engaged in by that company or its subsidiaries (or assets relating thereto) accounts for less than 10% of such company’s consolidated turnover or consolidated assets, as shown in such company’s latest audited consolidated accounts; or
 - (ii) the total number of shares, securities and/or equity interest held by the relevant Covenantor(s) and/or its close associates (excluding our Group) in aggregate does not exceed 10% of the total issued shares, securities and/or equity interest of the company in question, and such Covenantor(s) and its close associates (excluding our Group), whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there should exist at least one other shareholder or owner of that company (together, where appropriate, with his/her/its close associates) whose shareholding, securities and/or equity interest in that company should be more than the total shareholding, securities and/or equity interest held by such Covenantor(s) and its close associates (excluding our Group); or
- (c) the pursuing of any new investment or other business opportunity which involves the Relevant Business or otherwise competes or may compete with the business of our Group (“**New Business Opportunity**”) after our Company has confirmed in writing to the relevant Covenantor(s) that our Company or any other relevant member of our Group has declined such New Business Opportunity pursuant to the Deed of Non-competition.

The obligations of each of the Covenantors under the Deed of Non-competition shall terminate on the date on which (a) the relevant Covenantor ceases to be, directly or indirectly, a Controlling Shareholder of our Company; or (b) the Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of the Covenantors further undertakes to (a) provide an annual confirmation to our Company and our independent board committee consisting solely of our independent non-executive Directors who do not have a material interest in any transaction or matter contemplated by the Deed of Non-competition (the “**Independent Board Committee**”) that the such Covenantor has not breached the terms of the Deed of Non-competition; (b) provide all information as requested by our Independent Board Committee for its annual review on each Covenantor’s compliance with the Deed of Non-competition; and (c) subject to applicable third-party confidentiality restrictions, allow our Company’s representatives and an internationally recognized accounting firm to be appointed by us access to such financial and corporate records as required by our Independent Board Committee to determine whether the Deed of Non-competition has been complied with by the Covenantors. We will disclose decisions on matters reviewed by our Independent Board Committee relating to the enforcement of the Deed of Non-competition in our annual report or, where we consider appropriate, by way of an announcement in compliance with the Listing Rules.

Our decision as to enforcement of the Deed of Non-competition shall be made by our Independent Board Committee and, if it so requires, an independent financial advisor will be appointed to advise the committee.

New Business Opportunity

Pursuant to the Deed of Non-competition, each of the Covenantors undertakes that if any Covenantor and/or its close associates (excluding our Group) is offered or becomes aware of any New Business Opportunity, it shall notify us in writing and we shall have a right of first refusal in respect of taking up such New Business Opportunity. Our decision as to whether to exercise the right of first refusal or whether to grant our consent to the relevant Covenantor(s) to pursue such New Business Opportunity shall be subject to the approval of our Independent Board Committee. If our Independent Board Committee so requires, an independent financial advisor and/or an independent business consultant will be appointed to advise the committee. Based on such advice, our Independent Board Committee will decide whether pursuing such New Business Opportunity is in the best interests of our Group. If we decide not to pursue such New Business Opportunity, an announcement, in compliance with the Listing Rules, will be issued by us setting out the reasons for not exercising the right of first refusal, in which case the relevant Covenantor(s) may proceed to pursue such New Business Opportunity.

Listing Rules

To the extent that the exercise of the right of first refusal under the Deed of Non-competition will constitute a connected transaction under the Listing Rules, we will comply with the relevant requirements of Chapter 14A of the Listing Rules.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Conflict of Interests

Subject to certain exceptions set forth in our Articles of Association, a Director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest nor shall he be counted in the quorum present at the meeting. In addition, with respect to any matter relating to compliance with the Deed of Non-competition or the exercise of the right of first refusal under the Deed of Non-competition, any Director who also holds any directorship or role within the Sino-Ocean Group will abstain from voting on such matters nor shall he participate in any of our Board meeting(s) where such matters are discussed, unless his attendance is requested by a majority of our independent non-executive Directors. In such a case, notwithstanding his attendance, he shall not vote or be counted in the quorum in respect of such matters.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has undertaken not to compete with us in accordance with the Deed of Non-competition. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflict of interest. In order to further avoid potential conflict of interest, we have implemented the following measures:

- (a) as part of our preparation for the Listing, we have adopted our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not be entitled to vote on (nor be counted in the quorum in relation to) any resolution of our Board in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the Board meetings on matters in which such Director or his close associates has a material interest, unless the attendance or participation of such Director at such Board meeting is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. Our independent non-executive Directors represent more than one third of the composition of our Board which is in compliance with the Corporate Governance Code of the Listing Rules. Given our independent non-executive Directors' diverse professional backgrounds, we believe that they will provide a balance of views and independent judgment in the decision making process of our

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Board and they will be able to provide an impartial external opinion to protect the interests of our public Shareholders. For further details of our independent non-executive Directors, see the section headed “Directors and Senior Management;”

- (d) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance;
- (e) our independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition by the Covenantors and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and the enforcement of the Deed of Non-competition in our annual report; and
- (f) each of our Controlling Shareholders has undertaken to provide all information requested by our Independent Board Committee for its annual review on each Covenantor’s compliance with the Deed of Non-competition.

CONNECTED TRANSACTIONS

OVERVIEW

Upon the Listing of our Shares on the Stock Exchange, transactions between us and our connected persons in our ordinary and usual course of business disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

As of the Latest Practicable Date, Sino-Ocean, through its wholly-owned subsidiary Shine Wind, was interested in approximately 90.1% of the issued share capital of our Company. Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option), our Company will be owned as to approximately 67.57% by Sino-Ocean through Shine Wind. As such, each of Sino-Ocean and Shine Wind will be a Controlling Shareholder of our Company for the purpose of the Listing Rules. For further details on our relationships with the Sino-Ocean Group, see the section headed “Relationship with Controlling Shareholders.”

Accordingly, Sino-Ocean and its associates (“**Sino-Ocean Connected Persons**,” excluding, for the avoidance of doubt, our Group) are our connected persons by virtue of Rule 14A.07 of the Listing Rules and for the purposes of connected transactions under Chapter 14A of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of transactions	Relevant Listing Rules	Waiver sought	Historical transaction amount	Proposed annual cap for the year ending December 31,
			(RMB'000)	(RMB'000)

Fully exempt continuing connected transactions

Exempt from the announcement, circular, independent Shareholders' approval, reporting and annual review requirements

1. Trademark Licensing Agreement	14A.76	N/A	N/A	N/A
2. Master Administrative Services Agreement	14A.98	N/A	N/A	N/A

CONNECTED TRANSACTIONS

Nature of transactions	Relevant Listing Rules	Waiver sought	Historical transaction amount	Proposed annual cap for the year ending December 31,
			(RMB'000)	(RMB'000)

Partially exempt continuing connected transactions

Exempt from the circular and independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements

3. Master Operational Support Services Agreement	14A.35	Waiver from strict compliance with announcement requirement	For the year ended December 31, 2017:	2020: 8,689
			1,672	2021: 10,127
			For the year ended December 31, 2018:	2022: 11,852
			8,977	
			For the year ended December 31, 2019:	
4. Master Properties Leasing Agreement	14A.35	Waiver from strict compliance with announcement requirement	5,991	
			For the six months ended June 30, 2020:	
			818	
			For the year ended December 31, 2017:	2020: 18,827
			3,427	2021: 28,240
			For the year ended December 31, 2018:	2022: 42,360
			5,564	
			For the year ended December 31, 2019:	
			10,587	
			For the six months ended June 30, 2020:	
			1,836	

CONNECTED TRANSACTIONS

Nature of transactions	Relevant Listing Rules	Waiver sought	Historical transaction amount (RMB'000)	Proposed annual cap for the year ending December 31, (RMB'000)
Non-exempt continuing connected transactions				
<i>Subject to the reporting, annual review, announcement, circular, and independent Shareholders' approval requirements</i>				
5. Master Property Management Services Agreement	14A.35, 14A.36, 14A.39 and 14A.46	Waiver from strict compliance with announcement, circular and independent Shareholders' approval requirements	For the year ended December 31, 2017: 78,586 For the year ended December 31, 2018: 84,774 For the year ended December 31, 2019: 102,154 For the six months ended June 30, 2020: 48,454	2020: 139,571 2021: 210,228 2022: 256,420
6. Master Pre-delivery Services Agreement	14A.35, 14A.36, 14A.39 and 14A.46	Waiver from strict compliance with announcement, circular and independent Shareholders' approval requirements	For the year ended December 31, 2017: 69,764 For the year ended December 31, 2018: 118,716 For the year ended December 31, 2019: 145,899 For the six months ended June 30, 2020: 65,099	2020: 161,732 2021: 177,905 2022: 195,696

CONNECTED TRANSACTIONS

Nature of transactions	Relevant Listing Rules	Waiver sought	Historical transaction amount (RMB'000)	Proposed annual cap for the year ending December 31, (RMB'000)
7. Master Consultancy and Other Value-added Services Agreement	14A.35, 14A.36, 14A.39 and 14A.46	Waiver from strict compliance with announcement, circular and independent Shareholders' approval requirements	For the year ended December 31, 2017: 74,691 For the year ended December 31, 2018: 73,096 For the year ended December 31, 2019: 79,228 For the six months ended June 30, 2020: 30,172	2020: 140,695 2021: 275,695 2022: 354,495

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Trademark Licensing Agreement

On August 26, 2020, our Company entered into a trademark licensing agreement (the “**Trademark Licensing Agreement**”) with Sino-Ocean, Sino-Ocean (China) and Sino-Ocean Land (Hong Kong) Limited (an indirect wholly-owned subsidiary of Sino-Ocean) (collectively, the “**Licensors**”) pursuant to which the Licensors agreed to grant a non-exclusive and non-transferrable license to our Group to use certain trademarks registered in their names for nominal consideration of HK\$1. See the section headed “Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group” in Appendix V to this prospectus for details of the trademarks registered in the names of our Group and the trademarks licensed to our Group which are material to our businesses.

The Trademark Licensing Agreement shall be of a perpetual term commencing from August 26, 2020. The Trademark Licensing Agreement (i) shall automatically terminate in the event of and upon our Company ceasing to be accounted for as a subsidiary of Sino-Ocean and our financial results ceasing to be consolidated in the consolidated accounts of Sino-Ocean; and (ii) may be terminated by written consent of the parties thereto. In the event of and upon any Licensor ceasing to be the registered owner of any of the relevant trademarks, such trademark(s) shall be deemed to be excluded from the Trademark Licensing Agreement. Our Directors and the Joint Sponsors are of the view that entering into the Trademark Licensing Agreement with a duration of over three years is in line with the normal business practice for

CONNECTED TRANSACTIONS

agreements of this type as comparable contractual arrangements have similar long-term arrangements, and our Directors believe that such long duration will promote the stability of operations of our Group and is beneficial to our Shareholders as a whole.

As each of the applicable percentage ratios is less than 0.1%, pursuant to Rule 14A.76(1)(a) of the Listing Rules, the Trademark Licensing Agreement will be exempt from the announcement, circular, independent Shareholders' approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

2. Master Administrative Services Agreement

On November 27, 2020, our Company entered into an agreement (the “**Master Administrative Services Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) pursuant to which the Sino-Ocean Connected Persons agreed to provide administrative services including but not limited to secretarial (including the company secretarial services to be performed by Mr. Chung Kai Cheong (who is also the company secretary of Sino-Ocean) as our company secretary), legal and staff training services (the “**Administrative Services**”) to our Group on a cost basis. The Directors consider that the sharing of the Administrative Services between the Sino-Ocean Connected Persons and our Group under the Master Administrative Services Agreement would allow both of the Sino-Ocean Connected Persons and our Group to take advantage of bulk purchasing of resources at lower average costs and to enjoy economies of scale brought by the sharing of the Administrative Services which would maximize cost efficiency and optimize the overall administrative cost structure.

The Master Administrative Services Agreement shall take effect upon the Listing Date and expire on December 31, 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Administrative Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

As the Administrative Services will be shared between the Sino-Ocean Connected Persons and our Group on a cost basis where the costs (being costs paid by the Sino-Ocean Connected Persons to their suppliers and/or their labor costs based on relevant man hours) will be identifiable and allocated to the parties on a fair and equitable basis, pursuant to Rule 14A.98 of the Listing Rules, the Master Administrative Services Agreement will be exempt from the announcement, circular, independent Shareholders' approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Partially Exempt Continuing Connected Transactions

As the highest applicable percentage ratio is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, each of the following transactions (the “**Partially Exempt Continuing Connected Transactions**”) will be exempt from the circular and independent Shareholders’ approval requirements but subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules.

3. Master Operational Support Services Agreement

Description of and reason for the transaction

During the Track Record Period, our Group purchased from the Sino-Ocean Connected Persons certain services such as catering services, engineering services and other supporting services to support our business operations. In addition, since the third quarter of 2020, the Sino-Ocean Connected Persons provided certain information technology system and supporting services to our Group. To further formalize our procurement of operational support services from the Sino-Ocean Connected Persons, on November 27, 2020, our Company entered into an agreement (the “**Master Operational Support Services Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the purchase of services by our Group from the Sino-Ocean Connected Persons.

The Master Operational Support Services Agreement shall take effect upon the Listing Date and expire on December 31, 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Operational Support Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Our Group purchases operational support services from the Sino-Ocean Connected Persons because (i) we and the Sino-Ocean Connected Persons have established a long-term relationship and understand the business needs and requirements of each other; and (ii) we can save costs and expenses by purchasing such operational support services from the Sino-Ocean Connected Persons as opposed to purchasing from the open market.

Pricing

The fees of the operational support services payable by us to the Sino-Ocean Connected Persons will be determined on arm’s length basis with reference to (i) the cost paid by the Sino-Ocean Connected Persons to their independent suppliers and/or their labor costs based on relevant man hours; or (ii) where available, the prevailing market prices charged by the Sino-Ocean Connected Persons to other customers for the same or similar services. We will, where applicable, request the relevant Sino-Ocean Connected Person to provide us with the

CONNECTED TRANSACTIONS

terms of contemporaneous transactions between the relevant Sino-Ocean Connected Person and its independent customers for the same or similar services, in order to ensure that the fees charged by the relevant Sino-Ocean Connected Person to us are fair and reasonable to our Group.

Historical transaction amounts

The total transaction amounts of the provision of operational support services by the Sino-Ocean Connected Persons to our Group for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are set forth below:

	Historical transaction amount (RMB'000)			
	for the year ended December 31,			for the six months ended
				June 30,
	2017	2018	2019	2020
Purchase amount	1,672	8,977	5,991	818

Annual caps and basis of caps

Annual Caps: The maximum aggregate annual transaction amounts under the Master Operational Support Services Agreement for the years ending December 31, 2020, 2021 and 2022 shall not exceed the caps set forth below:

	Proposed annual cap (RMB'000)		
	for the year ending December 31,		
	2020	2021	2022
Purchase amount	8,689	10,127	11,852

Basis of Caps: In determining the above caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) the expected increase in our demand for operational support services (such as catering services and engineering services) provided by the Sino-Ocean Connected Persons based on our business development plan; and (iii) the procurement of certain information technology system and supporting services by our Group from the Sino-Ocean Connected Persons since the third quarter of 2020.

CONNECTED TRANSACTIONS

4. Master Properties Leasing Agreement

Description of and reason for the transaction

During the Track Record Period, our Group has leased certain properties from the Sino-Ocean Connected Persons, as summarized below:

	Total size leased from the Sino-Ocean Connected Persons			
	As of December 31,			As of
	2017	2018	2019	June 30,
	(sq.m.)	(sq.m.)	(sq.m.)	2020 (sq.m.)
Self-use/operation	4,545	3,153	2,379	2,539
Commercial properties for sub-leasing to our independent customers	428	9,277	9,446	9,018
	Number of carpark spaces leased from the Sino-Ocean Connected Persons			
	As of December 31,			As of
	2017	2018	2019	June 30,
				2020
Carpark spaces for sub-leasing to our independent customers	459	1,868	4,777	2,540

All of the existing leases between our Group (as tenants) and the Sino-Ocean Connected Persons (as landlords) as of the Latest Practicable Date (the “**Existing Leases**”) were entered into (i) in the ordinary and usual course of business of our Group; and (ii) on normal commercial terms with the rent determined on an arm’s length basis with reference to prevailing market rates of similar properties in the vicinity.

Accounting implication on the Existing Leases

In accordance with HKFRS 16 “Leases,” our Company recognized right-of-use assets relating to two Existing Leases with total leased GFA of 1,835 sq.m. for our self-use/operation (the “**Non-exempt Leases**”) which amounted to RMB1.2 million on our balance sheet as of June 30, 2020. For the purpose of Chapter 14A of the Listing Rules, the Non-exempt Leases were accounted for as one-off acquisitions of capital asset

CONNECTED TRANSACTIONS

by our Group under HKFRS 16. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders' approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Non-exempt Leases.

Save and except for the Non-exempt Leases, all of the other Existing Leases (the “**Exempt Leases**”) are exempt from recognition as right-of-use assets on our balance sheet under HKFRS 16 because they are considered as (i) short-term leases (i.e. leases of 12 months or less) or (ii) leases of low-value assets. Therefore, the rental payments under the Exempt Leases were and will be recorded as expenses over the term of the relevant lease in our profit or loss accounts.

Our Group is using the properties under the Exempt Leases (i) for self-use/operation (e.g. as office); and (ii) for sub-leasing to our independent customers. To avoid disruption to the continued operations of our Group, we will, after the Listing, continue to rent the properties from the Sino-Ocean Connected Persons under the Exempt Leases. In addition, to cater for the development of our businesses, we also expect to rent and/or obtain license to use additional GFA for such purposes from the Sino-Ocean Connected Persons after the Listing. On November 27, 2020, our Company entered into an agreement (the “**Master Properties Leasing Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the leasing and licensing of properties by the Sino-Ocean Connected Persons to our Group which is exempt from recognition as right-of-use assets under HKFRS 16.

The Master Properties Leasing Agreement shall take effect upon the Listing Date and expire on December 31, 2022, and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Properties Leasing Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Pricing

The rent payable by our Group to the Sino-Ocean Connected Persons under the Master Properties Leasing Agreement will be determined on arm's length basis with reference to (i) in respect of properties for our self-use/operation, the prevailing market rent of similar properties in the vicinity; and (ii) in respect of properties for sub-leasing to our independent customers, the prevailing market rent of similar properties in similar locations with a discount thereon to be agreed on arm's length basis by taking into account the expected costs (including, among others, labor costs, administrative costs and maintenance costs) of our Group in relation to the sub-leasing of the relevant properties to our independent customers.

CONNECTED TRANSACTIONS

Historical transaction amounts

The total amounts of rent paid by our Group to the Sino-Ocean Connected Persons under leases exempt from recognition as right-of-use assets under HKFRS16 for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are set forth below:

	Historical transaction amount (RMB'000)			
	for the year ended December 31,			for the six months ended
	June 30,			June 30,
	2017	2018	2019	2020
Rent	3,427	5,564	10,587	1,836

Annual caps and basis of caps

Annual Caps: The maximum aggregate annual amounts of rent under the Master Properties Leasing Agreement for the years ending December 31, 2020, 2021 and 2022 shall not exceed the caps set forth below:

	Proposed annual cap (RMB'000)		
	for the year ending December 31,		
	2020	2021	2022
Rent	18,827	28,240	42,360

Basis of Caps: In determining the above caps, our Directors have considered (i) the historical transaction amounts and the growth trend thereof during the Track Record Period; (ii) the terms and conditions (in particular, the rent) under the Exempt Leases; (iii) the expected increment in market rents of similar properties in the vicinity; and (iv) the expected increase in our demand for leased properties based on our business development plan.

Non-exempt Continuing Connected Transactions

As the highest applicable percentage ratio exceeds 5%, each of the following transactions (the “**Non-exempt Continuing Connected Transactions**”) will be subject to the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

5. Master Property Management Services Agreement

Description of and reason for the transaction

During the Track Record Period, our Group provided property management services, such as security, cleaning, greening, gardening and repair and maintenance services, to the Sino-Ocean Connected Persons in respect of (i) property units developed by the Sino-Ocean Connected Persons which have been completed and are either unsold or sold but not yet delivered to the buyers of such property units; and (ii) commercial properties, office buildings and carpark spaces owned, used or operated by the Sino-Ocean Connected Persons. On November 27, 2020, our Company entered into an agreement (the “**Master Property Management Services Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of property management services by our Group to the Sino-Ocean Connected Persons.

The Master Property Management Services Agreement shall take effect upon the Listing Date and expire on December 31, 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Property Management Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Our Group provides property management services to the Sino-Ocean Connected Persons because (i) we and the Sino-Ocean Connected Persons have established a long-standing business relationship and mutual understanding of the standards, requirements and specific needs of each other; and (ii) the service fees and terms for the property management services we provide to the Sino-Ocean Connected Persons are fair and reasonable to our Group.

Pricing

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Property Management Services Agreement will be determined on arm’s length basis with reference to (i) the nature, size and location of the relevant properties; (ii) the scope of the property management services; (iii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the property management services; and (iv) the fees charged by other property management service providers for similar services in respect of similar types of properties in the market. The fees charged by us to the Sino-Ocean Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of property management services.

CONNECTED TRANSACTIONS

Historical transaction amounts

The total transaction amounts of the provision of property management services by our Group to the Sino-Ocean Connected Persons for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are set forth below:

	Historical transaction amount (RMB'000)			
	for the year ended December 31,			for the six months ended June 30,
	2017	2018	2019	2020
Sales amount	78,586	84,774	102,154	48,454

Annual caps and basis of caps

Annual Caps: The maximum aggregate annual transaction amounts under the Master Property Management Services Agreement for the years ending December 31, 2020, 2021 and 2022 shall not exceed the caps set forth below:

	Proposed annual cap (RMB'000)		
	for the year ending December 31,		
	2020	2021	2022
Sales amount	139,571	210,228	256,420

Basis of Caps: In determining the above caps, our Directors have considered the following factors:

- (i) the historical transaction amounts and the growth trend thereof during the Track Record Period;
- (ii) the expected increase in GFA of property units developed by the Sino-Ocean Connected Persons for sale and to be managed by our Group before delivery to the buyers of such property units, taking into account the following:
 - (a) as of December 31, 2019, our contracted and undelivered GFA of residential properties developed by the Sino-Ocean Group and its joint ventures and associates amounted to approximately 14.7 million sq.m., which will be delivered for our management successively based on the construction completion and delivery schedules of the Sino-Ocean Group and its joint ventures and associates;

CONNECTED TRANSACTIONS

- (b) during the three years ended December 31, 2019, the Sino-Ocean Group had an annual increase of land reserve of approximately 10 million sq.m. on average, and such increase in land reserve is expected to continue for the three years ending December 31, 2022, which will have a positive impact on the increase in our contracted GFA and GFA under management of properties developed by the Sino-Ocean Group; and
 - (c) based on the business development plans and estimated delivery schedules of the Sino-Ocean Group and its joint venture and associates and our estimation on the services we may be engaged by the Sino-Ocean Group and its joint ventures and associates to provide, we expect that our GFA under management of residential properties developed by the Sino-Ocean Group and its joint ventures and associates will increase by approximately 3.2 to 3.9 million sq.m., 5.9 to 7.2 million sq.m. and 6.1 to 7.5 million sq.m. for the years ending December 31, 2020, 2021 and 2022, respectively, representing an overall growth rate of approximately 91.5% from 2020 to 2022 (calculated using the mid-points of the aforesaid ranges), which is generally in line with the increase in the proposed annual cap by approximately 83.7% from 2020 to 2022; and
- (iii) the expected increase in GFA of commercial properties, office buildings and other investment properties of the Sino-Ocean Group to be managed by our Group, taking into account the following:
- (a) as of December 31, 2019, our contracted and undelivered GFA of commercial properties developed by the Sino-Ocean Group and its joint ventures and associates amounted to approximately 1,140,000 sq.m., which will be delivered for our management successively based on the construction completion and delivery schedules of the Sino-Ocean Group and its joint ventures and associates;
 - (b) pursuant to the strategic cooperation agreement entered into between our Group and Sino-Ocean Capital (an associate of Sino-Ocean) in August 2020, Sino-Ocean Capital will engage us to provide customized property management services for its real estate projects including commercial properties, industrial parks, logistic centers and data centers with an additional contracted GFA of no less than 2.0 million sq.m. each year; and
 - (c) based on the business development and operation plans and estimated delivery schedules of the Sino-Ocean Group and its joint venture and associates and our estimation on the services we may be engaged by the Sino-Ocean Group and its joint ventures and associates to provide, we expect that our GFA under management of commercial properties developed by the Sino-Ocean Group and its joint ventures and associates will be approximately 2.2 to 2.6 million

CONNECTED TRANSACTIONS

sq.m., 2.9 to 3.5 million sq.m. and 3.4 to 4.2 million sq.m. as of December 31, 2020, 2021 and 2022, respectively, representing an overall growth rate of approximately 58.3% from 2020 to 2022 (calculated using the mid-points of the aforesaid ranges).

6. Master Pre-delivery Services Agreement

Description of and reason for the transaction

During the Track Record Period, our Group provided pre-delivery services, such as on-site cleaning, security inspection, repair and maintenance, parking management and other customer related services, to the Sino-Ocean Connected Persons at their property sales venues and display units. On November 27, 2020, our Company entered into an agreement (the “**Master Pre-delivery Services Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of pre-delivery services by our Group to the Sino-Ocean Connected Persons.

The Master Pre-delivery Services Agreement shall take effect upon the Listing Date and expire on December 31, 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Pre-delivery Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Our Group provides pre-delivery services to the Sino-Ocean Connected Persons because (i) we and the Sino-Ocean Connected Persons have established a long-standing business relationship and mutual understanding of the standards, requirements and specific needs of each other; and (ii) the service fees and terms for the pre-delivery services we provide to the Sino-Ocean Connected Persons are fair and reasonable to our Group.

Pricing

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Pre-delivery Services Agreement will be determined on arm’s length basis with reference to (i) the scope of the pre-delivery services; (ii) our expected operational costs (including, among others, labor costs, material costs and administrative costs) in relation to the provision of the pre-delivery services; and (iii) the fees charged by other pre-delivery service providers for similar services in the market. The terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of pre-delivery services.

CONNECTED TRANSACTIONS

Historical transaction amounts

The total transaction amounts of the provision of pre-delivery services by our Group to the Sino-Ocean Connected Persons for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are set forth below:

	Historical transaction amount (RMB'000)			
	for the year ended December 31,			for the six months ended June 30,
	2017	2018	2019	2020
Sales amount	69,764	118,716	145,899	65,099

Annual caps and basis of caps

Annual Caps: The maximum aggregate annual transaction amounts under the Master Pre-delivery Services Agreement for the years ending December 31, 2020, 2021 and 2022 shall not exceed the caps set forth below:

	Proposed annual cap (RMB'000)		
	for the year ending December 31,		
	2020	2021	2022
Sales amount	161,732	177,905	195,696

Basis of Caps: In determining the above caps, our Directors have considered the following factors:

- (i) the historical transaction amounts and the growth trend thereof during the Track Record Period; and
- (ii) the expected annual increase in the total fees payable by the Sino-Ocean Connected Persons for our pre-delivery services for the three years ending December 31, 2022 of approximately 10%, with reference to the following:
 - (a) the increase in the annual fees paid by the Sino-Ocean Connected Persons for our pre-delivery services at a CAGR of 44.6% from 2017 to 2019;

CONNECTED TRANSACTIONS

- (b) the total GFA of properties under development and for future development of the Sino-Ocean Group increased at a CAGR of 9.0% from 2017 to 2019. As of June 30, 2020, the total GFA of properties under development and for future development of the Sino-Ocean Group amounted to approximately 34.5 million sq.m.;
- (c) the total GFA sold by the Sino-Ocean Group and its joint ventures and associates increased at a CAGR of 31.0% from 2017 to 2019; and
- (d) based on the historical sale performance from 2017 to 2019 and business development plan and estimation of the Sino-Ocean Group and its joint ventures and associates, we expect that the number of projects for which we may be engaged by the Sino-Ocean Group and its joint venture and associates to provide pre-delivery services will be approximately 70, 80 and 90 for the years ending December 31, 2020, 2021 and 2022, respectively, representing a CAGR of 13.4% from 2020 to 2022, which is generally in line with the increase in the proposed annual cap at a CAGR of 10.0% from 2020 to 2022.

7. Master Consultancy and Other Value-added Services Agreement

Description of and reason for the transaction

During the Track Record Period, our Group also provided the Sino-Ocean Connected Persons with other value-added services, which mainly included (i) consultancy services, such as advisory services on overall project design and planning and coordination of pre-sale activities; and (ii) property engineering and repair and maintenance services. On November 27, 2020, our Company entered into an agreement (the “**Master Consultancy and Other Value-added Services Agreement**”) with Sino-Ocean (for itself and on behalf of its subsidiaries and associates (excluding our Group)) to govern the provision of value-added services by our Group to the Sino-Ocean Connected Persons.

The Master Consultancy and Other Value-added Services Agreement shall take effect upon the Listing Date and expire on December 31, 2022 and is renewable upon expiry for further terms of three years subject to the applicable requirements under the Listing Rules unless otherwise agreed by the parties. The Master Consultancy and Other Value-added Services Agreement may be terminated during its term by a party by giving the other party a 30-day prior written notice.

Our Group provides consultancy and other value-added services to the Sino-Ocean Connected Persons because (i) we and the Sino-Ocean Connected Persons have established a long-standing business relationship and mutual understanding of the standards, requirements and specific needs of each other; and (ii) the service fees and terms for such value-added services we provide to the Sino-Ocean Connected Persons are fair and reasonable to our Group.

CONNECTED TRANSACTIONS

Pricing

The fees payable by the Sino-Ocean Connected Persons to our Group under the Master Consultancy and Other Value-added Services Agreement will be determined on arm's length basis with reference to (i) where applicable, the fees charged by us to our independent customers for the same or similar type and scope of value-added services; or (ii) where our Group has not provided the same or similar type and scope of value-added services to our independent customers, our expected costs (including, among others, labor costs, material costs and administrative costs) of providing the relevant services plus a profit margin of not less than 10%. The terms offered by us to the Sino-Ocean Connected Persons shall not be less favorable to our Group than terms offered by us to our independent customers for the same or similar type and scope of value-added services, where applicable.

Historical transaction amounts

The total transaction amounts of the provision of consultancy and other value-added services by our Group to the Sino-Ocean Connected Persons for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 are set forth below:

	Historical transaction amount (RMB'000)			
	for the year ended December 31,			for the six months ended
	June 30,			ended
	2017	2018	2019	June 30, 2020
Sales amount	74,691	73,096	79,228	30,172

Annual caps and basis of caps

Annual Caps: The maximum aggregate annual transaction amounts under the Master Consultancy and Other Value-added Services Agreement for the years ending December 31, 2020, 2021 and 2022 shall not exceed the caps set forth below:

	Proposed annual cap (RMB'000)		
	for the year ending December 31,		
	2020	2021	2022
Sales amount	140,695	275,695	354,495

CONNECTED TRANSACTIONS

Basis of Caps: In determining the above caps, our Directors have considered the following factors:

- (i) the historical transaction amounts and the growth trend thereof during the Track Record Period;
- (ii) the expected increase in the total fees payable by the Sino-Ocean Connected Person for our property engineering services (which mainly involve the provision of repair and maintenance services as well as smart management services such as the design, installation and maintenance of smart security and surveillance systems and control systems) from RMB22.8 million for the year ended December 31, 2019 to approximately RMB70.0 million, RMB196.0 million and RMB254.8 million for the years ending December 31, 2020, 2021 and 2022, respectively, taking into account the following:
 - (a) our business plan to rapidly expand our property engineering services business since the second half of 2020 to capture business opportunities from both the Sino-Ocean Connected Persons and other independent third parties. Given our long-standing business relationship with the Sino-Ocean Connected Persons and the enhanced capacity of our property engineering service business, since July 2020, we have participated in the tender and bidding process for the provision of repair and maintenance services and smart management services for various property projects developed by the Sino-Ocean Connected Persons in the PRC, for which contract signing is expected to take place in late 2020 and in 2021;
 - (b) the total GFA sold by the Sino-Ocean Group and its joint ventures and associates increased at a CAGR of 31.0% from 2017 to 2019, which, coupled with the increasing trend towards smart management, resulted in the increase in the total annual contract value for repair and maintenance services and smart management services for the properties developed by the Sino-Ocean Group and its joint ventures and associates at a CAGR of 62.9% from 2017 to 2019;
 - (c) based on our communications with the Sino-Ocean Group, it is expected that the total annual contract value for repair and maintenance services and smart management services for the properties developed by the Sino-Ocean Group will reach RMB268 million for the year ending December 31, 2020, and the total annual contract value is expected to continue to increase at an annual growth rate of more than 20% from 2020 to 2022;
 - (d) we aim that the proportion of our services to the total annual contract value for repair and maintenance services and smart management services for the properties developed by the Sino-Ocean Connected Persons will gradually increase from approximately 20% in 2020 to approximately 60% in 2022; and

CONNECTED TRANSACTIONS

- (e) the expected increase in the volume of our repair and maintenance services required for the properties developed by the Sino-Ocean Connected Persons at the post-delivery stage along with the aging of such properties;
- (iii) the expected increase in the total fees payable by the Sino-Ocean Connected Persons for our consultancy services from RMB40.8 million for the year ended December 31, 2019 to approximately RMB45.0 million, RMB50.0 million and RMB60.0 million for the years ending December 31, 2020, 2021 and 2022, respectively, with reference to (a) the historical growth of and the business plan for additional land reserve of the Sino-Ocean Connected Persons and the expected increase in their demand for our consultancy services and (b) the expected increment in the fee level for our consultancy services at approximately 3% per year; and
- (iv) the expected increase in the demand of the Sino-Ocean Connected Persons for our other value-added services (such as property brokerage services with respect to unsold carpark spaces within the properties owned or developed by the Sino-Ocean Connected Persons) based on the business development plan of the Sino-Ocean Connected Persons.

THE DIRECTORS' VIEWS

In the view of the Directors (including the independent non-executive Directors), it is in the interests of our Group to continue with all the continuing connected transactions described in this section after the Listing, and all these transactions are conducted on normal commercial terms or better, are entered into in the ordinary and usual course of business of our Group, and their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole. In addition, the proposed annual caps for the Partially Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions described above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that as of the date of this prospectus, the Partially Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions described above, and for which waivers have been sought, are entered into in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that their respective proposed annual caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

CORPORATE GOVERNANCE MEASURES

We have adopted the following internal control and corporate governance measures to ensure that our transactions with the Sino-Ocean Connected Persons will be conducted on normal commercial terms and in accordance with the relevant framework agreements:

- our Board (including our independent non-executive Directors) will be responsible for reviewing and evaluating the terms of the framework agreements for the continuing connected transactions, in particular the pricing principles and annual caps, to ensure that such terms are fair and reasonable to our Group and compliant with relevant laws and regulations, our Group's internal policies and the Listing Rules;
- pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules, our Directors (including our independent non-executive Directors) will be able to seek independent professional advice in respect of the continuing connected transactions from external parties in appropriate circumstances;
- various internal departments of our Company (including but not limited to our finance department) will regularly monitor the implementation of the continuing connected transactions and keep track of the aggregate transaction amounts under the relevant framework agreements to ensure that the pricing principles and annual caps contained therein are complied with;
- our Company has adopted relevant reporting and record-keeping procedures to allow our independent non-executive Directors and our auditors to perform annual review of the continuing connected transactions under the framework agreements and provide annual confirmations in accordance with the Listing Rules; and
- we will duly disclose in our annual report the continuing connected transactions to be conducted during each financial year, together with the conclusion drawn by our independent non-executive Directors on whether the transactions are conducted in the ordinary and usual course of business of our Group, on normal commercial terms or better, and according to the relevant framework agreements on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As stated above, the Partially Exempt Continuing Connected Transactions will be exempt from the circular and independent Shareholders' approval requirements but subject to the announcement, reporting, and annual review requirements under Chapter 14A of the Listing Rules, and the Non-exempt Continuing Connected Transactions will be subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

As the material terms of each of the Partially Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the relevant disclosure, the Directors consider that strict compliance with the announcement requirement and, where applicable, the circular (including opinions from independent board committee and independent financial advisor) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, would be impractical and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the annual transaction amounts shall not exceed their respective proposed annual caps as stated above:

- (a) a waiver under Rule 14A.105 of the Listing Rules to exempt the Partially Exempt Continuing Connected Transactions from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2022; and
- (b) a waiver under Rule 14A.105 of the Listing Rules to exempt the Non-exempt Continuing Connected Transactions from strict compliance with the announcement, circular (including opinions from independent board committee and independent financial advisor) and independent Shareholders' approval requirements under Rules 14A.35, 14A.36, 14A.39 and 14A.46 of the Listing Rules for the term ending December 31, 2022.

In addition, we confirm that we will comply with the other applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set forth above is exceeded, or when there is a material change in the terms of the transactions.

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of our Board include, among other things, convening general meetings, implementing the resolutions passed at the general meetings, determining our business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information in respect of our Directors and senior management:

Name	Age	Existing position(s) in our Company	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
<i>Directors</i>						
Mr. YANG Deyong (楊德勇)	46	Joint chairman, chief executive officer and executive Director	August 27, 2015	September 1, 2020	Overall strategic and direction planning, business development and management of our Group	None
Ms. ZHU Geying (朱葛穎)	47	Chief financial officer and executive Director	October 1, 2016	September 1, 2020	Financial management of our Group, supervising our Group's operations, management and decision-making on major issues	None
Mr. CUI Hongjie (崔洪杰)	48	Joint chairman and non-executive Director	September 1, 2020	September 1, 2020	Providing guidance on the overall development and strategy formulation of our Group	None
Mr. ZHU Xiaoxing (朱曉星)	38	Vice chairman and non-executive Director	April 15, 2020	April 15, 2020	Providing guidance on the overall development and strategy formulation of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Existing position(s) in our Company	Date of Joining our Group	Date of Appointment	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Dr. GUO Jie (郭杰)	56	Independent non-executive Director	November 25, 2020	November 25, 2020	Supervising and providing independent judgment to our Board	None
Dr. XUE Jun (薛军)	46	Independent non-executive Director	November 25, 2020	November 25, 2020	Supervising and providing independent judgment to our Board	None
Mr. ZHU Lin (朱霖)	47	Independent non-executive Director	November 25, 2020	November 25, 2020	Supervising and providing independent judgment to our Board	None
<i>Senior Management</i>						
Mr. GUO Zhibao (郭志寶)	46	Deputy general manager	May 4, 2015	September 1, 2020	Overseeing the quality control process of our Group's operations, participating in our Group's management and decision-making on major issues	None
Mr. DU Xin (杜新)	45	Deputy general manager	May 16, 2008	September 1, 2020	Overseeing the business operations of our Group in key regions, participating in our Group's management and decision-making on major issues	None
Mr. WANG Lifeng (王立峰)	44	Deputy general manager	September 7, 2009	September 1, 2020	Supervising our Group's business operations across key regions, and participating in our Group's management and decision-making on major issues	None

DIRECTORS

Executive Directors

Mr. YANG Deyong (楊德勇), aged 46, is our joint chairman, chief executive officer, executive Director and the chairman of our Nomination Committee. He is primarily responsible for the overall strategic and direction planning, business development and management of our Group. Mr. Yang has around 20 years of business management experience.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, from July 1995 to April 2007, Mr. Yang worked in various corporations in the PRC as a human resources manager and as a president assistant, and had accumulated experience in the overall management of personnel and assisting in business strategy formulation. Mr. Yang joined the Sino-Ocean Group in April 2007, under Sino-Ocean Property Development (Zhongshan) Co., Ltd. (遠洋地產(中山)開發有限公司), where until June 2011, he was a deputy general manager, responsible for assisting the major decision-making and management of the company, including human resources management, marketing, customer service, property and external cooperation. Between June 2011 and February 2015, Mr. Yang was re-designated as the general manager, where he was responsible for overall management of the operations and decision-making of the company and the business development of the Sino-Ocean Group in southern China. Between February 2015 and August 2020, Mr. Yang was the vice president of the Sino-Ocean Group, assisting the management of the Sino-Ocean Group and participating in the major decision-making, and was responsible for the management and operation of customer service businesses, including for property and elderly homes. In August 2015, he joined Ocean Homeplus, and was subsequently appointed as a director in November 2015, chairman in February 2018 and general manager in April 2019.

In July 1995, Mr. Yang graduated from Renmin University of China (中國人民大學) with a bachelor's degree in economics. In June 2004, he completed his master in business administration in Sun Yat-sen University (中山大學). In August 2015, Mr. Yang completed his executive master of business administration in China Europe International Business School (中歐國際工商學院).

Ms. ZHU Geying (朱葛穎), aged 47, is our executive Director and chief financial officer. She is primarily responsible for the financial management of our Group, as well as supervising our Group's operations, management and decision-making on major issues. Ms. Zhu has over 24 years of financial management experience.

Prior to joining the Sino-Ocean Group, Ms. Zhu worked as an accountant in COSCO group (now known as China COSCO Shipping group) between July 1996 and July 2001, where she was responsible for financial accounting and audit supervision. Ms. Zhu joined Sino-Ocean (China) in July 2001, where until 2019, she has held positions including project finance manager and the chief financial officer of the enterprise division, and was responsible for financial management. In October 2016, Ms. Zhu joined Ocean Homeplus, and was appointed as a director in February 2018 and chief financial officer in April 2019. She is also a director of Zhongyuan Hotel and certain other subsidiaries of our Group.

In July 1996, Ms. Zhu graduated from the Capital University of Economics and Business (首都經濟貿易大學) with a bachelor's degree in economics. In July 2010, Ms. Zhu was admitted as a senior accountant in the PRC.

Non-executive Directors

Mr. CUI Hongjie (崔洪杰), aged 48, joined our Board as our joint chairman and non-executive Director on September 1, 2020. He is responsible for providing guidance on the overall development and strategy formulation of our Group. Mr. Cui has over 20 years of experience in real estate operations and development and product creation and management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cui is an executive director, executive president, and the general manager of the product construction center of Sino-Ocean. Mr. Cui joined the Sino-Ocean Group in August 1996, and had previously served as their general manager of the costing and engineering department, general manager of the technology and cost department, assistant to president, and vice president, and was responsible for the engineering, cost and design related professional work within the overall production process.

Mr. Cui currently holds the following qualifications from the following institutions:

<u>Qualification</u>	<u>Institution</u>	<u>Award date</u>
Constructor (Housing Construction)	Beijing Municipal Bureau of Personnel (北京市人事局)	October 2006
Senior Engineer (Speciality in Housing Construction)	Beijing Municipal Bureau of Personnel (北京市人事局)	September 2007
Professional Member	The Royal Institution of Chartered Surveyors	December 2012

In July 1996, Mr. Cui graduated from Beijing University of Technology (北京工業大學) with a bachelor's degree in engineering. In June 2001, Mr. Cui completed his master's degree in engineering from Beijing University of Technology.

Mr. ZHU Xiaoxing (朱曉星), aged 38, joined our Board initially as a Director in April 2020, and was later re-designated as our vice chairman and non-executive Director on September 1, 2020. Mr. Zhu has over 12 years of experience in property investment, financing and business management, and is responsible for providing guidance on the overall development and strategy formulation of our Group.

Mr. Zhu joined the Sino-Ocean Group in July 2008, and previously served as the deputy general manager of the capital operation department, and as general manager of the office of CEO affairs of the Sino-Ocean Group, and his primary responsibilities included the investment management, corporate financing and board of directors' office matters of the Sino-Ocean Group. Since March 2020, Mr. Zhu served as the general manager of the investment and finance business center of the Sino-Ocean Group, and his responsibilities include the investment management, major mergers and acquisitions, as well as post-investment and equity management and corporate financing of the Sino-Ocean Group.

In July 2005, Mr. Zhu graduated from Southwest University of Political Science & Law (西南政法大學) with a bachelor's degree in management. In July 2008, he completed his master's degree in law at Peking University (北京大學).

In February 2006, Mr. Zhu was admitted to practice law in the PRC. In November 2009, he was admitted in the PRC to practice as a certified public accountant.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Dr. GUO Jie (郭杰), aged 56, was appointed as our independent non-executive Director on November 25, 2020. He is responsible for supervising and providing independent advice and judgment to our Board.

Since May 1997, Dr. Guo has worked in the department of economics of Renmin University of China, and is currently a professor in the school of economics and a doctoral advisor, engaged in teaching and research.

Dr. Guo completed his master's degree and doctorate in economics in July 1996 and January 2004, respectively, at Renmin University of China.

Dr. XUE Jun (薛軍), aged 46, was appointed as our independent non-executive Director on November 25, 2020 and the chairman of our Remuneration Committee. He is responsible for supervising and providing independent advice and judgment to our Board.

Since August 2005, Dr. Xue has been working at Peking University in their law school, where he was promoted as an associate professor in August 2007, and further as a professor in August 2014. Since February 2015, Dr. Xue has been listed on the panel of arbitrators of the Beijing Arbitration Commission. In September 2018, he was also appointed as the director of Peking University's law research center on e-commerce.

In July 1996, Dr. Xue graduated from Zhongnan University of Economics and Law (中南財經政法大學) (previously known as Zhongnan University of Political Science and Law (中南政法學院)) with a bachelor's degree in law. In June 2000, he completed his master's degree in civil and commercial law at Zhongnan University of Economics and Law. In October 2005, Dr. Xue obtained his doctorate in Roman law from Università degli Studi di Roma Tor Vergata.

Mr. ZHU Lin (朱霖) (formerly known as **ZHU Xiaolin (朱小林)**), aged 47, was appointed as our independent non-executive Director on November 25, 2020 and the chairman of our Audit Committee. He is responsible for supervising and providing independent advice and judgment to our Board.

Mr. Zhu has extensive experience in accounting and financial consulting. From February 2003, he served as a senior manager at the mergers and acquisitions department of PricewaterhouseCoopers Consulting (Shenzhen) Co., Ltd. (Beijing Branch) (普華永道諮詢(深圳)有限公司北京分公司). On October 2005, Mr. Zhu joined Beijing Legendhouse CPAs (北京潤衡會計師事務所) and is currently serving as their partner. Since March 2006, he has also been serving as a director of Beijing Legendhouse Consulting Co., Ltd. (北京潤勤諮詢有限公司).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu has held/currently holds directorships in the following listed companies:

Company name (stock code)	Place of Listing	Role	Appointment date
Tsaker Chemical Group Limited (彩客化學集團有限公司) (stock code: 1986)	Stock Exchange	Independent non-executive director	March 2015
Archosaur Games Inc. (祖龍娛樂有限公司) (stock code: 9990)	Stock Exchange	Independent non-executive director	June 2020
Beijing Chexun Internet Co., Ltd. 北京車訊互聯網股份有限公司 (stock code: 834327)	NEEQ	Director	July 2016
Changshu Automotive Trim Co., Ltd. 常熟市汽車飾件股份有限公司 (stock code: 603035)	Shanghai Stock Exchange	Independent director	October 2012 to October 2018

In June 1995, Mr. Zhu obtained a bachelor's degree in economics from the Central University of Finance and Economics (中央財經大學). Mr. Zhu has been a member of the Chinese Institute of Certified Public Accountants since February 2000.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. See the section headed "Statutory and General Information" in Appendix V to this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. Information concerning our executive Directors is shown in "— Directors" above. The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Mr. GUO Zhibao (郭志寶), aged 46, is our deputy general manager and is responsible for overseeing the quality control process of our Group's operations, as well as participating in our Group's management and decision-making on major issues.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, between April 2000 and April 2007, he was a director of the electromechanical committee at Beijing Vanke Property Services Co., Ltd. (北京萬科物業服務有限公司), where he was responsible for the group's electromechanical professional technology research and development and management. Between August 2008 and April 2015, Mr. Guo was an equipment manager of the technology department at Longfor Property Services Group Co., Ltd. (龍湖物業服務集團有限公司), where he was responsible for the management of technical equipment of the group. In May 2015, Mr. Guo joined our Group as the general manager of Beijing Yiyang, where he was responsible for its technology and information system engineering and management, and was also a director of engineering management at Beijing Yijie E-Commerce Co., Ltd. (北京億街區電子商務有限公司), where he was responsible for its software information system engineering management and development. Mr. Guo has since been promoted as a deputy general manager of Ocean Homeplus in January 2017, and is also currently a director and general manager of Beijing Yiyang.

In July 2016, Mr. Guo completed his degree in civil engineering at China University of Geosciences (中國地質大學), via distance learning. In July 2020, he graduated from Beijing Open University Shunyi Branch (北京開放大學順義分校) with a bachelor's degree in administrative management. Mr. Guo has been registered as an electrical engineer in the PRC since September 2013, and has also attended a variety of recognized training courses relevant to his field of work.

Mr. DU Xin (杜新), aged 45, is our deputy general manager and is responsible for overseeing the business operations of our Group in key regions, as well as participating in our Group's management and decision-making on major issues.

Prior to joining our Group, from October 2003 to May 2005, Mr. Du worked at Shenzhen Gemdale Property Management Co., Ltd. (深圳市金地物業管理有限公司) as a business manager, where he was responsible for the optimization and renewal of system documents, and as a consulting manager, where he was responsible for consultation on the daily operational aspects of external projects. Between June 2005 and May 2008, Mr. Du worked at Agile Group Holdings Limited (stock code: 3383.HK), a company listed on the Stock Exchange, as a business manager, where he was responsible for establishing system documents, and as a project manager, where he was responsible for the business operations and management of project companies. Mr. Du joined our Group in May 2008, carrying out various roles, including as the director of the Group's business in southern China, where he was responsible for overseeing its operations and management and has since been promoted as a deputy general manager in January 2017. Mr. Du is also a director of certain other subsidiaries of our Group.

In July 2015, Mr. Du completed his degree in engineering management at Central South University (中南大學), via distance learning. He has been a qualified quality control engineer in the PRC since October 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Lifeng (王立峰), aged 44, is our deputy general manager and is responsible for supervising our Group's business operations across key regions and participating in our Group's management and decision-making on major issues.

Prior to joining our Group, between September 2003 and May 2006, he was a project development supervisor of Shenyang Vanke Enterprises Company Limited (瀋陽萬科企業有限公司), and was responsible for real estate development-related work. Mr. Wang joined our Group in September 2009, as the general manager of Shenyang Ocean Foundation Property Management Co., Ltd. (瀋陽遠洋基業物業管理有限公司), where he was responsible for the management of daily operations. In October 2013, he was appointed as the general manager and regional supervisor of Dalian Ocean Foundation Property Management Co., Ltd. (大連遠洋基業物業管理有限公司), where he was responsible for the management of the daily operations of the company and its regional businesses, and has since been promoted as a deputy general manager of Ocean Homeplus in January 2017. Mr. Wang is also a director and general manager of Zhongyuan Hotel, the chairman and general manager of Shandong Liantai, and a director of certain other subsidiaries of our Group.

In July 2004, Mr. Wang completed his degree in construction engineering at Tianjin University, via correspondence learning. In June 2019, he completed his master of business administration at Dalian University of Technology (大連理工大學). Mr. Wang has been registered as a civil engineer and as a certified property manager in the PRC since September 2009 and February 2014, respectively.

None of our senior management members holds or has held any directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. CHUNG Kai Cheong (鍾啟昌), aged 42, was appointed as our company secretary on September 1, 2020. Mr. Chung obtained a bachelor's degree majoring in accountancy from the City University of Hong Kong. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chung is also the company secretary of Sino-Ocean. Mr. Chung has extensive experience in auditing, accounting, financial management, financing and compliance of the Listing Rules and related regulations in Hong Kong through his works in international accounting firms, companies listed on the Stock Exchange and licensed corporations defined under the SFO.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Audit Committee consists of five members, namely Mr. Zhu Lin, Mr. Cui Hongjie, Mr. Zhu Xiaoxing, Dr. Guo Jie and Dr. Xue Jun, the majority of which are our independent non-executive Directors. Mr. Zhu Lin has been appointed as the chairman of the Audit Committee, who is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely Dr. Xue Jun, Mr. Yang Deyong and Dr. Guo Jie. Dr. Xue Jun, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to our Board on employee benefit arrangements.

Nomination Committee

Our Company established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The Nomination Committee consists of five Directors, namely Mr. Yang Deyong, Mr. Cui Hongjie, Dr. Guo Jie, Dr. Xue Jun and Mr. Zhu Lin, Mr. Yang Deyong is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of our Directors and senior management.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Yang Deyong is our joint chairman and chief executive officer. With extensive experience in the property management industry, Mr. Yang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment. Our Board considers that vesting the roles of joint chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our senior management and our Board, which comprises experienced and high-caliber individuals. Our

DIRECTORS AND SENIOR MANAGEMENT

Board currently comprises two executive Directors (including Mr. Yang), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain high corporate governance standards, we have adopted the board diversity policy which sets forth the objective and approach to achieve and maintain diversity of our Board. Pursuant to our board diversity policy, we seek to achieve board diversity by taking into consideration various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Under the current composition of our Board, our Directors have a balanced mix of knowledge and skills, including but not limited to knowledge and experience in the areas of business management, financial management, property development, property management, engineering, accounting and law. They obtained academic degrees in various majors, including but limited to business administration, economics, engineering, management and law. We have three independent non-executive Directors with different professional backgrounds, representing more than one-third of the members of our Board.

Our Company values gender diversity and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the senior management levels. While we recognize that any Board appointment will be based on merits, we will strive to enhance female representation and achieve an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity. In addition, our Company is committed to providing career development and training opportunities for female staff with an aim of promoting them to the position of senior management or Director.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Nomination Committee will review the board diversity policy and our diversity profile from time to time to ensure its continued effectiveness. We will also disclose information on the implementation of our board diversity policy in our corporate governance report on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

WAIVER GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For further details of the waiver, see the section headed “Waivers from Compliance with the Listing Rules — Waiver in respect of Management Presence in Hong Kong.”

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

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.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses, housing allowance and contributions to a retirement benefit scheme and other allowance and benefits in kind.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including salaries, bonuses, housing allowance and contributions to a retirement benefit scheme and other allowance and benefits in kind) incurred for our Directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was nil, RMB3.0 million, nil and nil as the emoluments of each of our Directors in relation to their services rendered for our Group for the Track Record Period were primarily borne by the Sino-Ocean Group.

The aggregate amount of wages, salaries and bonuses, social insurance expenses, housing benefits, share-based payment and other employee benefits paid to our five highest paid individuals of our Company, including our Directors, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, was approximately RMB3.7 million, RMB6.2 million, RMB4.1 million and RMB2.0 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 by our Group to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2020 is estimated to be approximately RMB1.6 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons are expected to have an interest and/or a short position in Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Our Company

Name of Shareholder	Capacity and nature of interest	As of the Latest Practicable Date		Immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number of Shares ⁽²⁾	Approximate percentage of shareholding in our Company	Number of Shares ⁽²⁾	Approximate percentage of shareholding in our Company
Sino-Ocean	Interest in controlled corporation ⁽¹⁾	100,000	90.1%	800,000,000	67.57%
Shine Wind	Beneficial owner	100,000	90.1%	800,000,000	67.57%

Notes:

- (1) Shine Wind is a wholly owned subsidiary of Sino-Ocean and therefore Sino-Ocean is deemed to be interested in our Shares held by Shine Wind.
- (2) All interests stated are long positions.

Other members of our Group

(i) *Shandong Liantai*

Name of shareholder	Capacity and nature of interest	Approximate percentage of shareholding/equity interest
Dong Yanhua	Beneficial owner	20%

SUBSTANTIAL SHAREHOLDERS

(ii) Ocean Nantong

<u>Name of shareholder</u>	<u>Capacity and nature of interest</u>	<u>Approximate percentage of shareholding/equity interest</u>
AVIC Aviation Technology Co., Ltd.	Beneficial owner	40%

(iii) Changsha Xiangcheng

<u>Name of shareholder</u>	<u>Capacity and nature of interest</u>	<u>Approximate percentage of shareholding/equity interest</u>
Yong Peilin	Beneficial owner	40%

(iv) Hangzhou New Era

<u>Name of shareholder</u>	<u>Capacity and nature of interest</u>	<u>Approximate percentage of shareholding/equity interest</u>
Hangzhou Real Estate Development Group Co., Ltd.	Beneficial owner	40%

Save as disclosed above and in the section headed “Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix V to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

OUR SHARE CAPITAL

Our share capital as of the Latest Practicable Date

The following is a description of the authorized and issued share capital of our Company as of the Latest Practicable Date:

	<u>Nominal value</u> HK\$
<i>Authorized share capital</i>	
<u>3,800,000</u> Shares of HK\$0.1 each	<u>380,000</u>
<i>Issued share capital</i>	
<u>111,000</u> Shares	<u>11,100</u>

Our share capital immediately following the completion of the Capitalization Issue and the Global Offering

The following is a description of the authorized and issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering:

	<u>Nominal value</u> HK\$
<i>Authorized share capital</i>	
<u>10,000,000,000</u> Shares of HK\$0.1 each	<u>1,000,000,000</u>
<i>Issued share capital</i>	
111,000 Shares in issue prior to the Capitalization Issue and the Global Offering	11,100
887,889,000 Shares to be issued pursuant to the Capitalization Issue	88,788,900
<u>296,000,000</u> Shares to be issued pursuant to the Global Offering	<u>29,600,000</u>
<u>1,184,000,000</u> Shares in total	<u>118,400,000</u>

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and the Global Offering. The above does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after the Listing under the Listing Rules is 25% of its share capital in issue from time to time.

RANKING

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus, save for the entitlement under the Capitalization Issue.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on November 25, 2020, conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize the amount of HK\$88,788,900 from the amount standing to the credit of the share premium account of our Company and to apply such amount to pay up in full at par value a total of 887,889,000 Shares for allotment and issue to the persons whose names appeared on the register of members of our Company at the close of business on the Business Day immediately before the Listing Date, in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in our Company. The Shares to be allotted and issued pursuant to the Capitalization Issue shall rank equally in all respects with the existing issued Shares (other than the right to participate in the Capitalization Issue).

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks equally with the other shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase our authorized share capital; (ii) consolidate and divide our capital into Shares of larger amount; (iii) divide our Shares into classes; (iv) subdivide our Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce our share capital or capital redemption reserve by Shareholders' special resolution. For further details, see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to our Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

GENERAL MANDATES TO ALLOT AND ISSUE NEW SHARES AND TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted general mandates to (i) allot and issue new Shares; and (ii) repurchase our Shares.

For further details of the general mandates, see the section headed "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on November 25, 2020" in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion of our financial condition and results of operations in conjunction with our consolidated financial statements and related notes set forth in the Accountant's Report included in Appendix I to this prospectus. The Accountant's Report contains our audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 and as of and for the six months ended June 30, 2020, as well as reviewed consolidated financial statements for the six months ended June 30, 2019. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are a comprehensive property management service provider with extensive geographic coverage in the PRC. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We are also recognized by China Index Academy as one of the eight 2020 Excellent Property Management Companies for Commercial Property Management, according to China Index Academy. Our market share in terms of total GFA under management and revenue in the overall PRC property management market in 2019 was 0.2% and 0.3%, respectively, according to China Index Academy. We have been providing property management services in China for more than 20 years with a focus on first-tier and second-tier cities in China. As of June 30, 2020, our total contracted GFA reached 61.9 million sq.m., covering 54 cities across 24 provinces, municipalities and autonomous regions in China and we managed 210 properties in China with a total GFA under management of 42.3 million sq.m., including 155 residential communities and 55 non-residential properties. Headquartered in Beijing, we are a leading property management service provider in terms of the amounts of contracted GFA and GFA under management among the 35 Top 100 Property Management Companies in China headquartered in the Beijing-Tianjin-Hebei region, according to China Index Academy. We have a strong presence in the Beijing-Tianjin-Hebei region and the Bohai Rim region, and our GFA under management in each of these two regions accounted for 32.9% and 28.8% of our total GFA under management as of June 30, 2020, respectively. Our services include three main business lines, namely: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, which form an integrated service offering to our customers along the value chain of property management.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on April 15, 2020. We underwent the Reorganization in preparation for the Spin-off and the Global Offering, pursuant to which our Company became the holding company of the companies now comprising our Group. The Group has always been under the common control of Sino-Ocean during the Track Record Period and before and after the Reorganization. Accordingly, the Group is regarded as a continuing entity and our consolidated financial statements for the Track Record Period have been prepared as if our Company had always been the holding company of our Group.

Our consolidated financial statements for the Track Record Period have been prepared as if our current group structure had been in existence throughout the Track Record Period, or since the date when the relevant companies first came under the control of Sino-Ocean, whichever is a shorter period.

The net assets of the companies now comprising our Group were consolidated using the existing book values from Sino-Ocean's perspective. No amount is recognized in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of continuation of the controlling party's interest.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our GFA under management

Our financial position and results of operations are affected by the GFA under management for our property management business. During the Track Record Period, we generated the majority of our revenue from property management services, which accounted for 68.4%, 65.3%, 66.6% and 71.7% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Accordingly, our revenue growth depends on our ability to maintain and grow our GFA under management, which in turn is affected by our ability to renew existing property management service contracts and secure new service contracts through organic growth or merger and acquisition of existing property management companies. During the Track Record Period, we experienced a continued growth in our GFA under management, which was 29.5 million sq.m., 37.3 million sq.m., 40.5 million sq.m. and 42.3 million sq.m., as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Of our total GFA under management, properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders accounted for 86.6%, 74.5%, 72.5% and 71.6% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We have been spending efforts to expand our provision of property management services to properties developed or owned by other third parties, in order to gain additional revenue sources and diversify our property management portfolio. We experienced a growth in our GFA under management for properties developed or owned by other third parties during the Track Record Period, which accounted for 13.4%,

FINANCIAL INFORMATION

25.5%, 27.5% and 28.4% of our total GFA under management as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our ability continue to grow our GFA under management from an increasing number of sources will drive the further growth of our revenue and profits.

Business and Property Mix

Our business and results of operations are affected by our business mix. Our profit margins vary across different business lines, namely property management services, value-added services to non-property owners and community value-added services. Any change in revenue contribution from our business lines or change in profit margin of any business line may have a corresponding impact on our overall profit margin. The following table sets forth the breakdown of our revenue and gross profit margin by business line for the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross		Gross		Gross		Gross		Gross	
	Revenue	profit margin	Revenue	profit margin	Revenue	profit margin	Revenue	profit margin	Revenue	profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(Unaudited)</i>										
Property management services	830,111	15.1	1,051,601	13.0	1,219,641	13.7	581,620	18.9	647,666	24.3
Value-added services to non-property owners	204,703	17.9	317,377	16.3	372,643	18.3	167,651	19.5	154,309	22.9
Community value-added services	178,214	50.0	241,331	55.7	237,291	59.6	98,771	61.0	101,719	63.1
Total	<u>1,213,028</u>	20.7	<u>1,610,309</u>	20.1	<u>1,829,575</u>	20.6	<u>848,042</u>	23.9	<u>903,694</u>	28.5

In general, the gross profit margins for our community value-added services are significantly higher than the gross profit margins for our other business lines, in particular, property management services which are relatively more labor-intensive. In addition, our results of operations are affected by the mix of properties managed by us. Our profit margins vary across different property types, including residential communities and non-residential properties such as commercial properties and public and other properties. Our gross profit margins for non-residential properties are generally higher than those for residential communities due to the lesser scope of services provided and higher property management fees charged. During the Track Record Period, revenue generated from managing non-residential

FINANCIAL INFORMATION

properties accounted for 30.2%, 31.6%, 32.9% and 34.7% of our total revenue from provision of property management services for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

While the majority of our revenue was and will likely continue to be derived from property management services, we will seek to improve our overall gross profit margin in the long-term by (i) endeavoring to increase the prices we charge for our services; (ii) making efforts to further expand our provision of property management services to non-residential properties; (iii) seeking to control our cost of sales through our efforts in standardization, digitization and smart management; and (iv) continuing to expand our value-added services, in particular, our community value-added services which have a higher and continually improving gross profit margin. For more details regarding the fluctuation in our gross margins during the Track Record Period, see the section headed “— Description of Selected Consolidated Statement of Comprehensive Income Line Items — Gross Profit and Gross Profit Margin.”

Brand Positioning and Pricing of Services

Our financial condition and results of operations are affected by our ability to maintain or increase the fees we charge for our services, which is, in part, affected by our brand recognition level and industry leadership position. We are a comprehensive property management service provider in the PRC. We have received various awards and accolades over the years in recognition of our brand and competitiveness. During the Track Record Period, our average property management fee charged for residential communities was approximately RMB2.5, RMB2.4, RMB2.6 and RMB2.6 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our average property management fee charged for commercial properties was approximately RMB14.2, RMB15.9, RMB17.4 and RMB17.3 per sq.m. per month for the respective periods. We generally price our property management services by taking into account a number of factors, including (i) the type and location of the property; (ii) the scope and quality of the services provided; (iii) the level of property management fees for comparable properties; (iv) our estimated expenses; (v) our target profit margins; (vi) the local government’s guidance price on property management fees (where applicable); and (vii) the profiles of property owners and residents. Pricing our services competitively while ensuring our service quality with satisfactory profit margins is key to our financial condition and results of operations.

FINANCIAL INFORMATION

For illustration purposes only, we set forth below a sensitivity analysis of our revenue from property management services and profit for the year or period with reference to the fluctuation of average property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical decreases in average property management fees on our revenue from property management services and profit for the year or period, while all other factors remain unchanged:

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Revenue generated from property management services for the year/period	830,111	1,051,601	1,219,641	647,666
Profit for the year/period	105,068	143,938	205,276	154,114
Assuming 5% decrease in average property management fees				
Impact on revenue from property management services.	(41,506)	(52,580)	(60,982)	(32,383)
Impact on profit for the year/period ⁽¹⁾	(30,880)	(41,065)	(47,200)	(25,259)
Assuming 10% decrease in average property management fees				
Impact on revenue from property management services.	(83,011)	(105,160)	(121,964)	(64,767)
Impact on profit for the year/period ⁽¹⁾	(61,760)	(82,130)	(94,400)	(50,518)

Note:

(1) Assuming an effective tax rate (excluding land appreciation tax) of 25.6%, 21.9%, 22.6% and 22.0% for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively.

We strive to maintain or raise our property management fee rates when renewing the expiring property management service contracts to maintain or improve our profit margin in response to the enhancements to the standard or scope of our property management services and increases in our costs. Our ability to raise our fee rates will be impacted by our ability to uphold and enhance our brand recognition and industry position.

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Ability to Manage Staff Costs and Expenses and Sub-contracting Costs

Our results of operations are affected by our ability to manage our staff costs and expenses. During the Track Record Period, staff costs were a major component of our cost of sales which amounted to RMB367.2 million, RMB473.6 million, RMB501.3 million and RMB219.3 million and accounted for 38.2%, 36.8%, 34.5% and 33.9% of our cost of sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Staff salaries and benefits were also the largest component of our administrative expenses for the Track Record Period, which amounted to RMB68.4 million, RMB75.9 million, RMB94.7 million and RMB36.6 million and accounted for 66.7%, 57.4%, 65.8% and 49.4% of our administrative expenses for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The general increases over the Track Record Period in staff costs and expenses were mainly attributable to our expansion of business and increases in minimum wages and market wages in China.

We have also outsourced certain services such as security, cleaning, greening and gardening services to third-party service providers as our sub-contractors. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our sub-contracting costs amounted to RMB291.4 million, RMB466.7 million, RMB544.1 million and RMB277.1 million, respectively, accounting for 30.3%, 36.3%, 37.4% and 42.9% of our total cost of sales, respectively. The increases in sub-contracting costs during the Track Record Period were mainly attributable to an increase in our GFA under management as well as a general increase in sub-contracting fees charged by our sub-contractors which mainly reflected an increase in labor costs of our sub-contractors. To cope with the rising labor cost, we have implemented a number of cost-saving measures, including standardization of procedures, smart management to reduce our reliance on manual operations and better allocation of our human resources to manage our staff costs and expenses and sub-contracting costs while ensuring consistent service quality. For further details about our cost-saving measures, see the section headed “Business — Standardization, Digitization, Smart Management and Upgrades of Information Technologies Systems.”

Competition

The property management industry in the PRC is highly competitive and fragmented with numerous market participants. As a comprehensive industry player with a large and extensive property management portfolio, we primarily compete against large national and regional property management companies in the PRC. As regards value-added services, we compete against other property management companies as well as relevant industry participants providing similar services. According to China Index Academy, we ranked 13th and 11th among the Top 100 Property Management Companies in China in terms of overall strength and growth potential in 2019, respectively. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources. Our ability to compete effectively with our competitors and maintain or improve our market position depends on our ability to solidify our competitive strengths, which could affect our ability to expand our GFA under management and therefore our revenue and profitability. For further details about the industry and markets that we operate in, see the section headed “Industry Overview.”

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CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our significant accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions, where applicable. We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are described in further details in Note 2 and Note 4 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

We adopted a full retrospective application of HKFRS 15 “Revenue from Contracts with Customers” (which replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”, and the related interpretation on revenue recognition) and HKFRS 9 “Financial Instruments” (which replaces the whole of HKAS 39 “Financial Instruments: recognition and measurement”), which have been applied on a consistent basis throughout the Track Record Period. We consider that the adoption of HKFRS 15 and HKFRS 9 as compared to the requirements of HKAS 18 and HKAS 39 would not have significant impact on our financial position and performance for the Track Record Period. With respect to HKFRS 16 “Leases” adopted by our Group throughout the Track Record Period, there was no material impact of the adoption of HKFRS 16 on our Group's key financial ratios and financial position and performance for the Track Record Period.

Revenue Recognition

Revenue from property management services (including property management services on a lump sum basis or commission basis), value-added services to non-property owners and community value-added services is recognized in the accounting period in which the relevant services are rendered.

For property management services, we bill a fixed amount for services provided on a monthly basis and recognize as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed. For property management services income from properties managed on a lump sum basis when we are primarily responsible for providing the property management services to the property owners and residents, we recognize the fee received or receivable from property owners as revenue. For

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property management services income from properties managed on a commission basis, we recognize commission fee as revenue, which is a pre-determined amount of the property management fee received or receivable from the properties units.

For value-added services to non-property owners, we agree the price for each service with the customers upfront and issue the bill to the customers generally on a monthly basis which varies based on the actual level of service completed in that month.

For community value-added services, (i) revenue from community asset value-added services is recognized over the time when such services are rendered; (ii) revenue from community living services is charged for each service provided and recognized when the relevant services are rendered; (iii) revenue from property brokerage services in relation to commission income from sales and rental of second hand properties, which is billed to property owners and third parties immediately upon the provision of services, is recognized on a net basis at point in time; and (iv) revenue from sales of carpark spaces is recognized when the control of the use rights of carpark spaces is transferred to the customer and is billable immediately.

Allowance for Impairment of Trade and Note Receivables

Trade and note receivables are amounts due from customers for services performed in the ordinary course of business. Trade and note receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value and subsequently measured at amortized cost using the effective interest method. We review the recoverability of our trade and note receivables at the end of each reporting period based on historical settlements records and experience and adjust for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

We apply the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade and note receivables. To measure the expected credit losses, trade and note receivables are grouped based on the shared credit risk characteristics and the aging. The expected credit loss also incorporates forward looking information.

Current and deferred income tax

We are subject to enterprise income taxes in the PRC. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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Judgment is required in determining the amount of the provision for taxation and the timing of payment of the relevant taxes. 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 would impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, except for such deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets or liabilities, and the outcome of their actual utilization or incurrence may be different.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is measured by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Intangible Assets

During the Track Record Period, our intangible assets mainly arose from our acquisition of certain subsidiaries, which comprised goodwill, property management contracts and customer relationships and trademarks, and from our purchases of computer software.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of its value-in-use or fair value less costs of disposal. Value-in-use calculations require the use of estimates. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Property management contracts and customer relationships

Property management contracts and customer relationships acquired in business combinations are recognized at fair value at the acquisition date. The property management contracts and customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful lives of the contracts as determined by us (7.75 to 10 years). The actual useful life may be shorter or longer than our estimates and any difference will impact the carrying amount of the property management contracts and customer relationships and the amortization expenses in the periods in which any such estimate has been changed.

Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 13 years, with reference to the remaining useful life of trademarks on the acquisition date plus the expected useful life of trademarks after renewed.

Computer software

Acquired computer software programs are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Taking into account of the continuity, the stability and simplicity of the service provided by the Group and the past experience of the actual useful life of computer software, these costs are amortized over their estimated useful lives (5 to 10 years).

Fair value of financial assets through profit or loss

During the Track Record Period, we had investments in money market funds and structural deposits, of which the structural deposits were categorized within level 3 of the fair value measurement. The fair value of structural deposits is determined by utilizing discounted cash flows method based on the expected rate of return per annum provided by the financial institution issuing the instruments.

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In relation to the valuation of our financial assets categorized within the level 3 of fair value measurement, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the relevant investments; (ii) built up a team that manages the annual valuation of the relevant investments; and (iii) reviewed the fair value measurement assessment of the relevant investments presented by our finance personnel and carefully considered all information available and applied various applicable valuation techniques in determining the valuation of the relevant investments. Based on the above procedures, our Directors are of the view that the valuation of our financial assets categorized within the level 3 of fair value measurement is fair and reasonable, and our financial statements have been properly prepared.

In relation to the valuation of the level 3 financial assets, the Joint Sponsors have (i) discussed with us to understand our policies and procedures in relation to the valuation of our level 3 financial assets and the valuation model adopted by us; (ii) reviewed the relevant documents and information provided by us; (iii) discussed with our Reporting Accountant to understand the work they have performed in relation to such valuation; and (iv) reviewed the relevant notes contained in the Accountant's Report. Based on the foregoing, the Joint Sponsors concur with our Directors' view on the valuation work for the level 3 financial assets performed during the Track Record Period.

The Reporting Accountant has performed audit procedures including but not limited to the followings to assess the valuation of financial assets with level 3 fair value measurement:

- reviewed contract terms of structural deposits to check the maturity period and the expected rate of return against those used in the valuation; and
- performed subsequent review by reference to the cash receipts from the banks.

Based on the above procedures, the fair value assessment from the Group was supported by the evidence that the Reporting Accountant have gathered. The Reporting Accountant's opinion on the Group's historical financial information for the Track Record Period as a whole is set out in Appendix I to this prospectus.

Details of the fair value measurement of the level 3 financial assets, particularly the fair value measurement, the valuation techniques and significant unobservable inputs and the relationship of unobservable inputs to fair value are disclosed in Note 25 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

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DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth our selected consolidated statements of comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Revenue	1,213,028	100.0	1,610,309	100.0	1,829,575	100.0	848,042	100.0	903,694	100.0
Cost of sales	(961,682)	(79.3)	(1,287,312)	(79.9)	(1,452,896)	(79.4)	(645,147)	(76.1)	(646,578)	(71.5)
Gross profit	251,346	20.7	322,997	20.1	376,679	20.6	202,895	23.9	257,116	28.5
Selling and marketing expenses	(5,834)	(0.5)	(10,413)	(0.6)	(9,002)	(0.5)	(3,003)	(0.4)	(2,052)	(0.2)
Administrative expenses	(102,594)	(8.5)	(132,200)	(8.2)	(143,878)	(7.9)	(56,959)	(6.7)	(74,212)	(8.2)
Net impairment losses on financial assets	(19,666)	(1.6)	(24,818)	(1.5)	(14,186)	(0.8)	(11,404)	(1.3)	(14,139)	(1.6)
Other income	2,984	0.2	110,526	6.8	225,397	12.3	112,260	13.3	107,106	11.8
Other gains, net	15,191	1.3	3,486	0.2	3,093	0.2	1,733	0.2	1,761	0.2
Fair value gains/(losses) on investment properties	1,041	0.1	(180)	(0.1)	1,085	0.1	214	0.0	557	0.1
Operating profit	142,468	11.7	269,398	16.7	439,188	24.0	245,736	29.0	276,137	30.6
Finance cost	(900)	(0.0)	(84,137)	(5.2)	(173,117)	(9.4)	(86,164)	(10.2)	(79,671)	(8.8)
Share of (losses)/profit from investment in joint ventures	(231)	(0.0)	149	0.0	333	0.0	117	0.0	1,268	0.1
Profit before income tax	141,337	11.7	185,410	11.5	266,404	14.6	159,689	18.8	197,734	21.9
Income tax expense	(36,269)	(3.0)	(41,472)	(2.6)	(61,128)	(3.4)	(37,517)	(4.4)	(43,620)	(4.8)
Profit for the year/period	105,068	8.7	143,938	8.9	205,276	11.2	122,172	14.4	154,114	17.1
Profit and total comprehensive income attributable to:										
Owners of the Company	104,168	8.6	137,153	8.5	206,504	11.3	125,991	14.9	150,766	16.7
Non-controlling interests	900	0.1	6,785	0.4	(1,228)	(0.1)	(3,819)	(0.5)	3,348	0.4
	105,068	8.7	143,938	8.9	205,276	11.2	122,172	14.4	154,114	17.1

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Revenue

During the Track Record Period, we derived revenue from the following three business lines:

- (i) property management services, which primarily included property management fees for providing security, cleaning, greening, gardening and repair and maintenance services and accounted for 68.4%, 65.3%, 66.6% and 71.7%, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively;
- (ii) value-added services to non-property owners, which primarily included pre-delivery services, consultancy services and property engineering services and accounted for 16.9%, 19.7%, 20.4% and 17.1%, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively; and
- (iii) community value-added services, which included community asset value-added services, community living services and property brokerage services, and accounted for 14.7%, 15.0%, 13.0% and 11.2%, of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

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

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Property management services	830,111	68.4	1,051,601	65.3	1,219,641	66.6	581,620	68.6	647,666	71.7
Value-added services to non-property owners . .	204,703	16.9	317,377	19.7	372,643	20.4	167,651	19.8	154,309	17.1
Community value-added services	178,214	14.7	241,331	15.0	237,291	13.0	98,771	11.6	101,719	11.2
Total revenue	1,213,028	100.0	1,610,309	100.0	1,829,575	100.0	848,042	100.0	903,694	100.0

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Revenue from property management services

Revenue from property management services increased during the Track Record Period, primarily driven by the increase in GFA under management as a result of our business expansion. Our GFA under management as of December 31, 2017, 2018 and 2019 and June 30, 2020 was 29.5 million sq.m., 37.3 million sq.m., 40.5 million sq.m. and 42.3 million sq.m., respectively. During the Track Record Period, we charged property management fees substantially on a lump sum basis, with a limited amount of our revenue from property management services generated on a commission basis. The following table sets forth the breakdown of our revenue from property management services by revenue model for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Lump sum basis.	830,111	100.0	1,051,493	99.99	1,219,227	99.97	581,413	99.96	647,283	99.94
Commission basis.	–	–	108	0.01	414	0.03	207	0.04	383	0.06
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

During the Track Record Period, a majority of our revenue from property management services was derived from residential communities, which accounted for 69.8%, 68.4%, 67.1% and 65.3%, of our revenue from property management services for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The general decrease in percentage of revenue from management of residential communities to the total revenue from our property management services during the Track Record Period primarily reflected our continuous efforts to diversify the types of properties we managed and to expand our property management portfolio to cover non-residential properties, including commercial properties such as office buildings, shopping malls and hotels and public and other properties such as hospitals, public service facilities, government buildings and schools. The following table sets forth the breakdown of our revenue from property management services by property type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Residential communities	579,286	69.8	718,905	68.4	818,004	67.1	388,287	66.8	423,067	65.3
Non-residential properties:										
– Commercial properties.	250,825	30.2	296,956	28.2	335,908	27.5	163,886	28.1	181,713	28.1
– Public and other properties.	–	–	35,740	3.4	65,729	5.4	29,447	5.1	42,886	6.6
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

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The following table sets forth the breakdown of our revenue from property management services by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>			
Beijing-Tianjin-Hebei region ⁽¹⁾	459,472	55.4	498,297	47.4	546,364	44.8	262,716	45.2	279,201	43.1
Bohai Rim region ⁽²⁾	161,020	19.4	229,986	21.9	270,308	22.2	125,262	21.5	141,074	21.8
Eastern China ⁽³⁾	97,683	11.8	165,519	15.7	209,532	17.2	100,568	17.3	116,012	17.9
Southern China ⁽⁴⁾	100,131	12.1	116,149	11.0	132,269	10.8	64,979	11.2	76,610	11.8
Central and western China ⁽⁵⁾	11,805	1.3	41,650	4.0	61,168	5.0	28,095	4.8	34,769	5.4
Total	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

Notes:

- (1) “Beijing-Tianjin-Hebei region” refers to cities or municipalities including Beijing, Qinhuangdao, Tianjin, Tangshan and Hengshui.
- (2) “Bohai Rim region” refers to cities or municipalities including Dalian, Shenyang, Changchun, Qingdao, Jinan, Yantai, Fushun, Lvshun, Linyi and Lianyungang.
- (3) “Eastern China” refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Wuxi, Zhenjiang, Huzhou, Wuhu, Nantong, Suzhou and Huangshan.
- (4) “Southern China” refers to cities or municipalities including Shenzhen, Zhongshan, Guangzhou, Maoming, Nanning, Sanya and Haikou.
- (5) “Central and western China” refers to cities or municipalities including Wuhan, Changsha, Nanchang, Ganzhou, Huaihua, Yongzhou and Chengdu.

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The following table sets forth the breakdowns of our revenue generated from property management by source of projects for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Properties developed/owned by the Sino-Ocean Group and its substantial shareholders ⁽¹⁾ . . .	780,717	94.0	888,791	84.5	993,927	81.5	476,928	82.0	526,211	81.2
Properties developed/owned by other third parties ⁽²⁾ .	49,394	6.0	162,810	15.5	225,714	18.5	104,692	18.0	121,455	18.8
Total.	830,111	100.0	1,051,601	100.0	1,219,641	100.0	581,620	100.0	647,666	100.0

Notes:

- (1) For purposes of the above table, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (2) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates) and (ii) property owners of certain of public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

The following table sets forth the breakdown of our revenue, gross profit, gross profit margin and average property management fee by source of projects, type of properties and city tier for the periods indicated:

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	As of/Year ended December 31,						As of/Six months ended June 30, 2020					
	2017			2018			2019					
	Revenue	Gross profit	Average property management fee	Revenue	Gross profit	Average property management fee	Revenue	Gross profit	Average property management fee	Revenue	Gross profit	Average property management fee
	RMB'000	RMB'000	RMB/sq.m./month	RMB'000	RMB'000	RMB/sq.m./month	RMB'000	RMB'000	RMB/sq.m./month	RMB'000	RMB'000	RMB/sq.m./month
Properties developed/owned by other third parties⁽³⁾												
Residential properties												
- First-tier cities	33,969	5,936	2.1	82,765	12,014	1.8	84,345	14,361	2.1	39,866	10,395	2.0
- Second-tier cities	8,345	395	0.6	24,312	3,373	1.4	36,738	6,144	1.7	20,645	7,048	1.8
- Others	6,965	617	1.8	14,169	1,196	1.1	25,330	2,714	1.2	12,750	4,099	1.5
Subtotal	49,279	6,948	1.5	121,246	16,583	1.6	146,413	23,219	1.8	73,261	21,542	1.8
Non-residential properties:												
Commercial properties												
- First-tier cities	115	(53)	0.6	3,719	613	4.8	12,305	1,484	7.7	5,308	457	5.2
- Second-tier cities	-	-	-	-	-	-	-	-	-	-	-	-
- Others	-	-	-	2,104	666	31.7	1,266	128	1.7	-	-	-
Subtotal	115	(53)	0.6	5,823	1,279	22.0	13,571	1,612	11.9	5,308	457	4.6
Public and other properties												
- First-tier cities	-	-	-	30,780	954	3.1	54,123	3,721	6.9	27,908	4,591	3.3
- Second-tier cities	-	-	-	3,763	5	0.1	3,400	(144)	(4.2)	8,708	1,653	1.4
- Others	-	-	-	1,198	17	1.4	8,207	457	5.6	6,270	754	2.8
Subtotal	-	-	-	35,741	976	2.7	65,730	4,034	6.1	42,886	6,978	2.5
Total of properties developed/owned by other third parties⁽³⁾	49,394	6,895	1.5	162,810	18,838	1.7	225,714	28,865	2.1	121,455	28,977	2.0
Total	830,111	125,507	15.1	1,051,601	137,038	3.2	1,219,641	167,162	3.5	647,666	157,568	3.5

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Notes:

- (1) For purposes of the above table, “properties developed/owned by the Sino-Ocean Group and its substantial shareholders” refers to properties developed or owned by members of the Sino-Ocean Group (including its joint ventures and associates) or its substantial shareholders.
- (2) Refers to (i) property developers other than the Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

We recorded a loss in commercial properties developed/owned by other third parties in 2017 since we have only obtained this single property in late 2017 and incurred more cost during the ramp up period. We recorded a loss in public and other properties developed/owned by other third parties in 2019 since we incurred higher labor cost for a property management project in Nantong.

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Revenue from value-added services to non-property owners

During the Track Record Period, we provided value-added services to non-property owners (including property developers and property management companies), including (i) pre-delivery services to property developers to assist with their sales and marketing activities at property sales venues and display units; (ii) property engineering services for sizeable repair and maintenance of residential communities and non-residential properties as well as equipment installation and upgrade services; and (iii) consultancy services. The following table sets forth the breakdown of our revenue from value-added services to non-property owners by service type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Pre-delivery services. . .	125,224	61.2	213,690	67.3	250,442	67.2	117,070	69.8	102,796	66.6
Property engineering services	23,372	11.4	38,713	12.2	61,174	16.4	27,103	16.2	27,110	17.6
Consultancy services. . .	56,107	27.4	64,974	20.5	61,027	16.4	23,478	14.0	24,403	15.8
Total.	204,703	100.0	317,377	100.0	372,643	100.0	167,651	100.0	154,309	100.0

Revenue from community value-added services

During the Track Record Period, we provided community value-added services to property owners and residents of our managed properties mainly to address their lifestyle and daily needs, which included (i) community asset value-added services; (ii) community living services; and (iii) property brokerage services. The following table sets forth the breakdown of our revenue from community value-added services by service type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Community asset value-added services . . .	109,485	61.4	153,248	63.5	162,847	68.6	76,208	77.2	84,072	82.7
Community living services	35,847	20.1	39,824	16.5	33,782	14.2	11,644	11.8	10,142	10.0
Property brokerage services	32,882	18.5	48,259	20.0	40,662	17.2	10,919	11.0	7,505	7.3
Total	178,214	100.0	241,331	100.0	237,291	100.0	98,771	100.0	101,719	100.0

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Cost of Sales

Cost of sales represents costs directly attributable to the provision of our sales and services. During the Track Record Period, cost of sales comprised (i) sub-contracting cost for outsourced services, such as security, cleaning, greening and gardening; (ii) staff cost of our on-site staff directly providing property management services and value-added services; (iii) maintenance expenses related to our provision of services; (iv) utilities for common area facilities; and (v) cost of consumables and raw materials; (vi) office expenses; (vii) taxes and surcharges; (viii) depreciation and amortization; (ix) cost of selling carpark spaces; and (x) other cost. The following table sets forth the breakdown of cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	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>									
Sub-contracting cost	291,394	30.3	466,655	36.3	544,076	37.4	252,009	39.1	277,122	42.9
Staff cost	367,213	38.2	473,587	36.8	501,269	34.5	244,747	37.9	219,337	33.9
Maintenance expenses . . .	78,359	8.1	112,831	8.8	140,470	9.7	40,783	6.3	52,548	8.1
Utilities	103,125	10.7	104,767	8.1	105,369	7.3	46,117	7.1	40,615	6.3
Cost of consumables and										
raw materials.	49,755	5.2	48,943	3.8	55,738	3.8	20,329	3.2	20,655	3.2
Office expenses	37,738	3.9	41,462	3.2	58,015	4.0	20,084	3.1	17,940	2.8
Taxes and surcharges	7,765	0.8	9,600	0.7	9,321	0.6	5,235	0.8	5,234	0.8
Depreciation and										
amortization	12,685	1.3	17,034	1.3	14,580	1.0	8,582	1.3	5,026	0.8
Cost of selling										
carpark spaces	4,971	0.5	3,586	0.3	9,982	0.7	2,347	0.4	1,058	0.1
Other cost	8,677	1.0	8,847	0.7	14,076	1.0	4,914	0.8	7,043	1.1
Total cost of sales	961,682	100.0	1,287,312	100.0	1,452,896	100.0	645,147	100.0	646,578	100.0

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The following table sets forth the breakdown of our cost of sales by fixed and variable costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Variable costs ⁽¹⁾	902,582	93.9	1,219,969	94.8	1,366,225	94.0	611,567	94.8	616,569	95.4
Fixed costs ⁽²⁾	59,100	6.1	67,343	5.2	86,671	6.0	33,580	5.2	30,009	4.6
Total	961,682	100.0	1,287,312	100.0	1,452,896	100.0	645,147	100.0	646,578	100.0

Notes:

- (1) Including sub-contracting costs, staff cost, maintenance expenses, utilities, cost of consumables and raw materials, taxes and surcharges and cost of selling carpark spaces, which generally fluctuate proportionally with the quantity of services sold.
- (2) Including office expenses, depreciation and amortization and other cost which do not change with the quantity of services sold.

During the Track Record Period, variable costs accounted for 93.9%, 94.8%, 94.0% and 95.4% of our total cost of sales for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, while fixed costs only accounted for 6.1%, 5.2%, 6.0% and 4.6% for the same periods, respectively. As such, a substantial part of our cost of sales for the Track Record Period were variable costs which would generally increase as a result of an increase in our total GFA under management and number of properties under management and do not have significant impact on our gross profit margin. During the Track Record Period, the impact on gross profit margin caused by fixed costs was limited.

The following table sets forth the breakdown of our cost of sales by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Property management services	704,604	73.3	914,563	71.0	1,052,479	72.4	471,724	73.1	490,098	75.8
Value-added services to non-property owners . . .	168,034	17.5	265,758	20.6	304,607	21.0	134,939	20.9	118,908	18.4
Community value-added services	89,044	9.2	106,991	8.4	95,810	6.6	38,484	6.0	37,572	5.8
Total cost of sales	961,682	100.0	1,287,312	100.0	1,452,896	100.0	645,147	100.0	646,578	100.0

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Gross Profit and Gross Profit Margin

Our overall gross profit margins are affected by our business mix and cost of sales. The following table sets forth the breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross		Gross		Gross		Gross		Gross	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Property management services	125,507	15.1	137,038	13.0	167,162	13.7	109,896	18.9	157,568	24.3
Value-added services to non-property owners . . .	36,669	17.9	51,619	16.3	68,036	18.3	32,712	19.5	35,401	22.9
Community value-added services	89,170	50.0	134,340	55.7	141,481	59.6	60,287	61.0	64,147	63.1
Total	251,346	20.7	322,997	20.1	376,679	20.6	202,895	23.9	257,116	28.5

During the Track Record Period, our total gross profit margin was 20.7%, 20.1%, 20.6% and 28.5% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our gross profit margin remained relatively stable for the three years ended December 31, 2019 despite the increase in the total amount of fixed costs during the period as variable costs accounted for a vast majority of our total cost of sales and the impact on gross profit margin caused by fixed costs was limited.

Property management services

The gross profit margins of property management services were primarily driven by the property management fees we charge and our cost of sales. Our overall average property management fee was approximately RMB3.4, RMB3.2, RMB3.5 and RMB3.5 per sq.m. per month for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. During the Track Record Period, our gross profit margins of property management services was 15.1%, 13.0%, 13.7% and 24.3% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively and were relatively low as compared to other business lines as we had prioritized serving the needs of property owners and residents and focused on enhancing our service quality and the establishment of standardized and automated management infrastructure to increase operation efficiency and customer satisfaction. Our gross profit margins increased since 2018 mainly due to (i)

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economies of scale as our management infrastructure matured and our GFA under management increased over such periods; and (ii) our enhanced operating capabilities with the successful implementation of a series of cost-control measures to improve cost-efficiency, which included (a) centralized procurement to effectively control cost, such as centralized procurement at headquarters or regional levels with respect to sub-contracting services; (b) continued optimization of staff deployment and allocation of resources to enhance the management efficiency; (c) automation and smart management upgrades of communities, such as upgrading our carpark management system with intercom call functions at entry and exits and deploying cleaning machines to reduce reliance on manual labor; and (d) better planning and controlling of the lighting system and irrigation system to reduce energy consumption and use of labor. We have constantly reinforced our efforts in cost-control measures aiming to strike a balance between providing our services with consistent quality and benefiting from the economies of scale from expanding our property management portfolio.

Value-added services to non-property owners

The gross profit margin of value-added services to non-property owners was primarily impacted by changes in service mix. Our gross profit margin of value-added services to non-property owners was 17.9%, 16.3%, 18.3% and 22.9% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We generally record comparatively lower gross profit margin for pre-delivery services and property engineering services while we record comparatively higher gross profit margin for consultancy services. During the Track Record Period, our pre-delivery services has the largest revenue contribution for our value-added services to non-property owners and recorded an increasing gross profit margin since we have acquired Beijing Yuanhe in January 2018 which focuses on mid-to-high-end pre-delivery services with higher gross profit margin and we have paid efforts in cost control including better staff deployment and centralized procurement of sub-contracting services. Our consultancy services recorded a decreasing gross profit margin from 2017 to 2019 and it has less revenue contribution for our value-added services to non-property owners throughout the periods as we have been expanding our property engineering services. During the Track Record Period, our engineering services has an increasing revenue contribution for our value-added services to non-property owners and recorded an increasing gross profit margin except for 2018 as we have incurred more costs for certain engineering projects.

Community value-added services

Our gross profit margin of community value-added services was 50.0%, 55.7%, 59.6% and 63.1% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. The gross profit margin of community value-added services was relatively higher than other business lines as we can rely on our existing resources from provision of property management services and incur less direct cost, in particular, staff cost. Such gross profit margin generally increased during the Track Record Period primarily because of changes to service mix and their relevant gross profit margins and economies of scale as our property management scale and customer base expanded. In particular, increases in gross profit

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margins for our property brokerage services in 2018 and carpark management services in 2019 have contributed to our continued growth of gross profit margin for community value-added services. In 2018, we have upgraded the carpark management systems in certain old residential communities managed by us and introduced various functions such as license plate recognition system and online payment to reduce the need of security guard as well as utilizing weeping trucks instead of labor for cleaning services, all of which has reduced our cost and increased our gross profit margin for providing carpark management services.

The following table sets forth a breakdown of our gross profit and gross profit margin of our property management services by geographic region for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>
	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>	<i>profit</i>	<i>margin</i>
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Beijing-Tianjin-Hebei region ⁽¹⁾	67,666	14.7	47,547	9.5	47,675	8.7	38,352	14.6	55,879	20.0
Bohai Rim region ⁽²⁾	25,815	16.0	38,191	16.6	46,722	17.3	29,929	23.9	37,767	26.8
Eastern China ⁽³⁾	8,904	9.1	26,578	16.1	40,561	19.4	18,045	17.9	36,642	31.6
Southern China ⁽⁴⁾	21,425	21.4	18,001	15.5	22,189	16.8	17,080	26.3	18,158	23.7
Central and western China ⁽⁵⁾	1,697	14.4	6,721	16.1	10,015	16.4	6,490	23.1	9,122	26.2
Total	125,507	15.1	137,038	13.0	167,162	13.7	109,896	18.9	157,568	24.3

Notes:

- (1) “Beijing-Tianjin-Hebei region” refers to cities or municipalities including Beijing, Qinhuangdao, Tianjin, Tangshan and Hengshui.
- (2) “Bohai Rim region” refers to cities or municipalities including Dalian, Shenyang, Changchun, Qingdao, Jinan, Yantai, Fushun, Linyi and Lianyungang.
- (3) “Eastern China” refers to cities or municipalities including Shanghai, Hangzhou, Nanjing, Wuxi, Zhenjiang, Huzhou, Wuhu, Nantong, Suzhou and Huangshan.
- (4) “Southern China” refers to cities or municipalities including Shenzhen, Zhongshan, Guangzhou, Maoming, Nanning, Sanya and Haikou.
- (5) “Central and western China” refers to cities or municipalities including Wuhan, Changsha, Nanchang, Ganzhou, Huaihua, Yongzhou and Chengdu.

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The general decrease in gross profit margin recorded in the Beijing-Tianjin-Hebei region from 2017 to 2019 was primarily due to a larger cost of sales incurred in Tianjin as we have renovated the infrastructure in common areas of certain old residential communities under our management such as hallways and gardens to enhance our service quality. The general increase in gross profit margin recorded in the eastern China from 2017 to 2019 was primarily due to our provision of property management services for Ocean Canal Business Center in Hangzhou in 2018 which had a comparatively higher gross profit margin and we were able to increase the property management fees for certain high-end commercial properties in such region in 2019. The decrease in gross profit margin recorded in the southern China from 2017 to 2018 was primarily due to an increase in cost of sales since (i) we have incurred more expenditure to renovate the infrastructure of certain properties under management to enhance our service quality; and (ii) the cost of sub-contracting services has increased for certain properties under management. The significant increase in gross profit margin recorded in all regions for the six months ended June 30, 2020 as compared with the same period in 2019 was primarily due to a decrease in staff cost attributable to (i) our efforts in implementing cost control measures as described above; and (ii) exemptions from contributions of social insurance primarily in relation to the pension plans by the local government in response to the outbreak of COVID-19.

The following table sets forth a breakdown of our gross profit and gross profit margin of our property management services by source of projects for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	profit margin	profit margin	profit margin	profit margin	profit margin	profit margin	profit margin	profit margin	profit margin	profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Properties developed by the Sino-Ocean Group.	114,531	16.1	102,756	14.4	85,874	12.6	65,815	20.3	84,330	23.8
Properties owned by the substantial shareholders of the Sino-Ocean Group . .	-	-	-	-	-	-	-	-	1,440	10.3
Properties developed by the joint ventures and associates of the Sino-Ocean Group	4,081	6.0	15,444	8.7	52,423	16.9	27,181	17.8	42,821	27.1
Properties developed/owned by other third parties ⁽¹⁾ . .	6,895	14.0	18,838	11.6	28,865	12.8	16,900	16.1	28,977	23.9
Total	125,507	15.1	137,038	13.0	167,162	13.7	109,896	18.9	157,568	24.3

Note:

- (1) Refers to (i) property developers other than Sino-Ocean Group (including its joint ventures and associates); and (ii) property owners of certain public and other properties (such as hospitals and public service facilities), other than the substantial shareholders of the Sino-Ocean Group.

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For our property management business, our gross profit margin for property management of properties developed by the Sino-Ocean Group was 16.1%, 14.4%, 12.6% and 23.8% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, and our gross profit margin for property management of properties developed by the joint ventures and associates of the Sino-Ocean Group was 6.0%, 8.7%, 16.9% and 27.1% for the respective periods. Our gross profit margin for property management of properties developed or owned by other third parties was 14.0%, 11.6%, 12.8% and 23.9% for the same period, respectively.

The gross profit margin for property management of properties developed by the Sino-Ocean Group decreased from 16.1% in 2017 to 14.4% in 2018 and further to 12.6% in 2019, was primarily attributable to our incurrence of more costs and expenses for renovation and refurbishment of certain properties developed by them in order to provide better and high-quality property management services. The gross profit margin for property management of properties developed by the joint ventures and associates increased from 6.0% in 2017 to 8.7% in 2018 and further to 16.9% in 2019, was primarily attributable to the addition of commercial properties from the Sino-Ocean Group in 2018 due to its asset securitization arrangement with its subsidiaries, and these commercial properties generally has a higher gross profit margin. The gross profit margin for properties developed or owned by other third parties decreased from 14.0% in 2017 to 11.6% in 2018 was primarily due to the acquisitions of subsidiaries in late 2017 and early 2018 which generally incurred higher cost of sales. The subsequent increase to 12.8% in 2019 was primarily due to our cost control measures took to improve the cost efficiency of these subsidiaries. The significant increase in gross profit margin for property management of properties from all sources of projects for the six months ended June 30, 2020 was primarily due to a decrease in staff cost as discussed below. Our higher gross profit margin for managing properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) as compared with those developed or owned by other third parties was primarily attributable to the differences in property management fees charged for different type and location of properties managed. For details, see the section headed “Business — Our Business Model — Property Management Services — Property Management Fees — Pricing of Property Management Fees.”

We started providing property management services to Dajia Insurance, one of the substantial shareholders of the Sino-Ocean Group in 2020 for its headquarters in Beijing and recorded a relatively lower gross profit margin as we have allocated more resources and incurred higher cost for providing services in order to ensure our service quality during the ramp-up period.

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Selling and Marketing Expenses

Selling and marketing expenses during the Track Record Period represented our expenses in organizing community activities for the property owners and residents in properties under our management. The following table sets forth our selling and marketing expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	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>	
Expenses on community activities	5,834	10,413	9,002	3,003	2,052
Total	5,834	10,413	9,002	3,003	2,052

Selling and marketing expenses accounted for only 0.5%, 0.6%, 0.5% and 0.2% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Administrative Expenses

During the Track Record Period, administrative expenses included (i) salaries and benefits of our staff such as management, operations management, administration, human resources and finance staff at subsidiaries, branch offices and headquarters levels; (ii) listing expenses in relation to the Listing; (iii) depreciation and amortization; (iv) office expenses including traveling and business entertainment expenses and consulting fees in relation to our management and administration operations; (v) bank charges; (vi) maintenance expenses in relation to our offices; (vii) outsourcing service fees for cleaning, greening and security services in relation to our offices; (viii) auditor's remuneration; (ix) cost of consumables; (x) utilities; and (xi) other miscellaneous administrative expenses. The following table sets forth the breakdown of administrative expenses for the periods indicated:

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	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Staff salaries and benefits . . .	68,385	75,936	94,679	36,687	36,634
Listing expenses	–	–	–	–	16,333
Depreciation and amortization	3,377	9,732	12,336	6,015	8,727
Office expenses	17,405	26,311	15,916	6,774	6,518
Bank charges	3,107	3,711	4,449	1,971	2,020
Maintenance expenses	622	1,984	668	2,752	2,018
Outsourcing service fees . . .	2,815	6,236	7,395	99	508
Auditor's remuneration	4,526	1,035	1,328	481	429
Cost of consumables	648	2,278	968	270	312
Utilities	321	819	1,469	219	66
Others	1,388	4,158	4,670	1,691	647
Total	102,594	132,200	143,878	56,959	74,212

Our administrative expenses accounted for 8.5%, 8.2%, 7.9% and 8.2% of our total revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. We incurred increased administrative expenses during the Track Record Period, which was primarily due to our expansion of business. Our annualized administrative expenses in 2020 was lower than in 2019 since (i) our office expenses decreased by approximately RMB0.7 million for the first half of 2020 due to employee rotation during the epidemic period; (ii) our staff salaries and benefits decreased by approximately RMB3.7 million for the first half of 2020 due to exemptions from social insurance contributions by local government; and (iii) our outsourcing service fees decreased by approximately RMB4.0 million for the first half of 2020 as we have engaged third-party to conduct an one-off consultation in relation to conducting retail business in the residential communities under our management during the second half of 2019 while we did not do so during the first half of 2020.

We have implemented various measures during the first half of 2020 in response to the COVID-19 outbreak including rotation of employees' working shift, of which we have arranged our employees, other than those necessary onsite staff, to work flexibly at home and maintained no more than 50% of our total labor force to report to work everyday. In addition, we have adopted more online communications and reduced most of the traveling and face to face meetings to prevent people gathering. As such, relevant office expenses incurred by our employees had decreased during the first half of 2020.

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Net Impairment Losses on Financial Assets

Net impairment losses on financial assets represent our provisions made for trade and note receivables. During the Track Record Period, our net impairment losses on financial assets amounted to RMB19.7 million, RMB24.8 million, RMB14.2 million and RMB14.1 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Other Income

Other income recognized during the Track Record Period mainly included: (i) interest income from loans due from related parties in connection with the borrowings to Sino-Ocean (China) in mid-2018 and 2019, each with an annual interest rate of 8.04%; (ii) government grants which mainly represented financial support funds from local government and additional deduction of input value-added tax applicable to certain subsidiaries; (iii) interest income from bank deposits; and (iv) others.

The following table sets forth the breakdown of other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	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>	
Interest income from					
loans due from					
related parties	–	107,003	214,330	108,221	98,472
Government grants	1,411	2,177	9,447	3,298	7,974
Interest income from					
bank deposits	925	934	726	363	333
Others	648	412	894	378	327
Total	2,984	110,526	225,397	112,260	107,106

FINANCIAL INFORMATION

Other Gains – Net

Our net other gains during the Track Record Period mainly represented the fair value gains on financial assets at fair value through profit or loss which we recognized with respect to our investment in the structural deposits and money market instruments issued by financial institutions mainly with a guaranteed principal. The following table sets forth the breakdown of our net other gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Fair value gains on financial assets at fair value through profit or loss	15,207	3,377	3,166	1,770	1,650
Net foreign exchange gains	–	–	–	–	105
(Losses)/Gains on disposal of property, plant and equipment . .	(16)	109	(71)	(37)	6
Losses on disposal of interests in subsidiaries	–	–	(2)	–	–
Total	15,191	3,486	3,093	1,733	1,761

Fair Value Gains or Losses on Investment Properties

Our property interests held for generating rental income under operating lease arrangement and for capital appreciation are accounted for as investment properties and are measured at their fair values subsequent to initial recognition. During the Track Record Period, our investment properties comprised principally of community facilities and carpark spaces. The fair value of our investment properties as of the relevant reporting date was determined by independent qualified professional valuers. The fair values of community facilities and carpark spaces were evaluated by using the direct comparison approach, which was based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location. Changes in the fair value of investment properties are recorded in profit or loss. During the Track Record Period, we recorded a fair value gain on investment properties of RMB1.0 million, RMB1.1 million and RMB0.6 million for the years ended December 31, 2017 and 2019 and the six months ended June 30, 2020, respectively, and we recorded a fair value loss on investment properties of RMB0.2 million for the year ended December 31, 2018.

FINANCIAL INFORMATION

Finance Costs

Finance cost during the Track Record Period included (i) the interest expense of asset-backed securities issued by us in 2018 which was non-recurring in nature; (ii) the interest expense on lease liabilities related to certain leased premises used for offices and staff dormitories; and (iii) the interest expense of other borrowings obtained by one of our subsidiaries from Sino-Ocean (China). The following table sets forth the breakdown of finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest expense of					
asset-backed securities . . .	–	81,910	171,006	85,066	79,311
Interest expense on lease					
liabilities	839	923	511	298	360
Interest expense of other					
borrowings	61	1,304	1,600	800	–
Finance costs	900	84,137	173,117	86,164	79,671

Share of Profit or Losses from Investment in Joint Ventures

Share of profit or losses from investment in joint ventures represented the profit or losses from our investment during the Track Record Period in two joint ventures, namely (i) Chongqing Tengji Property Management Co., Ltd. (“**Chongqing Tengji**”), a company engaged in property management in Chongqing, in which we held a 49% equity interest as of December 31, 2017, 2018 and 2019 and June 30, 2020; and (ii) Beijing Best Technology, a company engaged in provision of cleaning services in Beijing and in which we held a 30% equity interest as of December 31, 2018 and 2019 and June 30, 2020.

During the Track Record Period, we recorded losses of RMB0.2 million from investment in joint ventures for the year ended December 31, 2017 and profit of RMB0.1 million, RMB0.3 million and RMB1.3 million for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, respectively. There were no significant contingent liabilities or commitments relating to our interests in these joint ventures as of each of December 31, 2017, 2018 and 2019 and June 30, 2020.

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Income Tax Expense

Income tax expense consists of current income tax (comprising enterprise income tax and land appreciation tax) and deferred income tax (comprising enterprise income tax) payable in the PRC by us. The following table sets forth the breakdown of income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
– PRC enterprise income tax	38,709	46,957	64,300	40,723	50,559
– PRC land appreciation tax	32	1,097	1,083	10	122
	38,741	48,054	65,383	40,733	50,681
Deferred income tax	(2,472)	(6,582)	(4,255)	(3,216)	(7,061)
Total	36,269	41,472	61,128	37,517	43,620

According to the applicable PRC tax regulations, the general enterprise income tax rate in the PRC is 25% and our PRC entities were subject to the statutory enterprise income rate during the Track Record Period with certain exceptions: (i) in October 2017 and November 2018, Beijing Yiyang and Beijing Yuanhe were each recognized as a “High-New Technology Enterprise” with an effective period of three years, which allowed them to apply a preferential income tax rate of 15% from 2017 to 2019 and 2018 to 2020, respectively; (ii) certain subsidiaries in Dalian, Zhongshan, Changsha, Wuhan, Qingdao and Linyi became qualified as small and micro businesses in the PRC in 2018 and 2019 with an effective period of three years and became entitled to a preferential income tax rate of 5% or 10%. Our provision for land appreciation tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. During the Track Record Period, we made provision for land appreciation tax at ranges of progressive rates of the appreciation value, with certain allowable deductions. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, our income tax expense amounted to RMB36.3 million, RMB41.5 million, RMB61.1 million and RMB43.6 million, respectively; and our effective income tax rate (excluding land appreciation tax) was 25.6%, 21.9%, 22.6% and 22.0%, respectively. The decrease in our effective income tax rates in 2018 was primarily due to the preferential tax treatment enjoyed by Beijing Yiyang and Beijing Yuanhe.

FINANCIAL INFORMATION

Our Company is not subject to any income tax in the Cayman Islands and during the Track Record Period, no provision for Hong Kong profits tax was made as we had no assessable profits arising in Hong Kong.

Our Directors confirm that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

Profit for the year/period

During the Track Record Period, we recorded operating profit of RMB142.5 million, RMB269.4 million, RMB439.2 million and RMB276.1 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with an operating profit margin of 11.7%, 16.7%, 24.0% and 30.6% for the respective periods. Our profit for the year/period was RMB105.1 million, RMB143.9 million, RMB205.3 million and RMB154.1 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with a net profit margin of 8.7%, 8.9%, 11.2% and 17.1% for the respective periods.

Excluding the other income in relation to the loans to Sino-Ocean (China), our operating profits would have been RMB142.5 million, RMB162.4 million, RMB224.9 million and RMB177.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with an operating profit margin of 11.7%, 10.1%, 12.3% and 19.7% for the respective periods. And excluding the other income in relation to the loans to Sino-Ocean (China) and the finance expenses in relation to the asset-backed securities, our profit for the year/period would have been RMB105.1 million, RMB125.1 million, RMB172.8 million and RMB139.7 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively, with a net profit margin of 8.7%, 7.8%, 9.4% and 15.5% for the respective periods.

PERIOD TO PERIOD COMPARISONS

Six months ended June 30, 2020 compared to six months ended June 30, 2019

Revenue

Revenue increased by 6.6% to RMB903.7 million for the six months ended June 30, 2020 from RMB848.0 million for the six months ended June 30, 2019. This increase was mainly attributable to an increase in the revenue of our property management services which was in line with our business growth.

Property Management Services. Revenue from property management services increased by 11.4% to RMB647.7 million for the six months ended June 30, 2020 from RMB581.6 million for the six months ended June 30, 2019. This increase was mainly attributable to an increase in our GFA under management, which reached 42.3 million sq.m. as of June 30, 2020 and an increase in the number of properties under management, which increased to 210 as of June 30, 2020, as we expanded our business.

FINANCIAL INFORMATION

Value-added Services to Non-property Owners. Revenue from value-added services to non-property owners decreased by 8.0% to RMB154.3 million for the six months ended June 30, 2020 from RMB167.7 million for the six months ended June 30, 2019. This decrease reflected a decrease in the revenue from pre-delivery services by 12.2% to RMB102.8 million for the six months ended June 30, 2020 from RMB117.1 million for the six months ended June 30, 2019 primarily due to delay in opening of certain sales venues and less demand for pre-delivery services during the period as affected by the COVID-19 outbreak. Such decrease is partially offset by an increase in revenue from consultancy services by 3.9% to RMB24.4 million for the six months ended June 30, 2020 from RMB23.5 million for the six months ended June 30, 2019.

Community Value-added Services. Revenue from community value-added services increased by 3.0% to RMB101.7 million for the six months ended June 30, 2020 from RMB98.8 million for the six months ended June 30, 2019. This increase was primarily due to an increase in revenue from community asset value-added services by 10.3% to RMB84.1 million for the six months ended June 30, 2020 from RMB76.2 million for the six months ended June 30, 2019 since the carpark management area has increased due to our increased properties under management. Such increase was partially offset by a decrease in revenue from community living services by 12.9% and property brokerage services by 31.3% since the demand for such value-added services has decreased as affected by the outbreak of COVID-19.

Cost of sales

Cost of sales increased by 0.2% to RMB646.6 million for the six months ended June 30, 2020 from RMB645.1 million for the six months ended June 30, 2019. This increase was mainly attributable to an increase in cost of sales for property management services, partially offset by a decrease in cost of sales for value-added services to non-property owners and a decrease in staff cost since (i) we were entitled to certain exemptions from contributions of social insurance primarily in relation to the pension plans by the local governments in response to the outbreak of COVID-19 which lowered our staff cost by RMB21.2 million; and (ii) we strengthened our cost control by optimizing the allocation of labor and lowered our staff cost by RMB4.2 million.

Property Management Services. Cost of sales for property management services increased by 3.9% to RMB490.1 million for the six months ended June 30, 2020 from RMB471.7 million for the six months ended June 30, 2019. This increase was primarily due to an increase in our costs as our GFA under management has increased and we have provided more property management services during the first half of 2020.

Value-added Services to Non-property Owners. Cost of sales for value-added services to non-property owners decreased by 11.9% to RMB118.9 million for the six months ended June 30, 2020 from RMB134.9 million for the six months ended June 30, 2019. This decrease was primarily due to a decrease in pre-delivery services provided to non-property owners during the first half of 2020.

FINANCIAL INFORMATION

Community Value-added Services. Cost of sales for community value-added services decreased by 2.4% to RMB37.6 million for the six months ended June 30, 2020 from RMB38.5 million for the six months ended June 30, 2019. This decrease was primarily due to a decrease in cost of (i) selling carpark spaces as we had sold less carpark spaces during the first half of 2020; and (ii) providing community living services, in particular, catering services provided in properties under our management during the first half of 2020.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 26.7% to RMB257.1 million for the six months ended June 30, 2020 from RMB202.9 million for the six months ended June 30, 2019. Our overall gross profit margin increased to 28.5% for the six months ended June 30, 2020 from 23.9% for the six months ended June 30, 2019 primarily due to the increased contribution by property management services which recorded a higher gross profit margin for the six months ended June 30, 2020 and increased in gross profit margins for all three business lines since we had a lesser increase in cost of sales than revenue which was attributable to our efforts in cost control and decrease in staff cost as mentioned above.

Gross profit margin for property management services increased to 24.3% for the six months ended June 30, 2020 from 18.9% for the six months ended June 30, 2019 primarily due to lower cost of sales benefited from the exemptions from contributions of social insurance by the local government and various cost control measures implemented. Gross profit margin for value-added services to non-property owners increased to 22.9% for the six months ended June 30, 2020 from 19.5% for the six months ended June 30, 2019 primarily due to an increase in revenue contribution from consultancy services which generally had a higher gross profit margin and a decrease in revenue contribution from pre-delivery services which generally had a lower gross profit margin. Gross profit margin for community value-added services increased to 63.1% for the six months ended June 30, 2020 from 61.0% for the six months ended June 30, 2019 primarily due to lower revenue contribution from catering services which generally record a comparatively lower gross profit margin and coupled with an increase in gross profit margin for property brokerage services.

As such, gross profit margin for property management services increased to 24.3% for the six months ended June 30, 2020 from 18.9% for the six months ended June 30, 2019, while gross profit margin for value-added services to non-property owners increased to 22.9% for the six months ended June 30, 2020 from 19.5% for the six months ended June 30, 2019 and gross profit margin for community value-added services increased to 63.1% for the six months ended June 30, 2020 from 61.0% for the six months ended June 30, 2019.

FINANCIAL INFORMATION

Selling and marketing expenses

Selling and marketing expenses decreased by 31.7% to RMB2.1 million for the six months ended June 30, 2020 from RMB3.0 million for the six months ended June 30, 2019. This decrease was due to a decrease in community events and activities organized by us during the first half of 2020 since (i) we have been focusing on implementing and enhancing hygiene and precautionary measures across the properties under our management since January 2020; and (ii) we have canceled most of the community events such as celebrations for Chinese New Year and Woman's Day due to the outbreak of COVID-19.

Administrative expenses

Administrative expenses increased by 30.3% to RMB74.2 million for the six months ended June 30, 2020 from RMB57.0 million for the six months ended June 30, 2019. This increase was primarily due to the incurrence of listing expenses in the amount of RMB16.3 million.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by 24.0% to RMB14.1 million for the six months ended June 30, 2020 from RMB11.4 million for the six months ended June 30, 2019. This increase was primarily due to an increase in our trade and note receivables.

Other income

Other income decreased by 4.6% to RMB107.1 million for the six months ended June 30, 2020 from RMB112.3 million for the six months ended June 30, 2019. This decrease was mainly attributable to a decrease of RMB9.7 million in interest income from loans due from related parties since Sino-Ocean (China) has repaid some of the loans due to us during the first half of 2020, and partially offset by an increase of RMB4.7 million in government grants as certain local governments provided (i) subsidies to us, as property management companies in the PRC, in light of the outbreak of COVID-19; and (ii) deduction of input value-added tax applicable to certain of our subsidiaries.

Other net gains

Other net gains increased by 1.6% to RMB1.8 million for the six months ended June 30, 2020 from RMB1.7 million for the six months ended June 30, 2019. Such increase was due to an increase of RMB0.1 million in net foreign exchange gains.

FINANCIAL INFORMATION

Fair value gains or losses on investment properties

Fair value gains on investment properties increased to RMB0.6 million for the six months ended June 30, 2020 from RMB0.2 million for the six months ended June 30, 2019. This increase was mainly attributable to an increase in fair value of carpark spaces we held as investment properties.

Finance cost

Finance cost decreased by 7.5% to RMB79.7 million for the six months ended June 30, 2020 from RMB86.2 million for the six months ended June 30, 2019, which was mainly attributable to a decrease of RMB5.8 million in interest expenses of asset-backed securities since we have repaid certain principals during the first half of 2020 pursuant to the asset-backed securities agreement.

Share of losses or profit from investment in joint ventures

Share of losses or profit from investment in joint ventures increased by RMB1.2 million to a gain of RMB1.3 million for the six months ended June 30, 2020 from a gain of RMB0.1 million for the six months ended June 30, 2019. This increase was mainly attributable to an increase in profit recorded by both Beijing Best Technology and Chongqing Tengji.

Income tax expense

Income tax expense increased by 16.3% to RMB43.6 million for the six months ended June 30, 2020 from RMB37.5 million for the six months ended June 30, 2019. This increase was primarily attributable to an increase in current income tax primarily as a result of the higher profit before income tax for the six months ended June 30, 2020.

Profit for the period

As a result of the foregoing, profit for the period increased by 26.1% to RMB154.1 million for the six months ended June 30, 2020 from RMB122.2 million for the six months ended June 30, 2019 and net profit margin increased to 17.1% for the six months ended June 30, 2020 from 14.4% for the six months ended June 30, 2019 due to an increase in revenue, economies of scale and cost control.

FINANCIAL INFORMATION

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

Revenue increased by 13.6% to RMB1,829.6 million in 2019 from RMB1,610.3 million in 2018. This increase was mainly attributable to an increase in the revenue of our property management services and value-added services to non-property owners which was in line with our business growth.

Property Management Services. Revenue from property management services increased by 16.0% to RMB1,219.6 million in 2019 from RMB1,051.6 million in 2018. This increase was mainly attributable to (i) an increase in our GFA under management, which increased to 40.5 million sq.m. as of December 31, 2019 from 37.3 million sq.m. as of December 31, 2018, and (ii) an increase in the number of properties under management to 197 as of December 31, 2019 from 172 as of December 31, 2018, as we expanded our business.

Value-added Services to Non-property Owners. Revenue from value-added services to non-property owners increased by 17.4% to RMB372.6 million in 2019 from RMB317.4 million in 2018. This increase reflected (i) an increase in the revenue from pre-delivery services by 17.2% to RMB250.4 million in 2019 from RMB213.7 million in 2018 primarily due to an increase in the number of pre-delivery services projects we undertook as property developers accelerated the launch of their property development projects as compared to 2018, and (ii) an increase in the revenue from property engineering services by 58.0% to RMB61.2 million in 2019 from RMB38.7 million in 2018 since we expanded our business of property engineering services and started to provide such services to other property management companies in addition to property developers.

Community Value-added Services. Revenue from community value-added services decreased by 1.7% to RMB237.3 million in 2019 from RMB241.3 million in 2018. This decrease was primarily due to (i) a decrease in the revenue from property brokerage services by 15.7% to RMB40.7 million in 2019 from RMB48.3 million in 2018 mainly attributable to a decrease in sales or rental transactions of properties; and (ii) a decrease in revenue from community living services by 15.2% to RMB33.8 million in 2019 from RMB39.8 million in 2018 mainly attributable to a decrease in revenue from catering services since we have closed down certain restaurants and focus on providing other value-added services to property owners and residents. Such decrease is partially offset by an increase in community asset value-added services by 6.3% since we have provided more carpark management services to our increased number of properties under management.

FINANCIAL INFORMATION

Cost of sales

Cost of sales increased by 12.9% to RMB1,452.9 million in 2019 from RMB1,287.3 million in 2018. This increase was mainly attributable to (i) an increase of 16.6% in our sub-contracting cost to RMB544.1 million in 2019 from RMB466.7 million in 2018 primarily due to an increase in purchase of sub-contracting services which was in line with the expansion of our business scale and an increase in sub-contracting fees mainly reflecting an increase in labor costs of our sub-contractors; and (ii) an increase of 5.8% in our staff costs to RMB501.3 million in 2019 from RMB473.6 million in 2018 as a result of an increase in the number of our on-site staff directly providing services as we expanded our business.

Property Management Services. Cost of sales for property management services increased by 15.1% to RMB1,052.5 million in 2019 from RMB914.6 million in 2018. This increase was primarily due to an increase in all costs for provision of property management services which was in line with our business growth.

Value-added Services to Non-property Owners. Cost of sales for value-added services to non-property owners increased by 14.6% to RMB304.6 million in 2019 from RMB265.8 million in 2018. This increase was primarily due to an increase in cost for provision of pre-delivery services as we undertook more pre-delivery projects in 2019 as compared to 2018.

Community Value-added Services. Cost of sales for community value-added services decreased by 10.5% to RMB95.8 million in 2019 from RMB107.0 million in 2018. This decrease was primarily due to a decrease in cost for carpark management as we have upgraded our carpark management system to improve cost efficiency.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 16.6% to RMB376.7 million in 2019 from RMB323.0 million in 2018. Our overall gross profit margin increased to 20.6% in 2019 from 20.1% in 2018 primarily due to an increasing contribution from property management services which recorded a higher gross profit margin in 2019 since we adopted various cost control measures.

Gross profit margin for property management services increased to 13.7% in 2019 from 13.0% in 2018 for the abovementioned reasons. Gross profit margin for value-added services to non-property owners increased to 18.3% in 2019 from 16.3% in 2018 primarily due to an increase in gross profit margin from 15.3% in 2018 to 19.3% in 2019 for pre-delivery services since we strengthened our cost control in provision of such services such as optimizing staff deployment and centralizing our purchase of sub-contracting services. Gross profit margin for community value-added services increased to 59.6% in 2019 from 55.7% in 2018, primarily due to an increase in gross profit margin of our community asset value-added services from 58.1% in 2018 to 67.9% in 2019 as we have upgraded our carpark management system which lowered our cost of sales.

FINANCIAL INFORMATION

Selling and marketing expenses

Selling and marketing expenses decreased by 13.6% to RMB9.0 million in 2019 from RMB10.4 million in 2018 due to a decrease in community activities organized for our properties under management.

Administrative expenses

Administrative expenses increased by 8.8% to RMB143.9 million in 2019 from RMB132.2 million in 2018. This increase was primarily due to an increase of RMB18.7 million in staff salaries and benefits mainly attributable to an increase in the average salaries of our staff. Such increase was partially offset by a decrease of RMB10.4 million in office expenses since we incurred less IT system maintenance and office related expenses.

Net impairment losses on financial assets

Net impairment losses on financial assets decreased by 42.8% to RMB14.2 million in 2019 from RMB24.8 million in 2018. This decrease was primarily due to less impairment provision made in 2019 for trade and note receivables aged over two years.

Other income

Other income increased by RMB114.9 million to RMB225.4 million in 2019 from RMB110.5 million in 2018. This increase was primarily attributable to (i) an increase of RMB107.3 million in interest income from loans due from related parties as we have provided certain loans to Sino-Ocean (China) in 2019; and (ii) an increase of RMB7.3 million in government grants mainly in relation to deduction of input value-added tax to certain of our subsidiaries by the local PRC authorities.

Other net gains

Other net gains decreased by 11.3% to RMB3.1 million in 2019 from RMB3.5 million in 2018. Such decrease was primarily due to (i) a decrease of RMB0.2 million in fair value gains on financial assets at fair value through profit or loss as we invested less in structural deposits and money market instruments in 2019; and (ii) losses of RMB71,000 on disposal of property, plant and equipment in relation to disposal of vehicles.

Fair value gains or losses on investment properties

Fair value gains or losses on investment properties increased to a gain of RMB1.1 million in 2019 from a loss of RMB0.2 million in 2018. This increase was mainly attributable to an increase in the fair value of our community facilities and to a lesser extent, an increase in fair value of carpark spaces that we held as investment properties.

FINANCIAL INFORMATION

Finance cost

Finance cost increased by RMB89.0 million to RMB173.1 million in 2019 from RMB84.1 million in 2018, which was mainly attributable to an increase of RMB89.1 million in interest expense of asset-backed securities as we only issued the asset-backed securities in mid-2018.

Share of losses or profit from investment in joint ventures

Share of losses or profit from investment in joint ventures increased by RMB0.2 million to a gain of RMB0.3 million in 2019 from a gain of RMB0.1 million in 2018. This increase was mainly attributable to an increase in profit recorded by both of Beijing Best Technology and Chongqing Tengji.

Income tax expense

Income tax expense increased by 47.4% to RMB61.1 million in 2019 from RMB41.5 million in 2018. This increase was primarily attributable to an increase in current income tax primarily as a result of the higher profit before income tax in 2019.

Profit for the year

As a result of the foregoing, profit for the year increased by 42.6% to RMB205.3 million in 2019 from RMB143.9 million in 2018 and net profit margin increased to 11.2% in 2019 from 8.9% in 2018 due to an increase in revenue and economies of scale.

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue

Revenue increased by 32.8% to RMB1,610.3 million in 2018 from RMB1,213.0 million in 2017. This increase was mainly attributable to an increase in revenue of our property management services, value-added services to non-property owners and community value-added services which was in line with our business growth.

Property Management Services. Revenue from property management services increased by 26.7% to RMB1,051.6 million in 2018 from RMB830.1 million in 2017. This increase was mainly attributable to (i) our acquisition of four subsidiaries namely Shandong Liantai, Changsha Xiangcheng, Hangzhou New Era, and Ocean Nantong in late 2017 and early 2018, all of which are engaged in property management services; and (ii) an increase in our GFA under management, which increased to 37.3 million sq.m. as of December 31, 2018 from 29.5 million sq.m. as of December 31, 2017, and an increase in the number of properties under management, which increased to 172 as of December 31, 2018 from 108 as of December 31, 2017, as we expanded our business.

FINANCIAL INFORMATION

Value-added Services to Non-property Owners. Revenue from value-added services to non-property owners increased by 55.0% to RMB317.4 million in 2018 from RMB204.7 million in 2017. This increase reflected (i) an increase in revenue from pre-delivery services by 70.6% to RMB213.7 million in 2018 from RMB125.2 million in 2017 primarily due to an increase in the number of pre-delivery services projects in 2018 as compared to 2017 since property developers accelerated the launch of their property development projects; and (ii) an increase in revenue from property engineering services by 65.6% to RMB38.7 million in 2018 from RMB23.4 million in 2017 as we undertook more property engineering projects.

Community Value-added Services. Revenue from community value-added services increased by 35.4% to RMB241.3 million in 2018 from RMB178.2 million in 2017. This increase was primarily due to (i) an increase in revenue from community asset value-added services by 40.0% to RMB153.2 million in 2018 from RMB109.5 million in 2017, in particular, our carpark management services as we served more carparks with our increasing number of properties under management; and (ii) an increase in revenue from property brokerage services by 46.8% to RMB48.3 million in 2018 from RMB32.9 million in 2017 since we sold more carpark spaces at higher price in Qinhuangdao and Beijing.

Cost of sales

Cost of sales increased by 33.9% to RMB1,287.3 million in 2018 from RMB961.7 million in 2017. This increase was mainly attributable to (i) an increase of 60.1% in our sub-contracting cost to RMB466.7 million in 2018 from RMB291.4 million in 2017 primarily due to an increase in purchase of sub-contracting services which was in line with the expansion of our business scale and an increase in sub-contracting fees mainly reflecting an increase in labor costs of our sub-contractors; and (ii) an increase of 29.0% in our staff costs to RMB473.6 million in 2018 from RMB367.2 million in 2017 as a result of an increase in the number of our on-site staff directly providing services as we expanded our business.

Property Management Services. Cost of sales for property management services increased by 29.8% to RMB914.6 million in 2018 from RMB704.6 million in 2017. This increase was primarily due to (i) our acquisition of subsidiaries which generally incurred higher cost of sales for its provision of property management services; and (ii) an increase in all costs for provision of property management services which was in line with our business growth.

Value-added Services to Non-property Owners. Cost of sales for value-added services to non-property owners increased by 58.2% to RMB265.8 million in 2018 from RMB168.0 million in 2017. This increase was primarily due to an increase in cost for provision of pre-delivery services as we undertook more pre-delivery projects in 2018.

Community Value-added Services. Cost of sales for community value-added services increased by 20.2% to RMB107.0 million in 2018 from RMB89.0 million in 2017. This increase was primarily due to an increase in cost for providing carpark management services as we managed more carparks in 2018.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 28.5% to RMB323.0 million in 2018 from RMB251.3 million in 2017. Our overall gross profit margin slightly decreased to 20.1% in 2018 from 20.7% in 2017 primarily due to a decrease in our gross profit margin for property management services and value-added services to non-property owners, partially offset by an increase in gross profit margin for community value-added services.

Gross profit margin for property management services decreased to 13.0% in 2018 from 15.1% in 2017 since we had newly acquired two subsidiaries in late 2017 and two in early 2018 and these newly acquired subsidiaries incurred higher cost of sales as compared to our existing subsidiaries. Gross profit margin for value-added services to non-property owners decreased to 16.3% in 2018 from 17.9% in 2017 primarily due to (i) a larger contribution from pre-delivery services which generally have a comparatively lower gross profit margin, despite an increase in its gross profit margin from 14.7% in 2017 to 15.3% in 2018 upon our acquisition of Beijing Yuanhe; and (ii) a decrease in gross profit margin for consultancy services from 27.1% in 2017 to 22.9% in 2018 since we recorded a relatively higher gross profit margin from a particular consultancy project in Tianjin for a commercial property in 2017. Gross profit margin for community value-added services increased to 55.7% in 2018 from 50.0% in 2017 primarily due to our higher gross profit margin recorded for property brokerage services mainly attributable to the higher price level of our carpark spaces sold in 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 78.5% to RMB10.4 million in 2018 from RMB5.8 million in 2017 due to our increasing community activities organized for our properties under management as we expanded our business.

Administrative expenses

Administrative expenses increased by 28.9% to RMB132.2 million in 2018 from RMB102.6 million in 2017. This increase was primarily due to (i) an increase of RMB8.9 million in office expenses since we acquired two subsidiaries in late 2017 and two in early 2018; (ii) an increase of RMB7.6 million in staff salaries and benefits mainly attributable to our hiring of more management, administrative and finance staff for our business expansion; and (iii) an increase of RMB6.4 million in depreciation and amortization.

Net impairment losses on financial assets

Net impairment losses on financial assets increased by 26.2% to RMB24.8 million in 2018 from RMB19.7 million in 2017. This increase was primarily due to a significant increase in our trade receivables as we expanded our business and, in particular, an increase in trade receivables outstanding for more than two years in 2018.

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Other income

Other income increased by RMB107.5 million to RMB110.5 million in 2018 from RMB3.0 million in 2017. This increase was attributable to an increase of RMB107.0 million in interest income from loans due from related parties as we have provided a loan to Sino-Ocean (China) in 2018 with an annual interest rate of 8.04%.

Other net gains

Other net gains decreased by 77.1% to RMB3.5 million in 2018 from RMB15.2 million in 2017. Such decrease was primarily due to a decrease of RMB11.8 million in fair value gains on financial assets at fair value through profit or loss as we invested less in structural deposits and money market instruments under the centralized cash management of the Sino-Ocean Group since April 2018.

Fair value gains or losses on investment properties

Fair value gains or losses on investment properties decreased to a loss of RMB0.2 million in 2018 from a gain of RMB1.0 million in 2017. This decrease was attributable to a decrease in fair value of carpark spaces held by us as investment properties and partially offset by an increase in fair value of our community facilities held by us as investment properties.

Finance cost

Finance cost increased by RMB83.2 million to RMB84.1 million in 2018 from RMB0.9 million in 2017, which was mainly attributable to an increase of RMB81.9 million in interest expense of asset-backed securities as we issued asset-backed securities in mid-2018.

Share of losses or profit from investment in joint ventures

Share of losses or profit from investment in joint ventures increased by RMB0.4 million to a gain of RMB0.1 million in 2018 from a loss of RMB0.2 million in 2017. This increase was mainly attributable to the profit recorded by Beijing Best Technology, which was partially offset by the loss recorded by Chongqing Tengji.

Income tax expense

Income tax expense increased by 14.3% to RMB41.5 million in 2018 from RMB36.3 million in 2017. This increase was primarily attributable to an increase in current income tax primarily as a result of the higher profit before income tax in 2018.

Profit for the year

As a result of the foregoing, profit for the year increased by 37.0% to RMB143.9 million in 2018 from RMB105.1 million in 2017 and net profit margin increased to 8.9% in 2018 from 8.7% in 2017 due to an increase in revenue and economies of scale.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs and capital expenditures for the expansion and procurement of property, plant and equipment and acquisition of subsidiaries and joint ventures. We meet these cash requirements by relying on our cash on hand and at financial institutions and net cash flows from operating activities as our principal source of funding. Following the completion of the Global Offering and the Listing, we intend to continue to fund our cash requirements through our net cash flows from operating activities. The following table sets forth our selected consolidated cash flow data for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	161,964	210,673	261,782	161,569	203,239
Change in working capital	(400)	(133,930)	(3,867)	(138,348)	(87,188)
Income tax paid.	(57,744)	(38,471)	(51,301)	(31,300)	(50,322)
Net cash generated from/(used in) operating activities . . .	103,820	38,272	206,614	(8,079)	65,729
Net cash (used in)/generated from investing activities . . .	(1,421)	(3,090,133)	419,367	194,577	300,540
Net cash (used in)/generated from financing activities . . .	(66,525)	2,765,744	(617,191)	(230,822)	(64,296)
Net increase/(decrease) in cash and cash equivalents	35,874	(286,117)	8,790	(44,324)	301,973
Cash and cash equivalents at beginning of the year/period	664,866	700,740	414,623	414,623	423,413
Exchange gains on cash and cash equivalents . .	—	—	—	—	105
Cash and cash equivalents at end of the year/period	700,740	414,623	423,413	370,299	725,491

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Cash Flows from Operating Activities

Cash flows from operating activities represented profit before income tax expense adjusted for (i) certain non-cash or non-operating activities related items, such as interest income from loans due from related parties, finance cost, net impairment losses on financial assets, depreciation of property, plant and equipment, fair value gains on financial assets at fair value through profit or loss, amortization of right-of-use assets and intangible assets, share of results of joint ventures and valuation gain on investment properties; (ii) the effect of changes in working capital, such as movements in trade and note receivables, prepayments and other receivables, trade and other payables, inventories, contract liabilities and restricted bank deposits; and (iii) income tax payment.

Net cash generated from operating activities for the six months ended June 30, 2020 was RMB65.7 million, which primarily reflected our profit before income tax of RMB197.7 million as mainly positively adjusted for finance cost of RMB79.7 million and net impairment losses on financial assets of RMB14.1 million; and negatively adjusted for interest income from loans due from related parties in the amount of RMB98.5 million, changes in working capital in the amount of RMB87.2 million and income tax payment of RMB50.3 million. Such changes in working capital mainly consisted of an increase of RMB120.2 million in trade and note receivables primarily due to our business growth in property management services and the slow down in collection of property management fees during the first half of 2020 resulting from the payment pattern of property owners and residents and the outbreak of COVID-19, partially offset by an increase of RMB32.6 million in contract liabilities due to an increase in prepayment for our services resulting from an increase in properties under our management.

Net cash used in operating activities for the six months ended June 30, 2019 was RMB8.1 million, which primarily reflected our profit before income tax of RMB159.7 million as mainly positively adjusted for finance cost of RMB86.2 million and net impairment losses on financial assets of RMB11.4 million; and negatively adjusted for interest income from loans due from related parties in the amount of RMB108.2 million, changes in working capital in the amount of RMB138.3 million and income tax payment of RMB31.3 million. Such changes in working capital mainly consisted of an increase of RMB118.3 million in trade and note receivables due to the payment pattern of property owners and residents.

Net cash generated from operating activities for the year ended December 31, 2019 was RMB206.6 million, which primarily reflected our profit before income tax of RMB266.4 million as mainly positively adjusted for finance cost of RMB173.1 million and net impairment losses on financial assets of RMB14.2 million and negatively adjusted for interest income from loans due from related parties in the amount of RMB214.3 million, fair value gains of RMB3.2 million on financial assets at fair value through profit or loss, changes in working capital in the amount of RMB3.9 million and income tax payment of RMB51.3 million. Such changes in working capital mainly consisted of (i) an increase of RMB32.2 million in trade and note receivables due to our business growth in property management services and value-added services to non-property owners; (ii) an increase of RMB8.3 million in prepayments and other receivables mainly in relation to an increase in prepayments to suppliers and prepayments of utilities fee on behalf of property owners and residents; and (iii) an increase of RMB6.1 million in inventories as we procured certain carpark spaces in Zhongshan, Qinhuangdao and Nanjing, partially offset by (i) an increase of RMB32.0 million in trade and other payables mainly in relation to an increase in our trade payables for consumables and repair and maintenance services as well as sub-contracting cost for security and cleaning services; and (ii) an increase of RMB10.7 million in contract liabilities resulting from an increase in prepayment for our services.

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Net cash generated from operating activities for the year ended December 31, 2018 was RMB38.3 million, which primarily reflected our profit before income tax of RMB185.4 million as mainly positively adjusted for finance cost of RMB84.1 million, net impairment losses on financial assets of RMB24.8 million, depreciation of property, plant and equipment of RMB12.0 million; and negatively adjusted for interest income from loans due from related parties in the amount of RMB107.0 million, changes in working capital in the amount of RMB133.9 million and income tax payment of RMB38.5 million. Such changes in working capital mainly consisted of (i) an increase of RMB126.3 million in trade and note receivables as we expanded our business including the acquisition of four subsidiaries in late 2017 and early 2018; (ii) an increase of RMB63.6 million in inventories as we procured certain carpark spaces in Zhongshan, Qinhuangdao and Changchun; and (iii) a decrease of RMB15.8 million in trade and other payables as we settled certain utility fees paid by property developers on behalf of property owners and residents, partially offset by (i) an increase of RMB36.0 million in contract liabilities as the number of properties under our management increased; and (ii) a decrease of RMB26.7 million in restricted bank deposits.

Net cash generated from operating activities for the year ended December 31, 2017 was RMB103.8 million, which primarily reflected our profit before income tax of RMB141.3 million as mainly positively adjusted for net impairment loss on financial assets of RMB19.7 million, depreciation of property, plant and equipment of RMB10.3 million and amortization of right-of-use assets of RMB5.6 million and negatively adjusted for changes in working capital in the amount of RMB0.4 million, and income tax payment of RMB57.7 million. Such changes in working capital mainly consisted of (i) an increase of RMB69.2 million in trade and note receivables as we expanded our business; and (ii) an increase of RMB20.5 million in prepayments and other receivables mainly in relation to an increase in prepayments of utilities fee on behalf of property owners and residents which was in line with our business expansion, partially offset by (i) an increase of RMB38.9 million in contract liabilities as we received more prepayments from property owners and residents for our services; (ii) a decrease of RMB27.8 million in restricted bank deposits; and (iii) an increase of RMB18.8 million in trade and other payables as we had more rental payment for our new office and engaged more sub-contractors for provision of property management services and value-added services.

Cash Flows from Investing Activities

Net cash generated from investing activities for the six months ended June 30, 2020 was RMB300.5 million. This mainly consisted of repayment of RMB306.0 million from Sino-Ocean (China) in relation to the loan provided to them in 2019.

Net cash generated from investing activities for the year ended December 31, 2019 was RMB419.4 million. This mainly consisted of (i) repayment of RMB3,089.2 million from Sino-Ocean (China) in relation to the amount advanced to them in 2018; and (ii) interest received from Sino-Ocean (China) in the amount of RMB214.3 million in relation to the loan provided to them in 2019. The cash inflows were partially offset by another loan of RMB2,856.0 million provided to Sino-Ocean (China) with an interest rate of 8.04%.

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Net cash used in investing activities for the year ended December 31, 2018 was RMB3,090.1 million. This mainly consisted of (i) amount advanced to Sino-Ocean (China) in the amount of RMB3,089.2 million which was interest free; (ii) payment of RMB69.5 million as consideration for acquisition of two subsidiaries namely Shandong Liantai and Changsha Xiangcheng; and (iii) subsequent consideration of RMB16.6 million paid for acquisition of a joint venture, Beijing Best Technology. The cash outflows were partially offset by interest received from Sino-Ocean (China) in the amount of RMB107.0 million in relation to the loan provided to them in 2018.

Net cash used in investing activities for the year ended December 31, 2017 was RMB1.4 million. This mainly consisted of (i) payment of RMB11.7 million for purchases of property, plant and equipment including office equipment and electronic equipment; and (ii) initial consideration of RMB3.9 million pre-paid for acquisition of a joint venture, Beijing Best Technology. The cash outflow were partially offset by net proceeds of RMB15.2 million from redemption of financial assets at fair value through profit of loss.

Cash Flows from Financing Activities

Net cash used in financing activities for the six months ended June 30, 2020 was RMB64.3 million. This mainly consisted of (i) repayments of borrowings in relation to the asset-backed securities in the amount of RMB138.0 million and to Beijing Junde in the amount of RMB20.0 million; (ii) dividends payment of RMB124.6 million to Beijing Yuankun, Beijing Yuanjing and non-controlling shareholders of our non-wholly owned subsidiaries of our Group; and (iii) interest payment of RMB82.2 million, partially offset by (i) capital injection of RMB190.0 million by our Controlling Shareholder; and (ii) advances of RMB113.3 million from the Sino-Ocean Group.

Net cash used in financing activities for the year ended December 31, 2019 was RMB617.2 million. This mainly consisted of (i) dividends payment of RMB294.9 million to Beijing Yuankun, Beijing Yuanjing and non-controlling shareholders of our non-wholly owned subsidiaries of our Group; (ii) repayments of borrowings in relation to the asset-backed securities in the amount of RMB267.0 million; and (iii) interest payment of RMB174.0 million, partially offset by advances of RMB128.8 million from the Sino-Ocean Group.

Net cash generated from financing activities for the year ended December 31, 2018 was RMB2,765.7 million. This primarily consisted of net proceeds of RMB3,004.7 million in relation to the issuance of asset-backed securities, partially offset by (i) repayments of borrowings in the amount of RMB203.0 million in relation to the asset-backed securities, (ii) interest payment of RMB42.8 million; (iii) lease payment of RMB9.4 million; and (iv) dividends payment of RMB1.0 million to Beijing Yuankun, Beijing Yuanjing and non-controlling shareholders of our non-wholly owned subsidiaries of our Group.

Net cash used in financing activities for the year ended December 31, 2017 was RMB66.5 million. This consisted of (i) dividends payment of RMB83.2 million to shareholders of our Company; and (ii) lease payments of RMB5.3 million, partially offset by (i) capital injection from Beijing Yuankun of RMB11.9 million and (ii) net proceeds of RMB10.0 million from borrowings in relation to the loans provided by Beijing Junde to Beijing Yuanhe.

FINANCIAL INFORMATION

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets or liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	65,061	128,685	134,825	133,456	126,140
Trade and note receivables	243,815	345,684	363,659	469,436	491,792
Prepayments and other receivables	77,416	88,984	94,286	90,707	98,635
Loan and interest receivables due from related parties	—	—	—	2,654,381	—
Financial assets at fair value through profit or loss	—	—	17,835	23,290	14,500
Restricted bank deposits	26,958	246	154	6,144	155
Cash and cash equivalents	700,740	414,623	423,413	725,491	1,013,663
	<u>1,113,990</u>	<u>978,222</u>	<u>1,034,172</u>	<u>4,102,905</u>	<u>1,744,885</u>
Current liabilities					
Borrowings	—	368,990	403,974	2,388,481	550,000
Trade and other payables	581,316	643,584	799,948	1,282,456	623,648
Contract liabilities	247,144	293,778	304,055	336,658	279,053
Lease liabilities	7,245	8,148	3,753	5,130	5,154
Current tax liabilities . .	15,521	26,610	40,692	41,051	27,481
	<u>851,226</u>	<u>1,341,110</u>	<u>1,552,422</u>	<u>4,053,776</u>	<u>1,485,336</u>
Net current assets/(liabilities) . .	<u>262,764</u>	<u>(362,888)</u>	<u>(518,250)</u>	<u>49,129</u>	<u>259,549</u>

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We had net current assets as of each of December 31, 2017 and June 30, 2020 and October 31, 2020 while we had net current liabilities as of each of December 31, 2018 and 2019. Our net current assets or liabilities position as of each of these dates was mainly attributable to our cash and cash equivalents, trade and note receivables, inventories, loans and interest receivables due from related parties and prepayments and other receivables, partially offset by our borrowings, trade and other payables, contract liabilities and current tax liabilities.

Our net current assets increased from RMB49.1 million as of June 30, 2020 to RMB259.5 million as of October 31, 2020 primarily attributable to the capital injection from the Pre-IPO Investors in July 2020 and a decrease in contract liabilities.

We had net current assets of RMB49.1 million as of June 30, 2020 as compared to net current liabilities of RMB518.3 million as of December 31, 2019 primarily due to (i) the significant increase in loan and interest receivables due from related parties in the amount of RMB2,654.4 million as such loan to the Sino-Ocean Group was going to mature within one year as of June 30, 2020 and had become current asset from non-current asset; and (ii) an increase of RMB302.1 million in cash and cash equivalents as Sino-Ocean (China) repaid certain amount of the loan to us, partially offset by (i) an increase of RMB1,984.5 million in borrowings as the remaining principal of the asset-backed securities was expected to be redeemed before the Listing and such borrowings had accordingly become current liabilities from non-current liabilities; and (ii) an increase of RMB482.5 million in trade and other payables mainly in relation to dividend declared by us and an increase in advances from the Sino-Ocean Group as working capital for our daily operations during the first half of 2020.

Our net current liabilities increased from RMB362.9 million as of December 31, 2018 to RMB518.3 million as of December 31, 2019 primarily due to (i) an increase of RMB156.4 million in our trade and other payables mainly in relation to an increase in other payables to related parties; and (ii) an increase of RMB35.0 million in borrowings as certain asset-backed securities became current liabilities from non-current liabilities in accordance with the maturity schedule.

We had net current liabilities of RMB362.9 million as of December 31, 2018 as compared to net current assets of RMB262.8 million as of December 31, 2017 primarily due to (i) an increase of RMB369.0 million in borrowings as we issued asset-backed securities in mid-2018; and (ii) a decrease of RMB286.1 million in our cash and cash equivalents attributable to our cash used in investing activities as abovementioned.

FINANCIAL INFORMATION

Cash Management

We conduct centralized management of cash. Save from the sufficient operating cash kept at our subsidiaries and branch offices, we collect their excess cash for centralized management at headquarters level. We take funds security as priority thus we regularly monitor balance of our deposits with banks and other financial institutions. We also implement the policy of interest rate marketization and service fee minimization. Considering the aforementioned factors, funds collected by our headquarters had been primarily deposited with reputable commercial banks in the PRC or used for structural deposits or procurement of money market instruments during the Track Record Period, while the operational cash kept at our subsidiaries and branch offices levels was primarily deposited with reputable commercial banks in the PRC.

Working Capital

Our Directors are of the opinion that, after taking into accounts the financial resources available to us including the estimated net proceeds of the Global Offering and our internally generated funds, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

INDEBTEDNESS

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Borrowings	10,000	2,812,019	2,545,982	2,388,481	550,000
Lease liabilities . . .	15,421	10,671	4,458	9,897	7,676
Total	25,421	2,822,690	2,550,440	2,398,378	557,676

As of December 31, 2017, 2018 and 2019, June 30, 2020 and October 31, 2020, our indebtedness amounted to RMB25.4 million, RMB2,822.7 million, RMB2,550.4 million, RMB2,398.4 million and RMB557.7 million, respectively.

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On December 4, 2017 and May 15, 2018, Beijing Junde provided a loan of RMB10.0 million and RMB10.0 million, respectively, to our subsidiary Beijing Yuanhe with an interest rate of 8.0% per annum, and matured in January 2020. Such loans bore a performance target in relation to revenue and net profit margin of Beijing Yuanhe. For the years ended December 31, 2017 and 2018, Beijing Yuanhe met the performance target and the waived interest amounted to RMB45,000 and RMB1.0 million, respectively. On January 2, 2020, Beijing Yuanhe entered into a supplemental agreement with Beijing Junde, pursuant to which the loans became interest free, the performance target was eliminated and the mature date was extended to June 2020. We had fully repaid such loans in June 2020 accordingly.

On April 23, 2018, we issued asset-backed securities with a total principal of RMB3,152.7 million which was divided into priority level and subprime level with a principal of RMB2,994.7 million and RMB158.0 million, respectively. Such asset-backed securities arrangement was entered into with a third-party investment bank and brokerage firm in the PRC and our rights of receiving property management fees in respect of certain properties under our management was securitized. We held all the subprime level asset-backed securities and the priority level securities were guaranteed by Sino-Ocean (China). According to the agreement of the asset-backed securities, the securities have a nominal interest rate ranging from 5.8% to 6.4% per annum and are expected to mature in 2027. According to the agreement of the asset-backed securities, we are eligible to exercise our right of redemption at redemption start date corresponding to each of the expected mature date, and the redemption is irrecoverable once started. As of the Latest Practicable Date, we have completed the redemption of all the asset-backed securities and the guarantees provided by Sino-Ocean (China) had been released.

Save as disclosed above, we did not have any outstanding indebtedness as of December 31, 2017, 2018 and 2019, June 30, 2020 and October 31, 2020, respectively. Our Directors confirmed that during the Track Record Period and up to the date of this prospectus, we did not have any material defaults in payment of our trade and non-trade payables and borrowings nor breaches of covenants. Save as disclosed herein, our borrowings are not subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Our Directors confirmed that, as of October 31, 2020, being the latest practicable date for determining indebtedness, save as disclosed in this prospectus or any intra-group liabilities, we did not have any banking facilities, any unutilized banking facilities or any outstanding or authorized but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding. Our Directors confirm that there was no material change in the indebtedness, capital commitments and contingent liabilities of our Group since the latest date for liquidity disclosure and up to the Latest Practicable Date.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Investment Properties

During the Track Record Period, our investment properties represented certain community facilities and carpark spaces located in the PRC which are held to earn rentals and for capital appreciation. The net book value of our investment properties in aggregate amounted to RMB84.0 million, RMB83.8 million, RMB84.9 million and RMB85.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The net book value of our investment properties remained relatively stable during the Track Record Period.

Fair value of community facilities and carpark spaces were evaluated by using direct comparison approach, which was based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location. Our investment properties are initially measured at cost, then at their fair value. For further details, see Note 16 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

Property, Plant and Equipment

During the Track Record Period, property, plant and equipment mainly consist of electronic equipment, leasehold improvements, office equipment and vehicles.

Property, plant and equipment increased from RMB21.1 million as of December 31, 2017 to RMB24.9 million as of December 31, 2018, primarily due to procurement of electronic equipment and leasehold improvement as well as acquisition of subsidiaries. Property, plant and equipment increased from RMB24.9 million as of December 31, 2018 to RMB25.3 million as of December 31, 2019, primarily due to procurement of leasehold improvement. Property, plant and equipment decreased from RMB25.3 million as of December 31, 2019 to RMB21.9 million as of June 30, 2020, primarily due to disposal of electronic equipment and office equipment, coupled with depreciation.

Intangible Assets

Our intangible assets amounted to RMB3.4 million, RMB117.1 million, RMB112.4 million and RMB108.7 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our intangible assets comprised of computer software, property management contracts and customer relationship, trademark and goodwill, which were mainly arising from (i) our acquisition of a 60% equity interest in Ocean Nantong in 2017 at a consideration of RMB2.7 million; (ii) our acquisition of a 60% equity interest in Hangzhou New Era in 2017 at a consideration of RMB5.6 million; (iii) our acquisition of a 80% equity interest in Shandong Liantai in 2018 at a consideration of RMB50.6 million; and (iv) our acquisition of a 60% equity interest in Changsha Xiangcheng in 2018 at a consideration of RMB40.3 million.

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The following table sets forth the goodwill arising from acquisition of relevant subsidiaries as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Changsha Xiangcheng	–	27,336	27,336	27,336
Shandong Liantai	–	25,961	25,961	25,961
Hangzhou New Era	1,048	1,048	1,048	1,048
Ocean Nantong	459	459	459	459
	1,507	54,804	54,804	54,804

The goodwill arising from these acquisitions of subsidiaries was mainly due to the difference between the fair value of identifiable net assets of the subsidiaries and the consideration paid for the acquisitions of the subsidiaries. For details of the justification and reasonableness of the acquisition considerations, see the section headed “History, Reorganization and Corporate Structure — Material Acquisitions of Subsidiaries During the Track Record Period.” Since property management industry is an asset-light service industry with little demand for fixed assets and the acquired subsidiaries distribute profits to their shareholders from time to time, the net assets of the acquired subsidiaries were relatively low at the time of acquisition, leading to a large amount of goodwill which is common in the industry.

The goodwill arising from these acquisitions of subsidiaries has been tested for impairment by our management. The recoverable amounts of the property management business have been assessed by an independent valuer and determined based on value-in-use (“VIU”) calculation. The calculation used cash flow projections based on financial budgets covering a four-year period approved by our management. The following table sets forth each key assumptions on which our management has based its cash flow projections to undertake impairment testing of goodwill:

As of December 31, 2018

	Changsha Xiangcheng	Shandong Liantai
Revenue 2019 (% annual growth rate)	5.0%	17.0%
Revenue 2020 (% annual growth rate)	1.4%	3.0%
Revenue 2021 to 2022 (% annual growth rate)	3.0%-8.0%	3.0%
Gross margin (% of revenue)	27.0%-33.0%	11%-13%
Pretax discount rate	13.0%	13.0%

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As of December 31, 2019

	Changsha Xiangcheng	Shandong Liantai
Revenue 2020 (% annual growth rate)	1.4%	3.0%
Revenue 2021 (% annual growth rate)	8.0%	3.0%
Revenue 2022 to 2023 (% annual growth rate)	3.0%	3.0%
Gross margin (% of revenue)	27.0%-30.0%	11.0%
Pretax discount rate	12.0%	12.0%

As of June 30, 2020

	Changsha Xiangcheng	Shandong Liantai
Revenue 2020 (% annual growth rate)	44.6%	3.0%
Revenue 2021 (% annual growth rate)	8.3%	3.0%
Revenue 2022 to 2023 (% annual growth rate)	2.5%-3.3%	2.0%-3.0%
Gross margin (% of revenue)	23.0%-24.0%	11.0%
Pretax discount rate	13.0%	13.0%

As of December 31, 2018, the expected annual growth rate of 17.0% in revenue of Shangdong Liantai for the year ended December 31, 2019 was based on the actual historical growth rate in 2019 and such increase in revenue was primarily due to its increase in number of property management projects in 2019.

As of June 30, 2020, the expected annual growth rate in revenue of Changsha Xiangcheng increased significantly to 44.6% for the year ending December 31, 2020 from 1.4% in 2019 primarily due to a property management project in Guangxi newly obtained in 2020. Such project has contributed revenue of approximately RMB7.1 million to Changsha Xiangcheng, which accounted for 28.5% of its total revenue for the six months ended June 30, 2020, with a gross margin of 18.8%. Given that Changsha Xiangcheng recorded a revenue of RMB36.4 million in 2019 and taking into account the contribution from the newly obtained project, the management reasonably estimated that there will be a much higher annual growth rate for Changsha Xiangcheng for the year ending December 31, 2020, as of June 30, 2020.

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The expected gross margin of Changsha Xiangcheng used in the impairment test of goodwill decreased to 23.0%-24.0% as of June 30, 2020 from 27.0%-30.0% as of December 31, 2019 was primarily due to a lower gross profit margin recorded by the newly obtained project in Guangxi for the six months ended June 30, 2020. For the six months ended June 30, 2020, including the newly obtained project, Changsha Xiangcheng has provided property management services to a total of 21 projects with a total gross profit margin of 18.6% as compared with a total gross profit margin of 32.9% in 2019. Despite the lower gross margin recorded during the first half of 2020, the management reasonably estimated that the expected gross margin of Changsha Xiangcheng used in the impairment test of goodwill as of June 30, 2020 will be 23.0%-24.0% since (i) most of the cost incurred for greening as well as equipment upgrading and maintenance for certain projects during the first half of 2020 will not be incurred again during the second half of 2020; (ii) the gross margin of the newly obtained project in Guangxi is expected to improve in the future; and (iii) revenue contribution from community value-added services which generally has a higher gross margin is expected to increase upon effective control of the COVID-19 outbreak.

As of December 31, 2018 and 2019 and June 30, 2020, the recoverable amounts of the property management business of Changsha Xiangcheng and Shandong Liantai calculated based on VIU calculation exceeded their aggregate carrying value by RMB7.7 million, RMB25.4 million and RMB20.1 million, respectively. The following table sets forth the details of headroom attributable to the acquired property management business as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Changsha Xiangcheng	N/A	5,897	15,390	16,959
Shandong Liantai	N/A	1,812	9,996	3,146
	N/A	7,709	25,386	20,105

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Our Directors have undertaken sensitivity analysis on the impairment test of goodwill in relation to all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as of December 31, 2018, 2019 and June 30, 2020, respectively. The following table sets forth the sensitivity analysis of all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as of the dates indicated:

	As of December 31, 2018	As of December 31, 2019	As of June 30, 2020
For Changsha Xiangcheng:			
– Annual revenue growth rate	-3%	-8%	-7%
– Discount rate	+8%	+23%	+28%
For Shangdong Liantai:			
– Annual revenue growth rate	-1%	-6%	-2%
– Discount rate	+3%	+16%	+5%

Our Directors consider that the key assumptions applied in impairment test of goodwill is relatively conservative and based on the sensitivity analysis above and in accordance with HKAS 36.143(f), our Directors considered that there is no reasonably possible change in key parameters that would cause the carrying amount of each acquired property management business to exceed its recoverable amount. By reference to the recoverable amount assessed by the independent valuer as of December 31, 2019 and June 30, 2020, our Directors determined that no impairment provision on goodwill was required as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

For further details, see Note 18 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

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Inventories

Our inventories primarily consist of carpark spaces held for sale and consumables held for consumption during the provision of property management services. During the Track Record Period, our inventories amounted to RMB65.1 million, RMB128.7 million, RMB134.8 million and RMB133.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Carpark spaces	61,123	123,542	130,846	129,192
Consumables	3,938	5,143	3,979	4,264
Total	65,061	128,685	134,825	133,456

Our inventories increased to RMB128.7 million as of December 31, 2018 from RMB65.1 million as of December 31, 2017 mainly due to an increase in the inventory of carpark spaces in Zhongshan, Qinhuangdao and Changchun since we procured more carpark spaces from the property developers. Our inventories increased to RMB134.8 million as of December 31, 2019 from RMB128.7 million as of December 31, 2018 mainly due to an increase in inventories of carpark spaces in Zhongshan, Qinhuangdao and Nanjing as we continued to procure carpark spaces from the property developers, partially offset by a decrease in consumables. Our inventories slightly decreased to RMB133.5 million as of June 30, 2020 from RMB134.8 million as of December 31, 2019 since we did not procure any carpark spaces and sold certain carpark spaces during the first half of 2020.

The following table sets forth an aging analysis of the carrying value of our carpark spaces in inventories as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within one year	1,560	65,664	18,598	–
One to two years	8,537	1,560	55,157	17,940
Two to three years	5,071	7,847	1,560	54,316
Over three years	45,955	48,471	55,531	56,936
Total	61,123	123,542	130,846	129,192

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Our carpark spaces in inventory are located in 16 residential properties under our management in Beijing, Zhongshan, Dalian, Nanjing, Qinhuangdao, Shenyang and Changchun. During the Track Record Period, we have sold 96, 100, 274 and 19 carpark spaces for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively, with revenue of RMB7.9 million, RMB18.8 million, RMB18.4 million and RMB1.6 million for the respective periods. Our average selling price per carpark spaces sold was RMB81,781, RMB187,540, RMB67,062 and RMB86,579 for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. During the Track Record Period, our total gross profits for selling such carpark spaces was RMB2.4 million, RMB15.1 million, RMB8.3 million and RMB0.6 million, representing a gross profit margin of 30.0%, 80.3%, 45.2% and 35.7% for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively. We generally record a relatively high gross profit margin for selling of carpark spaces as our property management team and finance team strictly control the selling price and sales volume depending on the market situation to ensure the gross profit margin. The significantly higher average selling price per carpark spaces sold and gross profit margin in 2018 was primarily due to our sales of carpark spaces in Beijing where the selling price per carpark space was high and the cost of sales was relatively lower. Our cost of sales for carpark spaces in Beijing was lower compared to other carpark spaces sold by us during the Track Record Period since they were acquired by us back in 2010 when the market price of carpark spaces was relatively low.

The pricing of the carpark spaces in Beijing has increased rapidly throughout the years due to high demand and limited supply, leading to a significantly high average selling price and gross profit margin for selling the carpark spaces in Beijing. During the Track Record Period, we have sold four, 34, six and nil carpark spaces in Beijing for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, with an average selling price of RMB0.3 million, RMB0.5 million, RMB0.6 million and nil and a gross profit margin of 71.9%, 83.3%, 80.8% and nil for the respective periods. The decrease in overall average selling price and overall gross profit margin of selling carpark spaces in 2019 was primarily due to a decrease in the number of carpark spaces sold in Beijing. For the first half of 2020, we have only sold 19 carpark spaces as affected by the outbreak of COVID-19. As such, any changes in the average selling price per carpark spaces and the overall gross profit margin is largely affected by the composition of the location of the carpark spaces sold. The increase in average selling price per carpark spaces for the first half of 2020 was primarily attributable to the 10 carpark spaces sold in Zhongshan where the residential property was newly developed with higher selling price for its carpark spaces, while the decrease in gross profit margin of selling carpark spaces for the first half of 2020 was primarily due to our sales of certain carpark spaces with relatively lower gross profit margin in cities such as Dalian.

Our Directors have assessed the carpark spaces by comparing their net realizable values and carrying amounts as of December 31, 2017, 2018, 2019 and June 30, 2020. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses and the estimated selling price is estimated by reference to the latest sales price close to each balance sheet date or if there is no available latest sale price, by reference to the sales price of comparable carpark spaces available in the market. The estimated selling expenses is insignificant for calculating the net realizable values as such expenses is generally very small. As of December 31, 2017, 2018 and 2019 and June 30, 2020, based on our management's estimation, our net realizable values of our carpark spaces amounted to RMB256.7 million, RMB460.5 million, RMB513.8 million and RMB537.4 million, respectively, all of which were much higher than the respective carrying value of such carpark spaces. Based on the net realizable value and our expected sales of carpark spaces, our Directors considered that no provision shall be make for the carpark spaces.

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The following table sets forth our average inventory turnover days⁽¹⁾ for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
Average inventory turnover days	621	1,130	1,313	1,560
Average inventory turnover days for carpark spaces	4,625	9,398	4,651	N/A
Average inventory turnover days for consumables	43	60	62	51

Note:

- (1) Our average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventories by cost of inventories sold or utilized for the relevant period and then multiplied by the number of days in the relevant period.

Our average inventory turnover days generally increased over the Track Record Period which was in line with the general increase in the balances of inventories as of the aforementioned dates indicated during the Track Record Period. The significantly high average inventory turnover days for carpark spaces during the Track Record Period was primarily due to an increase in number of carpark spaces purchased by us for sale and low subsequent sales of such carpark spaces. In particular, we have purchased 1,255 carpark spaces in Zhongshan and Changchun in December 2018 and have only sold 100 carpark spaces during the year, leading to a significant increase in turnover days in 2018. The calculation of average inventory turnover days for carpark spaces is not applicable for the six months ended June 30, 2020 since (i) calculation using cost of carpark spaces sold for the six months ended June 30, 2020 is not comparable to using cost of carpark spaces sold for the year; and (ii) the cost of carpark spaces sold for the six months ended June 30, 2020 cannot be meaningfully annualized due to the outbreak of COVID-19, conditions of properties under management where the carpark spaces are located and our strategic planning of sales of carpark spaces. We have only sold 19 carpark spaces for the six months ended June 30, 2020 since (i) our selling activities and demand from property owners and residents were adversely affected by the outbreak of COVID-19; and (ii) most of the carpark spaces held by us as of June 30, 2020 were located in newly developed properties in Zhongshan and Beijing with a low subsequent sales rate. We generally have a low subsequent sales rate of carpark spaces in these places since (i) newly developed residential communities such as Zhongshan generally have a low occupancy rate and less demand from property owners and residents during the first few years; and (ii) we intended to strategically control the sales volume of the carpark spaces in certain cities with high demand such as Beijing in order to maximize our selling premium. Despite the significantly high turnover days of carpark spaces during the Track Record Period, our Directors expect to sell most of the carpark spaces held in inventory as of June 30, 2020 within five years.

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As of June 30, 2020, majority of our carpark spaces in inventory were located in various newly developed residential properties in Zhongshan and residential properties in Beijing. According to China Index Academy, there is generally a low occupancy rate in the early stage of the newly developed residential properties and such occupancy rate will gradually increase over time and reach 80% to 90% in about four to five years. In addition, there is generally a gap between the number of property units and carpark spaces in the residential properties which lead to strong demand for carpark spaces within the residential communities. The residential properties in Zhongshan were delivered to us between 2017 and 2019 and the occupancy rate of such residential properties is expected to increase to 85%-90% between 2022 and 2024. As such, we plan to sell our carpark spaces in these newly developed residential properties in Zhongshan on a large scale starting from 2022 when the occupancy rate is expected to be higher. We will implement a series of measures to facilitate our sales of carpark spaces including but not limited to (i) regularly collect and analyze information related to the potential customers so as to formulate our sales plan and strategy; (ii) maintain close contacts with our target customers through our frontline staff; (iii) better control and management of the temporary parking within the communities to increase the need of purchasing carpark spaces by car owners; (iv) strengthen our sales management by setting key performance index and enhancing the sales incentive mechanism for frontline sales; and (v) roll out different purchase schemes to attract potential customers such as group purchase plan, special offer on holidays and rebate of property management fees, etc. Based on the expected demand for carpark spaces and the expected increase in occupancy rate in the relevant residential properties in Zhongshan as well as our facilitating measures, our Directors are of a view that such carpark spaces can be sold within five years. According to China Index Academy, the number of motor vehicles in Beijing as of December 31, 2017, 2018 and 2019 was 5.9 million, 6.1 million and 6.4 million, respectively, while the number of registered carpark spaces was only 2.1 million, 1.9 million and 1.7 million for the respective periods based on the data from the Beijing Municipal Commission of Transport, which demonstrate that there is a big gap between the number of motor vehicles and carpark spaces, leading to a high demand for carpark spaces in Beijing. Given the short supply and high demand of carpark spaces in Beijing and based on our track record of selling the carpark spaces in Beijing, our Directors are of a view that the pricing of carpark spaces in Beijing will continue to rise in the next few years and do not foresee any difficulties in selling such carpark spaces within five years. In addition, we have not acquired any additional carpark spaces since 2020 and up to the Latest Practicable Date and are not planning to further acquire carpark spaces from property developers in the future and our Directors are of a view that we will be able to sell most of our carpark spaces in inventory as of June 30, 2020 in accordance with our sales plan.

As of October 31, 2020, RMB10.7 million, or 8.0% of our total inventories as of June 30, 2020 had been subsequently utilized or sold, of which RMB6.4 million, or 5.0% of our carpark spaces had been subsequently sold and all of our consumables had been subsequently utilized.

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Trade and Note Receivables

Trade and note receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our trade and note receivables amounted to RMB243.8 million, RMB345.7 million, RMB363.7 million and RMB469.4 million, respectively. Our trade and note receivables mainly arise from our property management services provided on a lump sum basis and value-added services. Property management services income under lump sum basis and value-added service income are received in accordance with the terms of the relevant service agreements. We generally issue a demand note to the property owners or residents for the property management services provided and such service income from property management services is due for payment upon the issuance of the demand note. We generally issue a monthly demand note for value-added services and payment is due upon issuance of such demand note. We generally do not grant a credit term to our customers of property management services and a credit term of up to 60 days for value-added services to non-property owners.

The following table sets forth the breakdown of the trade and note receivables as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Trade receivables:				
Related parties	63,951	92,179	108,458	108,757
Third parties	225,443	320,353	333,638	450,240
	289,394	412,532	442,096	558,997
Note receivables:				
Related parties	—	—	2,025	2,908
Third parties	—	—	—	—
	289,394	412,532	444,121	561,905
Less: allowance for				
impairment of trade and				
note receivables:				
Related parties	(18)	(26)	(31)	(29)
Third parties	(45,561)	(66,822)	(80,431)	(92,440)
	(45,579)	(66,848)	(80,462)	(92,469)
Net trade and note				
receivables.	243,815	345,684	363,659	469,436

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Before allowance for impairment of trade and note receivables, our trade and note receivables increased from RMB289.4 million as of December 31, 2017 to RMB412.5 million as of December 31, 2018, primarily due to an increase in trade and note receivables from both third parties and related parties as we increased our GFA under management through acquisition of subsidiaries and increased value-added services to non-property owners. Before allowance for impairment of trade and note receivables, our trade and note receivables increased from RMB412.5 million as of December 31, 2018 to RMB444.1 million as of December 31, 2019, primarily due to an increase in trade and note receivables from both related parties and third parties which was in line with our business growth. Before allowance for impairment of trade and note receivables, our trade and note receivables increased from RMB444.1 million as of December 31, 2019 to RMB561.9 million as of June 30, 2020, primarily due to a significant increase in trade and note receivables from third parties as (i) we have continued to expand our business in property management services; and (ii) we experienced a slower collection of property management fees from property owners and residents during the first half of 2020 primarily attributable to the payment pattern of certain property owners and residents which tends to be centralized at the end of the year and the effect of the outbreak of COVID-19.

Note receivables are commercial acceptance notes with an aging of six months based on the issuance date. We generally receive acceptance notes as settlement from related parties in relation to property engineering services provided.

We seek to maintain strict control over our outstanding trade and note receivables. Overdue balances are reviewed regularly by senior management. The following table sets forth an aging analysis of our trade and note receivables net of allowance for impairment, based on the invoice date and due date, as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	186,409	276,747	291,077	391,193
One to two years	44,472	49,337	50,573	54,584
Two to three years	11,934	18,096	20,195	23,152
Over three years	1,000	1,504	1,814	507
Total	243,815	345,684	363,659	469,436

The following table sets forth an aging analysis of our trade and note receivables net of allowance for impairment, based on invoice date and due date, by type of customer as of the dates indicated:

	As of December 31,						As of June 30, 2020	
	2017		2018		2019			
	Related parties	Third Parties	Related parties	Third Parties	Related parties	Third Parties	Related parties	Third Parties
	RMB'000		RMB'000		RMB'000		RMB'000	
Within one year	49,364	137,045	86,900	189,847	101,574	189,503	106,345	284,848
One to two years	9,026	35,446	2,457	46,880	7,730	42,843	4,038	50,546
Two to three years	4,543	7,391	1,292	16,804	672	19,523	1,151	22,001
Over three years	1,000	–	1,504	–	476	1,338	102	405
Total	63,933	179,882	92,153	253,531	110,452	253,207	111,636	357,800

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The following table sets forth an aging analysis of our trade and note receivables net of allowance for impairment, based on invoice date and due date, by business line as of the dates indicated:

As of December 31,												
2017			2018			2019			As of June 30, 2020			
Property management services	Value-added services to non-property owners	Community value-added services	Property management services	Value-added services to non-property owners	Community value-added services	Property management services	Value-added services to non-property owners	Community value-added services	Property management services	Value-added services to non-property owners	Community value-added services	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	143,460	42,414	535	181,757	94,172	818	195,439	94,171	1,467	265,009	116,182	10,002
One to two years	42,240	1,855	377	47,806	1,531	–	41,985	8,588	–	47,374	7,210	–
Two to three years	11,934	–	–	17,825	148	123	20,096	99	–	20,827	2,325	–
Over three years	1,000	–	–	1,504	–	–	1,814	–	–	507	–	–
Total	198,634	44,269	912	248,892	95,851	941	259,334	102,858	1,467	333,717	125,717	10,002

				Six months ended			
				Year ended December 31,			
				2017	2018	2019	June 30, 2020
Average trade and note receivables turnover days⁽¹⁾				77	80	85	101
Average trade and note receivables turnover days of related parties⁽²⁾				100	90	99	103
Average trade and note receivables turnover days of third parties⁽³⁾				70	77	82	101

Notes:

- (1) Average trade and note receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and note receivables by revenue for the relevant period and then multiplied by the number of days in the relevant period.
- (2) Average trade and note receivables turnover days of related parties for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and note receivables due from related parties by revenue generated from related parties for the relevant period and then multiplied by the number of days in the relevant period.
- (3) Average trade and note receivables turnover days of third parties for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade and note receivables due from third parties by revenue generated from third parties for the relevant period and then multiplied by the number of days in the relevant period.

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Average trade and note receivables turnover days indicate the average time required for us to collect payments from customers for provision of services. Our average trade and note receivables turnover days increased from 77 days in 2017 to 80 days in 2018 and further to 85 days in 2019 primarily due to a slower collection of trade and note receivables from property owners and residents. Our average trade and note receivables turnover days increased from 85 days in 2019 to 101 days during the first six months of 2020 since we generally record a higher turnover days during the first half of the year as compared to the full year due to the payment pattern of certain property owners and residents and we experienced a slower collection of property management fees from property owner and residents as affected by the outbreak of COVID-19.

During the Track Record Period, average trade and note receivables turnover days of related parties were longer than those of third parties primarily due to the difference in nature of the services provided. The trade and note receivables due from related parties were mainly generated from the provision of value-added services to non-property owners which the customers generally settle payments on a quarterly or yearly basis or upon completion of the relevant projects depending on the type of services involved; while trade and note receivables due from third parties mainly comprised property management fees from individual property owners and residents who generally settle payments within a shorter period of time. Our Directors consider that the relatively longer average trade and note receivables turnover days of related parties did not and would not expose us to significant credit risk, having considered the creditworthiness and past collection history of the related parties. During the Track Record Period, we did not experience any difficulties in collecting trade and note receivables from related parties.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our trade and note receivables that were outstanding for more than one year amounted to RMB101.0 million, RMB133.8 million, RMB151.0 million and RMB168.8 million, respectively, accounting for 34.9%, 32.4%, 34.0% and 30.0% of our trade and note receivables before allowance for impairment, respectively. The general increase in outstanding trade and note receivables for more than one year during the Track Record Period was primarily due to the cumulative long arrears from certain third-party property owners and residents for our property management services. These long aged trade and note receivables were primarily attributable to (i) certain residential properties in Tianjin where the property owners and residents did not have a common practice of paying property management fees on time; and (ii) other property owners or residents scattered in more than 100 residential properties in different cities that failed to pay the property management fees on time. We took over the management of the residential properties in Tianjin in 2015 from certain subsidiaries of the Sino-Ocean Group as a result of internal business restructure of the Sino-Ocean Group. Before that, these subsidiaries were responsible for the property development as well as the property management, and did not place great focus on the collection of property management fees. In 2015, the Sino-Ocean Group has uniformed its management for property management and delivered its residential properties in Tianjin for our management. We have formulated various measures to enhance the timeliness of the collection of property management fees after we started managing these properties including but not limited to issuance of demand letter. For details, see the section

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headed “Business — Our Business Model — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.” The following table sets forth an aging analysis of our trade and note receivables aged over one year attributable to properties in Tianjin (before and after allowance for impairment), based on the invoice date and due date, as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Before allowance for impairment				
One to two years	16,337	23,012	18,927	20,503
Two to three years	8,532	14,405	14,755	17,034
Over three years	12,656	20,167	26,527	32,155
Total gross trade and note receivables in Tianjin	37,525	57,584	60,209	69,692
After allowance for impairment				
One to two years	11,849	16,863	13,831	16,184
Two to three years	4,228	7,271	7,721	8,640
Over three years	—	—	768	232
Total net gross trade and note receivables in Tianjin	16,077	24,134	22,320	25,056

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and note receivables. We make impairment provisions of trade and note receivables and our management make periodic judgment on impairment of overdue receivables based on the likelihood of collectability. During the Track Record Period, our impairment provisions were made using a provision matrix with appropriate groupings based on shared credit risk characteristics and the aging. The provision matrix is determined based on historical observed default rates over the expected life of the trade and note receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we have made a provision of RMB45.6 million, RMB66.8 million, RMB80.5 million and RMB92.5 million, respectively, against the gross amount of trade and note receivables, of which RMB43.6 million, RMB64.9 million, RMB78.5 million and RMB90.6 million, respectively, was made

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against the gross amount of trade and note receivables aged over one year which was primarily attributable to certain property owners and residents in Tianjin and other residential properties as mentioned above. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we have made a provision of RMB18,000, RMB26,000, RMB31,000 and RMB29,000, respectively, against the gross amount of trade and note receivables for related parties and a provision of RMB45.6 million, RMB66.8 million, RMB80.4 million and RMB92.4 million, respectively, against the gross amount of trade and note receivables for third parties.

Our trade and note receivables (net of allowance for impairment) due from third parties that were aged over one year gradually increased from RMB42.8 million as of December 31, 2017 to RMB73.0 million as of June 30, 2020 primarily due to an increase in number of property owners or residents who failed to pay the property management fees to us on time as we continue to expand our management portfolio and increase our GFA under management. In particular, such trade and note receivables increased significantly as of December 31, 2018 since there was an increase in number of properties delivered to us since 2016 and certain property owners and residents from these newly delivered properties did not pay the property management fees to us on time, leading to an increase in net trade and note receivables aged over one to two years and two to three years as of December 31, 2018. We have made impairment provisions of gross trade and note receivables due from third parties based on the average of historical likelihood of collectability within three years and a provision matrix which is based on shared credit risk characteristics and the aging, of which any trade and note receivables aged over three years will be fully impaired (unless they have been subsequently settled). Our Directors consider that no additional allowance for our trade and note receivables (net of allowance for impairment) due from third parties is needed since we have been attempting to collect the outstanding property management fees through different means and they have been subsequently settled within three years. As of October 31, 2020, 112.8%, 95.5%, 51.2% and 30.2% of our net trade and note receivables aged over a year as of December 31, 2017, 2018, 2019 and June 30, 2020 has been subsequently settled, respectively.

Based on the independent due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the Directors' view in relation to the allowance for impairment of the trade and note receivables.

The following table sets forth a movement of the loss allowance for impairment of trade and note receivables as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
As of beginning of the period	26,162	45,579	66,848	80,462
Provision for loss allowance recognized in profit or loss	19,531	23,959	14,186	14,139
Loss allowance write-off	(114)	(2,690)	(572)	(2,132)
As of end of the period	45,579	66,848	80,462	92,469

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We consider the probability of default upon initial recognition of receivables and assess whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period based on available reasonable and supportive forward-looking information and various indicators. In determining the recoverability of our trade and note receivables, we estimate the recoverable amount by taking into account a number of factors including subsequent settlement status, historical write-off experience and management fee collection rate of the residents in estimating the future cash flows from the receivables.

We have formulated and implemented various measures to expedite the recovery of our trade and note receivables and to enhance the timeliness of the collection of property management fees which applies to both related parties and third parties. When the property management fees become overdue, we will send overdue payment notices to the customers by phone, messages, through our online service platform or deliver in person or to the mailboxes of the property owners and residents and follow up with frequent payment reminders. We may also impose late payment fee for any late payment of property management fee. In the event of significant payment delays after repeatedly failed collection attempts, we may initiate legal proceedings to collect the property management fees.

In determining the loss provision for trade and note receivables, we consider whether there is a significant increase in credit risk of the receivables. To assess whether there is a significant increase in credit risk, we compare the risk of default occurring on the receivables as of the reporting date with the risk of default as of the date of initial recognition. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in collecting trade and note receivables from both related parties and third parties.

As of October 31, 2020, RMB199.0 million, or 35.4% of our gross trade and note receivables as of June 30, 2020 had been subsequently settled. With respect to related parties, RMB98.5 million, or 88.1% of our gross trade and note receivables due from related parties as of June 30, 2020 had been subsequently settled as of October 31, 2020. With respect to third parties, RMB100.5 million, or 22.3% of our gross trade and note receivables due from third parties as of June 30, 2020 had been subsequently settled as of October 31, 2020.

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Prepayment and Other Receivables

Our prepayment and other receivables include prepayment to suppliers, other receivables and prepaid tax which in aggregate amounted to RMB81.3 million, RMB3,176.3 million, RMB94.3 million and RMB90.7 million, respectively, as of December 31, 2017, 2018 and 2019 and June 30, 2020. Our prepaid tax amounted to RMB5.3 million, RMB2.6 million, RMB3.3 million and RMB1.5 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Prepayments

Prepayments primarily represent (i) prepayments in relation to utility fees for common area facilities; (ii) prepayments for rental fees; and (iii) prepayments to suppliers for materials for engineering and maintenance services.

The following table sets forth the breakdowns of our prepayments as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties	100	112	231	708
Third parties	13,001	11,207	15,528	8,256
	13,101	11,319	15,759	8,964

Our prepayments decreased from RMB13.1 million as of December 31, 2017 to RMB11.3 million as of December 31, 2018, primarily due to a decrease in prepayment as the consideration paid in 2017 for acquisition of Beijing Best was classified as prepayment and was later transferred to investments in joint ventures after completion in 2018. Our prepayments increased from RMB11.3 million as of December 31, 2018 to RMB15.8 million as of December 31, 2019, primarily due to an increase in prepayment of rent for our offices and staff dormitories. Our prepayments decreased from RMB15.8 million as of December 31, 2019 to RMB9.0 million as of June 30, 2020, primarily due to a decrease in prepayment of utility fees since we generally prepay utility fees at the end of each year and there was amortization of prepaid utility fees during the first half of 2020.

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Other Receivables

Other receivables mainly represent (i) advances to Sino-Ocean (China); (ii) payments on behalf of property owners and residents in relation to utility fees and repair and maintenance funds; (iii) deposits for participating in tender and bidding process for obtaining projects; and (iv) others including petty cash to employees for our daily operations such as traveling and business entertainment allowances.

The following table sets forth the breakdowns of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties	1,950	3,107,448	12,639	15,832
Payments on behalf of property owner	44,952	44,577	45,672	45,476
Deposit	4,715	6,265	11,121	10,070
Others	11,370	5,015	6,587	9,660
	62,987	3,163,305	76,019	81,038
Less: allowance for impairment of other receivables	(35)	(894)	(832)	(778)
Net other receivables	62,952	3,162,411	75,187	80,260

Before allowance for impairment of other receivables, our other receivables significantly increased from RMB63.0 million as of December 31, 2017 to RMB3,163.3 million as of December 31, 2018, primarily due to an increase of RMB3,105.5 million in other receivables due from related parties as we made an advances to Sino-Ocean (China) which was non-trade in nature. Before allowance for impairment of other receivables, our other receivables decreased from RMB3,163.3 million as of December 31, 2018 to RMB76.0 million as of December 31, 2019, primarily due to a decrease of RMB3,094.8 million in other receivables due from related parties since Sino-Ocean (China) repaid such advances in 2019. Before allowance for impairment of other receivables, our other receivables increased from RMB76.0 million as of December 31, 2019 to RMB81.0 million as of June 30, 2020, primarily due to (i) an increase of RMB3.2 million in other receivables due from related parties as we paid certain utility fees on behalf of them; and (ii) an increase of RMB3.1 million in others mainly in relation to an increase in petty cash to our employees for our daily operations.

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Trade and Other Payables

Trade Payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of utilities and materials and purchase from sub-contractors. We are generally granted credit terms of up to 90 days by our suppliers. The following table sets forth the breakdown of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	9,547	35,683	22,130	21,073
Third parties	201,968	198,639	231,767	239,583
	<u>211,515</u>	<u>234,322</u>	<u>253,897</u>	<u>260,656</u>

The increase in trade payables from RMB211.5 million as of December 31, 2017 to RMB234.3 million as of December 31, 2018 and further to RMB253.9 million as of December 31, 2019 was primarily due to the expansion of our business reflecting (i) our acquisitions of two subsidiaries in late 2017 and two subsidiaries in early 2018; (ii) an increase in purchase of sub-contracting services from third-party service providers, and (iii) an increase in procurement of utilities for our business operations. Trade payables increased from RMB253.9 million as of December 31, 2019 to RMB260.7 million as of June 30, 2020 as we continue to expand our business.

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The following table sets forth an aging analysis of our trade payables, based on the invoice date, as of the dates indicated, and our average trade payables turnover days for the periods indicated:

	As of/Year ended December 31,			As of/Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	186,192	227,268	250,093	250,110
One to two years	19,164	5,510	3,050	9,698
Two to three years	6,159	1,445	576	575
Over three years	—	99	178	273
	211,515	234,322	253,897	260,656
Average trade payables turnover days ⁽¹⁾	74	63	61	72

Note:

- (1) 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 for the relevant period and then multiplied by the number of days in the relevant period.

Average trade payables turnover days indicate the average time we take to make cash payments to suppliers. The general decrease in our average trade payable turnover days from 2017 to 2019 primarily reflected our efforts in expediting the internal payment procedure and settlement with our suppliers and subcontractors. Our average trade payables turnover days slightly increased from 61 days in 2019 to 72 days for the six months ended June 30, 2020 was primarily due to the general slowdown of purchase from and settlement with suppliers in light of the COVID-19 outbreak during the first half of 2020.

As of October 31, 2020, RMB153.7 million, or 59.0% of our total trade payables as of June 30, 2020 had been subsequently settled.

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Accruals and Other Payables

Accruals and other payables represent: (i) other payables to third parties, (ii) other payables to related parties, (iii) dividend payables; (iv) interest payables; (v) salaries payables, and (vi) other tax payables. Other payables to third parties mainly represent: (i) amounts collected on behalf of property owners and residents, mainly arising from utility fees collection from property owners and residents which are yet to be paid to the relevant government authorities, and (ii) deposits mainly made by property owners and residents in relation to interior decorations and resident pass. Other payables to related parties were mainly in connection with (i) advances made by the Sino-Ocean Group to us for our daily operations under centralized cash management which are non-trade in nature; and (ii) utility fees paid on behalf of property owners and residents by such related parties as property developers before we took over to make such payment on behalf of property owners and residents.

The following table sets forth the breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables				
– Related parties	28,345	41,348	166,123	493,099
– Deposit	115,265	115,701	111,007	117,100
– Amounts collected on behalf of property owner . .	106,441	88,818	94,907	91,586
– Others	26,318	38,401	37,391	52,989
	<u>276,369</u>	<u>284,268</u>	<u>409,428</u>	<u>754,774</u>
Dividend payables				
– Related parties	–	–	–	162,385
– Non-controlling shareholders	–	–	–	5,145
	<u>–</u>	<u>–</u>	<u>–</u>	<u>167,530</u>
Interest payables				
– Related parties	–	–	1,600	–
– Third parties	–	38,772	34,784	33,028
	<u>–</u>	<u>38,772</u>	<u>36,384</u>	<u>33,028</u>
Accrued payroll	92,892	85,018	99,545	63,616
Other tax payables	4,724	7,661	8,477	10,674
Total	<u>373,985</u>	<u>415,719</u>	<u>553,834</u>	<u>1,029,622</u>

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Our accruals and other payables increased from RMB374.0 million as of December 31, 2017 to RMB415.7 million as of December 31, 2018, primarily due to (i) an increase of RMB38.8 million in interest payables to third parties in relation to our asset-backed securities; (ii) an increase of RMB13.0 million in other payables to related parties; and (iii) an increase of RMB12.1 million in others. Our accruals and other payables increased from RMB415.7 million as of December 31, 2018 to RMB553.8 million as of December 31, 2019, primarily due to (i) an increase of RMB124.8 million in other payables to related parties mainly comprising advances from related parties; and (ii) an increase of RMB14.5 million in accrued payroll as we hired more employees for our expansion of business, partially offset by a decrease of RMB2.4 million in interest payables as the principal of our asset-backed securities decreased. Our accruals and other payables increased from RMB553.8 million as of December 31, 2019 to RMB1,029.6 million as of June 30, 2020, primarily due to (i) an increase of RMB167.5 million in dividend payables to the Sino-Ocean Group and non-controlling shareholders; and (ii) an increase of RMB327.0 million in other payables to related parties mainly in relation to an increase in advances from the Sino-Ocean Group during the first half of 2020 for our daily operations; partially offset by a decrease of RMB35.9 million in accrued payroll as we settled most of the accrued payroll as of December 31, 2019 with our employees and a decrease of RMB3.4 million in interest payables since we repaid the borrowings from Sino-Ocean (China) and a portion of the principal of our asset-backed securities in the first half of 2020.

Contract Liabilities

During the Track Record Period, contract liabilities represent our obligations to provide the contracted property management services and community value-added services to customers. Our contract liabilities mainly arise from the advance payments made by customers while the underlying services such as property management services and carpark management services are yet to be provided. During the Track Record Period, certain property owners and residents and carpark spaces owners and leasees prepaid their relevant property management fees, carpark management fees or rents for carpark spaces, leading to contract liabilities. During the Track Record Period, our contract liabilities amounted to RMB247.1 million, RMB293.8 million, RMB304.1 million and RMB336.7 million as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. All of the contract liabilities are within one year. The increase of contract liabilities during the Track Record Period was primarily resulting from the growth of our business. As of October 31, 2020, RMB226.9 million, or 67.4% of our contract liabilities as of June 30, 2020 had been subsequently utilized.

Lease Liabilities

We lease various properties in the PRC mainly as our staff dormitories and offices and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. Rental contract are typically made for fixed periods of two to five years and may have extension options. During the Track Record Period, our current lease liabilities amounted to RMB7.2 million, RMB8.1 million, RMB3.8 million and RMB5.1 million and our non-current lease liabilities amounted to RMB8.2 million, RMB2.5 million, RMB0.7 million and RMB4.8 million as of December 31, 2017, 2018 and 2019 and as of June 30, 2020, respectively. The general decrease in lease liabilities in 2017, 2018 and 2019 was primarily due to shorter remaining lease term of our existing leases. Our lease liabilities increased for the six months ended June 30, 2020 since we entered into a new lease agreement for our Beijing headquarters.

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CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for (i) purchase of property, plant and equipment such as electronic equipment, leasehold improvements, office equipment and vehicles; (ii) purchase of intangible assets such as computer software; (iii) acquisition of subsidiaries, namely Shandong Liantai, Changsha Xiangcheng, Ocean Nantong and Hangzhou New Era; and (iv) investment in a joint venture, namely Beijing Best Technology. The following table sets forth the breakdown of our relevant capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Additions of property, plant and equipment	11,741	13,973	11,182	1,598
Additions of intangible assets	1,708	11,777	3,029	131
Acquisition of subsidiaries, net of cash	–	69,506	–	–
Acquisition of a joint venture	3,900	16,600	–	–
	<u>17,349</u>	<u>111,856</u>	<u>14,211</u>	<u>1,729</u>

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the carrying amount of our property, plant and equipment was RMB21.1 million, RMB24.9 million, RMB25.3 million and RMB21.9 million, respectively, which consisted mainly of electronic equipment, leasehold improvement, office equipment and vehicles.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the carrying amount of our intangible assets was RMB3.4 million, RMB117.1 million, RMB112.4 million and RMB108.7 million, respectively. The intangible assets represented computer software, trademark, property management contract and customer relationship and goodwill.

In November 2017, we acquired 60% of the equity interests in Ocean Nantong at a consideration of RMB2.7 million and 60% of the equity interest in Hangzhou New Era at a consideration of RMB5.6 million. In March 2018, we acquired 80% of the equity interests in Shandong Liantai Property Service Co., Ltd. at a consideration of RMB50.6 million and 60% of the equity interests in Changsha Xiangcheng at a consideration of RMB40.3 million. These four companies became our subsidiaries since then.

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In January 2018, we acquired 30% of the equity interest in Beijing Best Technology at a consideration of RMB20.5 million from an independent third party and Beijing Best Technology became our joint venture since then.

For more information on the uses of our capital expenditures during the Track Record Period, see the section headed “— Liquidity and Capital Resources — Cash Flows from Investing Activities” above.

We currently expect our capital expenditures for the year ending December 31, 2020 to be RMB204.3 million, of which RMB185.0 million and RMB8.1 million have been used for settling payment in relation to the Reorganization and the acquisition of two joint ventures, respectively, as of the Latest Practicable Date; and the remaining have been and will be used mainly for procurement of property, plant and equipment and intangible assets.

CAPITAL COMMITMENTS

Capital commitments represent capital expenditure contracted for as of the end of a reporting period but not yet incurred. As of June 30, 2020, we did not have any capital commitments.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) provision of services; (ii) purchase of goods and services; (iii) purchase of computer software; (iv) purchase of carpark spaces; (v) advances from intermediate holding company, loans to and from intermediate holding company and interest income and expenses; and (vi) key management compensation.

Provision of services

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we had provided services, namely, property management services and value-added services to non-property owners, to related parties, being the Sino-Ocean Group (including its joint ventures and associates), in an aggregate amount of RMB252.8 million, RMB316.0 million, RMB373.5 million and RMB196.4 million, respectively.

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Purchase of goods and services

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we purchased goods and services from related parties amounted to RMB8.1 million, RMB77.8 million, RMB116.3 million and RMB47.7 million, respectively. These mainly included purchase of catering services and engineering services.

Rental expenses

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we leased certain properties from related parties amounted to RMB3.5 million, RMB5.8 million, RMB10.7 million and RMB1.8 million, respectively.

Purchase of computer software

For the year ended December 31, 2018, we purchased certain computer software including APP from Beijing Yijie Electronic Commerce Co., Ltd., an entity controlled by Sino-Ocean, which amounted to RMB8.6 million.

Purchase of carpark spaces

For the years ended December 31, 2017, 2018 and 2019, we purchased certain carpark spaces from the Sino-Ocean Group in Zhongshan, Qinhuangdao, Changchun and Nanjing, which amounted to RMB1.6 million, RMB66.0 million and RMB4.8 million, respectively.

Amount due to, loans and finance income and expenses

Our Group provided certain interest-bearing loans in an aggregate amount of RMB3,158.0 million and RMB2,856.0 million for the years ended December 31, 2018 and 2019, respectively, to Sino-Ocean (China), for their operating cash needs and business development (the “**Relevant Loans**”). As a subsidiary of Sino-Ocean (China) and in accordance with its capital management plan, we entered into an asset-backed securities arrangement with a third-party investment bank and brokerage firm in the PRC by securitizing our rights of receiving property management fees in respect of certain properties under our management and our payment obligations under the priority level of the asset-backed securities were guaranteed by Sino-Ocean (China). Such asset-backed securities and guarantees have been redeemed and released as of the Latest Practicable Date. The Sino-Ocean Group obtained funding from us through our issuance of asset-backed securities in addition to traditional bank loans since it would like to (i) enhance its asset liquidity; (ii) enjoy comparatively more flexible use of proceeds than bank loans; and (iii) broaden its financing channels and enhance its brand name and visibility in the capital market. Through diversified and expanded financing channels, the Sino-Ocean Group intended to optimize its asset structure and reduce its financing costs. The loan in 2018 has an interest-bearing rate of 8.04% per annum while the loan in 2019 has an interest-bearing rate of 8.04% per annum, which was in line with our capital management policy.

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Our interest income generated from the Relevant Loans due from the related parties was nil, RMB107.0 million, RMB214.3 million and RMB98.5 million, for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. All of these interest income are non-recurring in nature and we are not planning to enter into similar arrangements going forward. For further details, please see the section headed “Risk Factors — Risks Relating to Our Business and Industry — The interest income from loans due from related parties during the Track Record Period was non-recurring in nature.” Sino-Ocean (China) repaid RMB3,158.0 million of the Relevant Loans in 2018 and RMB306.0 million of the Relevant Loans during the six months ended June 30, 2020. As of September 30, 2020, Sino-Ocean (China) has fully repaid the remainder of the Relevant Loans.

As advised by our PRC Legal Advisors, 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 departmental rule promulgated by the PBOC in 1996. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. As advised by our PRC Legal Advisors, the possibility that the PBOC would impose a penalty on us pursuant to the General Lending Provisions is remote.

Our PRC Legal Advisors further advised that according to 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 “Provisions”) promulgated on August 6, 2015, revised on August 19, 2020 and became effective on August 20, 2020, borrowing agreements among companies are valid if extended for purpose of financing production or business operations (except for circumstances that result in a voided contract as stipulated under the Contract Law and the Provisions) and the PRC courts will support any claims of the interest payment of such loan by the company as long as the total annualized interest rates of such loan (including any overdue interest rates, liquidated damages and any other fees) do not exceed four times of the market interest rate of one-year loan in China as published by the National Interbank Funding Center on the 20th of each month, when the borrowing agreement is being executed. Pursuant to the Provisions, in the event that such borrowings occurred before August 20, 2019, the ceiling of interest rate under protection may be determined with reference to four times of the market interest rate of one-year loan in China as of the date when the plaintiff files a suit. As confirmed by our Directors, the annual interest rate of the Relevant Loans did not and will not exceed four times of the market interest rate of one-year loan in China as of the relevant date and as advised by our PRC Legal Advisors, our provision of the Relevant Loans to Sino-Ocean (China) was legal and valid under the Provisions.

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Beijing Junde provided certain interest-bearing loans in an aggregate amount of RMB10.0 million and RMB10.0 million for the years ended December 31, 2017 and 2018, respectively, to our subsidiary Beijing Yuanhe, for their operating cash needs and business development. These loans have an interest-bearing rate of 8.0% per annum. Our finance expenses in relation to such loans were RMB61,000, RMB1.3 million and RMB1.6 million for the years ended December 31, 2017, 2018 and 2019, respectively. Such loans had been fully repaid by us during the first half of 2020.

For the year ended December 31, 2018, we provided Sino-Ocean (China) with an advances of RMB3,089.2 million which was interest free, all of which had been repaid in 2019.

Key Management compensation

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we provided compensations for our key management, executive directors and independent non-executive directors which include salaries, bonuses and other benefits, in an aggregate amount of RMB7.0 million, RMB13.4 million, RMB8.0 million and RMB3.1 million, respectively.

Balances with Related Parties

The following table sets forth the breakdown of our balances with related parties as of the dates indicated:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Amounts due from related parties				
– Loans and interest receivables	–	–	2,856,000	2,654,381
– Trade and note receivables	63,951	92,179	110,483	111,665
– Other receivables	1,950	3,107,448	12,639	15,832
– Prepayments	100	112	231	708
	66,001	3,199,739	2,979,353	2,782,586
Amounts due to related parties				
– Other payables	28,345	41,348	166,123	493,099
– Dividend payable	–	–	–	162,385
– Trade payables	9,547	35,683	22,130	21,073
– Contract liabilities	6,386	3,534	12,214	10,196
– Interest payables	–	–	1,600	–
– Other borrowings	10,000	20,000	20,000	–
	54,278	100,565	222,067	686,753

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These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all the above mentioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For further details on related party transactions and balances, see Note 37 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

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

	As of/Year ended December 31,			As of/Six months ended June 30,
	2017	2018	2019	2020
Current ratio ⁽¹⁾	1.3	0.7	0.7	1.0
Quick ratio ⁽²⁾	1.2	0.6	0.6	1.0
Return on equity ⁽³⁾ (%)	28.2	27.2	46.6	N/A
Return on total assets ⁽⁴⁾ (%)	8.4	3.3	4.9	N/A
Gearing ratio ⁽⁵⁾ (%)	N/A	454.5	483.1	439.9

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as of the date indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as of the date indicated.
- (3) Return on equity is calculated by dividing profit for the year by total equity as of the closing of the relevant year and multiplied by 100%.
- (4) Return on total assets is calculated by dividing profit for the year by total assets as of the closing of the relevant year and multiplied by 100%.
- (5) Gearing ratio is calculated by dividing net debt (total borrowings and lease liabilities minus cash and cash equivalents) by total equity as of the date indicated and multiplied by 100%.

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Current Ratio and Quick Ratio

Our current ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020 was 1.3, 0.7, 0.7 and 1.0, respectively, and our quick ratio as of those dates was 1.2, 0.6, 0.6 and 1.0, respectively. Our quick ratio was very close to our current ratio as of December 31, 2017, 2018 and 2019 and June 30, 2020 because we had relatively small amount of inventories as of those dates. Our current ratio and quick ratio decreased from 1.3 and 1.2 as of December 31, 2017 to 0.7 and 0.6 as of December 31, 2018, respectively, which were primarily due to the decrease in our cash and cash equivalents attributable to our cash used in investing activities as discussed above, coupled with an increase in borrowings and trade and other payables. Our current ratio and quick ratio remained stable at 0.7 and 0.6 as of December 31, 2019, respectively, as compared to as of December 31, 2018. Our current ratio and quick ratio increased from 0.7 and 0.6 as of December 31, 2019 to 1.0 and 1.0 as of June 30, 2020, respectively, which were primarily due to an increase in current assets as we expected Sino-Ocean (China) to repay all outstanding loans before the Listing and such non-current loan and interest receivables due from Sino-Ocean (China) became current assets as of June 30, 2020.

Return on Equity

Our return on equity for the years ended December 31, 2017, 2018 and 2019 was 28.2%, 27.2% and 46.6%, respectively. Our return on equity slightly decreased from 28.2% in 2017 to 27.2% in 2018 primarily due to an increase in total equity. Our return on equity significantly increased from 27.2% in 2018 to 46.6% in 2019 primarily due to (i) an increase in our profit for the year as a result of our business expansion and (ii) a decrease in total equity as we declared and paid dividends in 2019. This calculation is not applicable for the six months ended June 30, 2020 as (i) calculation using profit for the six months ended June 30, 2020 is not comparable to using profit for the year; and (ii) the profit for the six months ended June 30, 2020 cannot be meaningfully annualized due to the difference in number of property projects managed by us and fluctuation of customer demand for our value-added services.

Return on Total Assets

Our return on total assets for the years ended December 31, 2017, 2018 and 2019 was 8.4%, 3.3% and 4.9%, respectively. Our return on total assets decreased from 8.4% in 2017 to 3.3% in 2018 primarily due to a significant increase in our non-current assets resulting from the increase in non-current other receivables in relation to the advances to Sino-Ocean (China) in 2018. Our return on total assets increased from 3.3% in 2018 to 4.9% in 2019 primarily due to (i) an increase in our profit for the year as a result of our business expansion and (ii) a slight decrease in total assets as we received repayments from Sino-Ocean (China) in 2019 in relation to our advances to them. This calculation is not applicable for the six months ended June 30, 2020 as (i) calculation using profit for the six months ended June 30, 2020 is not comparable to using profit for the year; and (ii) the profit for the six months ended June 30, 2020 cannot be meaningfully annualized due to the difference in number of property projects managed by us and fluctuation of customer demand for our value-added services.

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Gearing Ratio

Our gearing ratio as of December 31, 2017, 2018, 2019 and June 30, 2020 was nil, 454.5%, 483.1% and 439.9%, respectively. We did not have any gearing ratio as of December 31, 2017 as we were in a net cash position. Our gearing ratio increased significantly from nil as of December 31, 2017 to 454.5% as of December 31, 2018 since we issued asset-backed securities with a total amount of RMB3,152.7 million in 2018 and Beijing Junde provided loans of RMB10.0 million to Beijing Yuanhe in 2018. Our gearing ratio further increased from 454.5% as of December 31, 2018 to 483.1% as of December 31, 2019, which was primarily attributable to a decrease in total equity as we declared and paid dividends in 2019. Our gearing ratio decreased from 483.1% as of December 31, 2019 to 439.9% as of June 30, 2020, which was primarily due to a decrease in our net debt since Sino-Ocean (China) repaid a portion of the loan to us during the six months ended June 30, 2020, which resulted in higher cash and cash equivalents as of June 30, 2020.

During the Track Record Period, we had fully utilized the proceeds from issuance of asset-backed securities in 2018 to provide loans to Sino-Ocean (China). Accordingly, we recorded significant amounts of finance expenses in relation to the asset-backed securities and interest income in relation to the loans provided. Assuming that such asset-backed securities have been excluded from our net debt and such finance expenses and interest income have been excluded from our financial results, we would be in a net cash position as of each of December 31, 2018, 2019 and June 30, 2020 and our total equity as of each of December 31, 2018, 2019 and June 30, 2020 would have been RMB511.1 million, RMB407.8 million and RMB365.9 million, respectively, and our gearing ratios would have been nil, nil and nil as of the respective dates.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

During our normal course of business, we are exposed to various types of financial risks, mainly including fair value interest rate risk, credit risk and liquidity risk. Our Directors review and agree on policies for managing each of such risks. For further details, see Note 3 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

Fair Value Interest Rate Risk

Our interest rate risk arises from non-current loans and interest receivables due from related parties and borrowings. Loans and interest receivables due from related parties and borrowings at fixed rates expose us to fair value interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

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Credit Risk

We are exposed to credit risk in relation to our trade and note receivables, other receivables, cash and cash equivalents, restricted bank deposits and loans and interest receivables due from related parties. The carrying amounts of trade and note receivables, other receivables, cash and cash equivalents represent our maximum exposure to credit risk in relation to financial assets.

We expect that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

We have a large number of customers and there was no concentration of credit risk during the Track Record Period. For trade and note receivables, other receivables and loans and interest receivables due from related parties, we have implemented monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We assess the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, we review the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjust for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts. In order to minimize the credit risk, our management performs impairment assessment under the expected credit loss model on trade and note receivables and other receivables from third party individually and collectively based on provision matrix and performs impairment assessment with a 12 months expected losses under the expected credit loss model on loans and interest receivables due from related parties. In this regard, our Directors considered that our credit risk is significantly reduced.

We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We also consider available reasonable and supportive forwarding-looking information. For further details, see Note 3.1.2 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a reasonable level of cash and cash equivalents which deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. As such, we maintain flexibility in funding through having available sources of financing such as cash generated from operating activities and external financing. Taking into account the available banking facilities and cash flow generated from operations, our Directors consider that we will have sufficient resources to meet our present requirement for the next 12 months. For more information on the maturity profile of our financial liabilities, see Note 3.1.3 to our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus.

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DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we declared dividends of RMB83.2 million, RMB1.0 million, RMB294.9 million and RMB292.1 million for the years ended December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, of which RMB83.2 million, RMB1.0 million, RMB294.9 million and RMB124.6 million were settled, respectively. The remaining declared dividends are expected to be settled before the Listing. Subject to the provisions of the Articles of Association and the Companies Laws, we currently target to distribute to our Shareholders not less than 25% of our profit for the year attributable to owners of the Company from the year ending December 31, 2020 onwards.

Any declaration of dividends, however, is subject to the discretion of our Directors, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividends will be subject to (i) the provisions of our Articles of Association which require any final dividends to be declared by our Shareholders at a general meeting; and (ii) Cayman Islands company law which permits dividends to be paid out of the profits of a company or subject to satisfaction of the solvency test prescribed by the Companies Law, out of sums standing to the credit of its share premium account. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and may require the approval of our Shareholders. Under the applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

The distributable reserves of our Company represented reserve and retained earnings. As of June 30, 2020, our Company had distributable reserves amounted to RMB190.1 million, which was available for distribution to our Shareholders.

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PROPERTY VALUATION RECONCILIATION

Cushman & Wakefield Limited has conducted a valuation of our selected property interest as of September 30, 2020. For more information, please see the valuation report included in Appendix III to this Prospectus.

The table below sets forth the reconciliation between the net book value of our selected properties as of June 30, 2020 as stated in Note 16 and Note 21 to the Accountant's Report included in Appendix I to this Prospectus and the Property Valuation Report included in Appendix III to this Prospectus as of September 30, 2020.

	Investment properties	Inventories	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book value of our selected properties as of June 30, 2020	73,300	51,852	125,152
Less: Depreciation for the period from July 1, 2020 to September 30, 2020	<u>—</u>	<u>—</u>	<u>—</u>
Net book value of our selected properties as of September 30, 2020	73,300	51,852	125,152
Net valuation surplus as of September 30, 2020	<u>—</u>	<u>1,548</u>	<u>1,548</u>
Valuation amount as of September 30, 2020	<u>73,300</u>	<u>53,400</u>	<u>126,700</u>

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following Unaudited Pro Forma Financial Information prepared in accordance with paragraph of the Main Board Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set forth herein to provide the prospective investors with further illustrative financial information about the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of June 30, 2020 as if the Global Offering had taken place on June 30, 2020. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of our Group had the Global Offering been completed on June 30, 2020 or at any future dates.

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	Consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 RMB'000 ⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000 ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB ⁽³⁾ HK\$ ⁽⁴⁾
Based on Offer				
Price of HK\$5.50 per Offer Share. .	250,218	1,309,969	1,560,187	1.32 1.55
Based on Offer				
Price of HK\$6.70 per Offer Share. .	250,218	1,603,092	1,853,310	1.57 1.85

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 is extracted from our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus, which is based on the consolidated net assets of the Group attributable to owners of the Company as of June 30, 2020 of RMB358,921,000 with adjustments for other intangible assets as of June 30, 2020 of RMB108,703,000 respectively.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$5.50 or HK\$6.70 per Offer Share, after deduction of the estimated underwriting fees and other related estimated expenses (excluding RMB16,333,000 listing expenses which have been accounted for in the consolidated statements of comprehensive income prior to June 30, 2020) payable by the Company in relation to the Global Offering, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares. The estimated net proceeds are converted into RMB at an exchange rate of HK\$1.00 to RMB0.84820, as prevailing rate set by PBOC on November 25, 2020. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.
- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 1,184,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue as set forth in the section headed "Share Capital" had the Global Offering been completed on June 30, 2020. It does not take into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.18, as prevailing rate set by PBOC on November 25, 2020. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.
- (5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2020.

FINANCIAL INFORMATION

LISTING EXPENSES

During the Track Record Period, we incurred listing expenses of RMB16.5 million, of which RMB16.3 million was charged to our consolidated statement of comprehensive income and the remaining amount of RMB0.2 million was recorded as prepayment which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting fees) of approximately RMB74.8 million (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised) by the completion of the Global Offering, of which an estimated amount of approximately RMB21.4 million is expected to be charged to our consolidated statement of comprehensive income for the year ending December 31, 2020 and an estimated amount of approximately RMB53.4 million is expected to be capitalized for the year ending December 31, 2020, respectively. Our total listing expenses (including underwriting fees) are expected to be approximately RMB91.3 million, representing approximately 6.0% of our gross proceeds from the Global Offering (based on the mid-point of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised). We do not expect these listing expenses to have a material impact on our business and results of operations for the year ending December 31, 2020.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, there was no material change in our Group's revenue model, cost structure and GFA under management. Set forth below are certain key development after June 30, 2020 regarding our business and financial position:

- On August 21, 2020, we entered into a strategic cooperation agreement with Sino-Ocean Capital Limited, an associate of Sino-Ocean, to provide customized property management services for its real estate projects including commercial properties, industrial parks, logistic centers and data centers with an additional contracted GFA of no less than approximately 2.0 million sq.m. each year.
- On August 21, 2020, we entered into another strategic cooperation agreement with Sino-Ocean (China), Huazhu Enterprise Management Co., Ltd., a leading hotel operator in the PRC, and Chengjia Hotel Management Co., Ltd., a service apartment operator in the PRC. Pursuant to the agreement, among others, we will provide property management services for the properties of Huazhu Enterprise Management Co., Ltd. and Chengjia Hotel Management Co., Ltd..
- As of September 30, 2020, Sino-Ocean (China) had fully repaid the loan provided to them by us in 2019.
- As of October 31, 2020, we had obtained 12 new property management contracts. Six of which were obtained from the Sino-Ocean Group (including its joint ventures and associates) (including five residential properties and one commercial property) with a contracted GFA of approximately 0.7 million sq.m. and the remaining six

FINANCIAL INFORMATION

were obtained from other third parties (including three residential properties and three public and other properties) with a contracted GFA of approximately 1.2 million sq.m.. Six of these new property management contracts (all residential properties) were obtained through tendering process while the rest of them were obtained through commercial negotiation. All of these properties were not yet delivered for our management as of October 31, 2020.

- As of the Latest Practicable Date, we had 77 properties contracted but not yet delivered or fully delivered by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders with an aggregate Reserved GFA of 16.0 million sq.m.
- As of the Latest Practicable Date, we had redeemed all the asset-backed securities and the relevant guarantees had been released.

Impact of the COVID-19 Outbreak

An outbreak of respiratory illness caused by a novel coronavirus was first emerged in late 2019 and continues to expand within the PRC and globally. As of the Latest Practicable Date, COVID-19 had spread across China and to other countries and territories globally, and causing a large number of death toll and infected cases. Since the outbreak of COVID-19, the PRC government has introduced a series of measures in order to prevent and control the pneumonia epidemic, including but not limited to lock-down measures, travel restrictions, restrictions on enterprises from resuming work, management and control over commencement schedules of construction in new and existing construction sites and mandatory quarantine requirements on infected individual and anyone deemed potentially infected.

The negative impact of COVID-19 to our property management services was and is expected to be minimal as we continued to record a steady growth of revenue, except for our less timeliness of collection of property management fees. For details, see the section headed “Business — Our Business Model — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.”

For our value-added services to non-property owners, due to the delay in construction, sales and marketing activities and delivery of some of the property development projects by our customers caused by temporary lock-down in response to the COVID-19 outbreak in the first half of 2020, we had experienced a decrease in revenue from our value-added services to non-property owners, including a decrease in revenue from pre-delivery services by 12.2% in the first half of 2020 as compared to the same period in 2019. However, we have recorded a slight increase in revenue from consultancy services.

For our community value-added services, we had experienced a relatively slower growth in revenue from our community value-added services attributable to an increase in revenue from community asset value-added services by 10.3% and partially offset by a decrease in

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revenue for our community living services by 12.9% and a decrease in revenue for property brokerage services by 31.3% in the first half of 2020 as compared to the same period in 2019, resulting from a decrease in demand as affected by the outbreak of COVID-19.

During the first half of 2020, we incurred less selling and marketing expenses since we have been focusing on implementing and enhancing hygiene and precautionary measures across the properties under our management and canceled most of the community events and activities as affected by the outbreak of COVID-19.

Our Directors confirmed that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability as (i) the property management industry is an industry involving community necessities services; (ii) our employees and workers of our sub-contractors did not experience material disruption in performing their job duty during the outbreak of the disease; (iii) we are able to discharge our obligations under all existing property management service contracts and other business contracts; (iv) the delivery date of the pipeline properties developed by the Sino-Ocean Group and other third parties was not, or is not expected to be, materially delayed; and (v) our Group has sufficient cash and cash equivalents to maintain our operation. In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, taking into account (i) our cash and cash equivalent including our expected cash generated from operating activities; (ii) the expected 10% of the net proceeds from the Global Offering designated for working capital and general corporate purpose; (iii) realization of liquid assets; (iv) additional financial resources available to us; (v) estimated settlement of trade and note receivables as well as other receivables based on historical settlement pattern; and (vi) estimated settlement of trade payables and borrowings when due, our Directors are of the opinion that we will have available sufficient working capital for our present capital requirements for at least 13 months following the date of this prospectus.

For further details, see the section headed “Business — Impact of the COVID-19 Outbreak on our Business.”

NO MATERIAL ADVERSE CHANGE

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

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds that we expect to receive from the Global Offering will be HK\$1,697.9 million (assuming an Offer Price of HK\$6.10 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$5.50 to HK\$6.70 per Share), after deducting all underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We currently intend to use such net proceeds for the following purposes:

- Approximately 60%, or HK\$1,018.8 million, will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of our property management business, among which, (i) approximately 40%, or HK\$679.2 million, will be used to acquire, invest in or cooperate with other property management companies which are suitable for and complementary to our business operations and strategies with a view to enlarge our business scale, expand our geographic coverage and diversify our type of properties managed; and (ii) approximately 20%, or HK\$339.6 million, will be used to acquire or invest in majority interest in companies that can complement our value-added services, including but not limited to companies providing property rental and sales brokerage, carpark management, food and fresh supply chain, home living services and public spaces management related services, to strengthen our capabilities of providing value-added services to property owners and residents and to enrich our source of value-added service income.

When we evaluate a potential investment in property management companies or acquisition target, we would generally prefer those property management companies that have, amongst others, (a) GFA under management of at least 3.0 million sq.m.; (b) an annual revenue of at least RMB50.0 million for the most recent financial year; (c) an annual net profit margin of at least 6.0% for the most recent financial year; (d) properties under management in economically developed regions such as the Beijing-Tianjin-Hebei region, the Bohai Rim region, the Yangtze River Delta region, the Greater Bay Area and central and western China; and (e) reputable brand and good corporate creditworthiness among customers and industry. According to China Index Academy, there are more than 200 players among the property management companies each with a GFA under management of at least 3.0 million sq.m. and an annual revenue of at least RMB50.0 million in 2019. As such, our Directors believe that there are sufficient numbers of suitable target companies available in the market for our aforementioned expansion plan and such acquisitions are expected to improve our financial performance in terms of both revenue and net profit. We intend to acquire majority interest in the target companies and it is expected that our

FUTURE PLANS AND USE OF PROCEEDS

contracted GFA and revenue generated from properties developed by other third parties will increase following the investments and acquisitions. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering. Assuming that the Company will receive and use the net proceeds from the Global Offering at an Offer Price fixed at the mid-point of the Offer Price range and based on (i) the expected GFA of the property projects to be developed or owned and delivered by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders in the next three years after taking into account the land bank and future property development plan of the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders and the historical growth trend as well as the existing property management contracts entered into with the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders; and (ii) the expected increase in demand for property management services from independent third party customers after taking into account our efforts and plan to expand our portfolio of projects developed by independent third-party developers through procurement of new property management projects developed by independent third-party developers and strategic acquisitions of third-party property management companies, it is estimated that our revenue generated from property management services and contracted GFA attributable to properties developed or owned by the Sino-Ocean Group (including its joint ventures and associates) and its substantial shareholders will account for approximately 52.7% and 40.2%, respectively, of our total estimated revenue and contracted GFA for the year ending December 31, 2023. This estimation is prepared on the basis of our management's present expectation which is subject to various risks, assumptions and uncertainties;

- Approximately 20%, or HK\$339.6 million, will be used to develop smart community by upgrading our systems for smart management, aiming to enhance the operational efficiency and user experience for our property management services and community value-added services, among which, (i) approximately 3.0%, or HK\$50.9 million, will be used to upgrade our smart entrance system; (ii) approximately 5.0%, or HK\$84.9 million, will be used to upgrade our smart carpark management system; (iii) approximately 4.0%, or HK\$67.9 million, will be used to upgrade our video surveillance system; (iv) approximately 4.0%, or HK\$67.9 million, will be used to upgrade our networking infrastructure; and (v) approximately 4.0%, or HK\$67.9 million, will be used to upgrade our equipment and facility monitoring system which is used to smart manage the equipment and facilities in our managed communities. The intended use of net proceeds for each system are the total expected cost of upgrades including (i) fixed costs which will be incurred regardless of the number of properties being upgraded, such as cost for software and labor costs for developing the software; and (ii) variables costs which will vary depending on the size and number of properties being upgraded such as cost for hardware, interface and construction materials. The expected costs of upgrades are estimated based on current price quotation obtained from potential suppliers or available market price.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth details for each system to be upgraded:

Major systems	Major technology, features and benefits	Existing coverage rate as of June 30, 2020	Intended coverage rate and timeframe
Smart entrance system . . .	<ul style="list-style-type: none"> • Facial recognition at entrances and exits for property owners and residents • Face temperature measurement at entrances to ensure a safe community • Support multi-mode access including Bluetooth, electronic pass, access card, etc. 	35.9%	75.0% by the end of 2023
Smart carpark management system	<ul style="list-style-type: none"> • Visual intercom at the entrances and exits of residential communities and car parks to enable drivers to call the central control room directly • Recognition of license plate and online payment to reduce the need of security guards and lower labor costs 	52.7%	75.0% by the end of 2023
Video surveillance system .	<ul style="list-style-type: none"> • Real-time remote video monitoring of key areas • Provide remote command for emergency incidents to increase efficiency • Remote inspections to reduce management costs, enhance effectiveness and timeliness of inspections • Anti-falling object subsystem to deter and retrospect the behavior of falling objects using video monitoring technology and AI intelligent algorithm 	26.7%	75.0% by the end of 2023

FUTURE PLANS AND USE OF PROCEEDS

Major systems	Major technology, features and benefits	Existing coverage rate as of June 30, 2020	Intended coverage rate and timeframe
Networking infrastructure .	<ul style="list-style-type: none"> Street lamp subsystem to realize remote control of street lamps such as setting operation schedule of the lamps through central planning and control, which can realize energy saving and consumption reduction of the street lamps within the properties under management Greening sprinkler subsystem to realize automatic watering by greening sprinkler and to utilize various equipment or technology such as miniature weather station, drip irrigation, sprinkler, remote automatic valve, etc. to lower the dependence on manual labor Electronic customer service front desk to realize remote customer service through an all-in-one machine AI intelligent order inspection subsystem which uses remote video monitoring technology and AI intelligent algorithm to conduct inspection automatically. It may also preset a fixed path for inspection and analyze the behavior of the inspection robots to achieve orderly remote inspections, real-time alarms for emergencies and work order processing 	26.7%	75.0% by the end of 2023

FUTURE PLANS AND USE OF PROCEEDS

Major systems	Major technology, features and benefits	Existing coverage rate as of June 30, 2020	Intended coverage rate and timeframe
Equipment and facility monitoring system	<ul style="list-style-type: none"> Synchronizing the patrol system with the smart entrance system to realize real-time upload of the patrol data Well cover system which utilizes the geomagnetic sensor to collect data in relation to displacement and tilt of the well cover. The sensor adopts an adaptive detection algorithm which can dynamically track changes of the inclination of the manhole cover and conduct and upload its analysis and judgment to the system Upgrade the EBA system with more comprehensive monitoring points and real-time upload of data collected 	26.7%	75.0% by the end of 2023

Our Directors believe that the upgrades of such systems can facilitate our development of smart community, enhance the operational efficiency through remote control and real-time collection and analysis of data and increase user experience through more convenient and time-saving access systems;

- Approximately 10%, or HK\$169.8 million, will be used to enhance our level of digitization and our internal information technology infrastructure, among which, (i) approximately 3.0% or HK\$50.9 million, will be used to further develop our cloud service platform for the communities which aim to improve our ability to cope with the diversified needs of property owners and residents and to improve our service quality; (ii) approximately 3.0% or HK\$50.9 million, will be used to establish and/or develop the operation management system for our provision of community value-added services so that we can effectively allocate the resources within the communities; (iii) approximately 2.0% or HK\$34.0 million, will be used to establish and/or develop our internal information sharing platform and database which aim to improve our cost efficiency, to enhance our digital processing and big data analysis capabilities and to optimize the information management and utilization amongst our various business departments; and (iv) approximately 2.0% or HK\$34.0 million will be used to establish and/or develop our financial-related systems which aim to improve the automation of financial-related information in the system that are related to capital management such as budgets, charges and expenditures. The intended use of net proceeds for each information technology system are the expected cost of establishment and development including costs for software, server and network as well as staff cost and outsourcing service fees, which are estimated based on existing price quotation obtained from potential suppliers or available market price.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth details for each information technology system to be established and/or developed:

Major systems	Information technology system involved	Expected rollout timeframe
Cloud service platform for the communities	<ul style="list-style-type: none"> Further develop our “Yi Life” online service platform which will comprise different functions such as online authentication and payment, smart access control and access to cleaning and housekeeping services to facilitate the use of property management services and community value-added services by property owners and residents Further develop our “Yi Butler” platform which will facilitate our management of staff and property management services provided Further develop our EBA system with real-time monitoring, video surveillance and data analysis function 	N/A
Operation management system for community value-added services	<ul style="list-style-type: none"> Establish and develop a operation management system for managing various value-added resources of community value-added services such as leasing of carpark spaces, advertising spaces and properties, to improve resources utilization and facilitate strategies formulation Further develop our smart carpark management system and sync the operating data with cloud platform to reduce the need of manual labor and lower our operation cost Further develop our “Yi Space” system to facilitate the management of stored properties through user-friendly interface and improve our operational efficiency Further develop our “Yi Maintenance” system for better management of customers’ requirements and allocation of work orders as well as better trace of product and service records 	First half of 2021 for establishment of the operation management system

FUTURE PLANS AND USE OF PROCEEDS

Major systems	Information technology system involved	Expected rollout timeframe
Internal information sharing platform and database	<ul style="list-style-type: none"> Establish and develop an internal information sharing platform and database which shall integrate all community data, business data, process data and public data from various systems and standardize various data in relation to projects, budget, procurement, contracts, internal policies, etc. Establish and further develop Enterprise Service Bus system (the “ESB system”) which will act as the connection center between our process systems and various business systems. Such ESB system will standardize the data transmission format, process and methods so as to reduce the cost of system docking, improve the efficiency of data transmission and cross-system docking Further develop our internal management system including CRM system, BPM system, human resources system, etc, to enhance our internal operational efficiency with comprehensive and readily available online data Further develop our big data display system which is able to collect and standardize data, display real-time operation status of all branch offices and subsidiaries and predict and analysis various business operations data 	<p>First half of 2022 for establishment of the internal information sharing platform</p> <p>First half of 2022 for establishment of the ESB system</p>
Financial-related systems.	<ul style="list-style-type: none"> Establish and develop a numerical control (“NC”) data sharing platform for all financial-related data Further develop our N9 financial system which comprise of different modules including project resources management, financial management and generation of financial statements Establish and further develop our N9 financial data platform for collection, storage and sharing of data from all business services and to dock with all other data sharing platforms 	<p>Second half of 2021 for the establishment of NC financial data sharing platform</p> <p>Second half of 2021 for the establishment of N9 financial data platform</p>

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the establishment and development of the above information technology systems can enhance our level of digitization and our internal information technology infrastructure which is critical for developing a smart community. We intend to further develop and upgrade all of our information technology systems on an on-going basis and these systems are expected to be established and/or developed through our internal staff as well as engaging third-party information technology service providers; and

- Approximately 10%, or HK\$169.8 million, will be used for working capital and general corporate purpose. We expect to have increasing needs of working capital as a result of the rapid and organic expansion of our business and diversifying service offerings along with any investment or acquisition if and when suitable opportunities arise.

If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the estimated net proceeds from the Global Offering, after deducting all underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$1,870.7 million or decrease to approximately HK\$1,525.2 million, respectively. In such event, we will adjust the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering will increase to approximately HK\$1,961.5 million, assuming an Offer Price of HK\$6.10 per Share, being the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the estimated net proceeds from the Global Offering, including the net proceeds from the exercise of the Over-allotment Option, will increase to approximately HK\$2,160.2 million or decrease to approximately HK\$1,762.7 million, respectively. In each of these events, we will adjust the intended use of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Global Offering are not sufficient to fund the purposes as set forth above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, we intend to apply the net proceeds to short-term deposits with licensed banks or financial institutions in Hong Kong and/or the PRC.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into the cornerstone investment agreements with the cornerstone investors set out below (collectively, the “**Cornerstone Investors**,” and each a “**Cornerstone Investor**”), who have agreed to, subject to certain conditions, subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of the Hong Kong dollar equivalent of US\$120 million (or equivalent to approximately HK\$930.1 million calculated based on an exchange rate of US\$1.00 : HK\$7.7508) (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$5.50 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 169,106,000, representing approximately 14.28% of the Shares in issue and outstanding upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$6.10 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 152,472,500, representing approximately 12.88% of the Shares in issue and outstanding upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK\$6.70 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 138,818,000, representing approximately 11.72% of the Shares in issue and outstanding upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that the Cornerstone Investors are reputable and renowned investors and the Cornerstone Placing could be perceived as the Cornerstone Investors’ recognition of our Group’s reputation and value as a comprehensive property management service provider in the PRC as well as their confidence in our Group’s business and future prospects.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is not an existing Shareholder, and is independent of our Company, our connected persons and their associates; (ii) we became acquainted with each of the Cornerstone Investors through introduction by the Underwriters; (iii) each of the Cornerstone Investors (save for Keltic) expects to fund the respective cornerstone investment with their internal resources; (iv) the subscription for Offer Shares by the Cornerstone Investors under the Cornerstone Placing is not financed directly or indirectly by our Company, any of our Directors, chief executive of our Company, any of our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; (v) none of the Cornerstone Investors is accustomed to taking instructions from our Company, any of our Directors, chief executive of our Company, any of our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of Offer Shares; (vi) there is no side

CORNERSTONE INVESTORS

agreement or arrangement between our Group and each of the Cornerstone Investors; and (vii) apart from a guaranteed allocation of the relevant Offer Shares at the Offer Price, no preferential treatment has been, nor will be, given to any Cornerstone Investor.

The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any representation on our Board or become our substantial shareholder. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing.

The investment amount for the Offer Shares to be subscribed for by each of the Cornerstone Investors under the Cornerstone Placing will be paid at or before 8:00 a.m. (Hong Kong time) on the Listing Date. Delivery of the Offer Shares subscribed for by the Cornerstone Investors will take place on the Listing Date, subject to due payment being made. Pursuant to the cornerstone investment agreements entered into between our Company, the relevant Joint Global Coordinator(s) (where applicable) and the Cornerstone Investors (except Hillhouse Funds and Keltic), the Company and the Joint Global Coordinators may in their sole discretion determine that delivery of all or a portion of the Shares subscribed for by such Cornerstone Investor shall be made on a date later than the Listing Date (“**Delayed Delivery Date**”), provided that the Delayed Delivery Date shall be no later than ten (10) business days following the last day on which the Over-allotment Option may be exercised. Such deferred delivery arrangement was in place to facilitate the over-allocation in the International Offering. None of the Cornerstone Investors will be able to defer settlement in payment and shall nevertheless pay for the relevant Offer Shares before dealings in the Shares on the Stock Exchange commence. For details of the Over-allotment Option and the stabilization action by the Stabilizing Manager, see the sections headed “Structure of the Global Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilization” in this prospectus, respectively.

In the event of over-subscription under the Hong Kong Public Offering, the number of Offer Shares to be subscribed for by the Cornerstone Investors may be affected by the reallocation of Shares between the International Offering and the Hong Kong Public Offering. If the total demand for Offer Shares in the Hong Kong Public Offering falls within the circumstances as set out in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus, the number of Offer Shares subscribed for by each of the Cornerstone Investors may be deducted on a pro rata basis to satisfy the public demands under the Hong Kong Public Offering.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be issued by the Company on or around Wednesday, December 16, 2020.

OUR CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Springs Capital (Hong Kong)

Springs Capital (Hong Kong) Limited (“**Springs Capital (Hong Kong)**”) is a limited liability company incorporated in Hong Kong, and is primarily engaged in asset management. It is the investment manager or investment advisor, with discretionary investment power for (i) Springs China Opportunities Master Fund, Springs Opportunities Fund LP, Springs Capital SPC — Springs Maple SP, Springs Capital SPC — OO CHINA A SP, Springs Capital SPC — Optima SP; and (ii) certain account which is managed and sub-managed by Springs Capital (Hong Kong).

Guohua Life Insurance

Guohua Life Insurance Co., Ltd. (國華人壽保險股份有限公司) (“**Guohua Life Insurance**”) is a company incorporated in the PRC. Established in 2007, Guohua Life Insurance is currently held as to 51% by Hubei Biocause Pharmaceutical Co., Ltd (天茂實業集團股份有限公司) (“**Hubei Biocause**”) and as to 49% by six minority shareholders. Guohua Life Insurance provides a full range of personal security and investment and wealth management products and services for individuals and families. The products on offer correspond to the different requirements of customers in terms of market segments such as the children and teenagers, females and high-income population groups. In addition to traditional life products, such as annuities and participating products, Guohua Life Insurance also provides other products, including health and accident insurance. Hubei Biocause is a company listed on the Shenzhen Stock Exchange (stock code: 000627), and is primarily engaged in the pharmaceutical, chemical and insurance industries.

Hillhouse Funds

Gaoling Fund, L.P. and YHG Investment L.P. (the “**Hillhouse Funds**”) are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. (“**Hillhouse Capital**”) serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment L.P..

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital’s investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

OP Capital

Oscar and Partners Capital Limited (“**OP Capital**”) is the authorized agent and investment manager of OP Golden Property Value Chain Fund SP and OP New Economy Growth Fund SP (the “**OP Funds**”), which are segregated portfolios of Oscar and Partners Capital (Cayman) SPC, an exempted company incorporated with limited liability and registered as a segregated portfolio company under the laws of the Cayman Islands.

OP Capital is a limited liability company incorporated in Hong Kong. It is a corporation licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong, subject to the conditions that (i) it shall only provide services to professional investors (as defined under the SFO); and (ii) it shall not hold client assets (as defined under the SFO).

OP Capital is responsible for managing the investment, sale and reinvestment of the assets of the OP Funds and the assets of relevant segregated portfolios and has, subject to the terms of the management agreement, full discretionary investment management authority in respect thereof subject to the overall control and supervision of the directors.

OP Capital manages portfolios of assets for institutional clients. OP Capital is responsible for managing the investment, sale and reinvestment of the assets of the OP Funds and the assets of relevant segregated portfolios. OP Capital managed assets on behalf of over 30 investors from worldwide, comprising of institutional investors, family offices, high net worth individuals and corporations whose principal business are in real estate industries.

Franchise Fund LP

Franchise Fund LP (the predecessor entity of which is Franchise Fund Ltd, founded in 2014) is a value-oriented long/short hedge fund established by Mr. Wang Shihong in 2020. Mr. Wang was previously a portfolio manager at Hillhouse Capital from 2011 to 2014, a long/short investment firm with a demonstrated history of success. He was based in Beijing and mainly focused on financial and properties sector in the PRC. Franchise Fund LP seeks to invest in the early stage of great businesses with innovation, huge economic moat, strong organization and high internal rate of return with reasonable safe margins. Franchise Fund LP employs a fundamental, bottom-up approach, focusing on the internet, software, consumer, healthcare, property and financial sectors.

Winland Foundation

Winland Foundation Limited (“**Winland Foundation**”) is an investment company and is a wholly-owned subsidiary of Winland Enterprises Limited (“**Winland Enterprises**”). Winland Enterprises’ businesses comprise investment holdings, provision of leasing management services and investment in properties for rental purposes and is the flagship company holding through its subsidiaries property investment business of Winland Group. Winland Group is a diversified group of companies established in Hong Kong and is principally engaged in the businesses of property investment, money lending and the provision of hotel and property management services.

CORNERSTONE INVESTORS

Mr. Lun Yiu Kay Edwin is the controlling shareholder of Winland Enterprises. Mr. Lun is the chairman and executive director of Mexan Limited, a company listed on the Main Board of the Stock Exchange (stock code: 22), and also a director of various companies of the Winland Group. Mr. Lun has extensive experience in property investment, financing and management in Hong Kong.

Keltic

Keltic Investment (HK) Ltd. (“**Keltic**”) is an investment management company headquartered in Hong Kong, and has been involved in the investments in funds and secondary market securities and fund raising for its Canadian subsidiary. Keltic employs a main investment strategy of purchasing and investing in equity in primary and secondary markets in Hong Kong or the United States, with a focus on real estate projects, financing services, and project development and management industries. Shenzhen Kaier Hanxiang Shiye Co., Ltd (“**Shenzhen Kaier**”), a company established in the PRC on September 28, 2016 with a registered capital of RMB250 million, is the sole shareholder of Keltic. The controlling shareholder of Shenzhen Kaier, Mr. Li Weiguo, is also the chairman and 25.93% shareholder of Beijing Oriental Yuhong Waterproof Technology Co., Ltd (“**Oriental Yuhong**”), a company listed on the Shenzhen Stock Exchange (stock code: SZ002271), according to Oriental Yuhong’s 2020 Q3 report. Oriental Yuhong is a waterproofing system provider which develops, produces and markets new waterproof materials for buildings and waterproof engineering, and is currently a supplier to the Sino-Ocean Group.

Keltic expects to fund its cornerstone investment with its internal resources and potentially by obtaining external financing from Silk Road International Capital Limited (“**Silk Road**”), one of our Joint Bookrunners. The loan, if obtained, will be on normal commercial terms after arm’s length negotiations with no other direct or indirect benefits given by Silk Road. The financings are provided in the usual and ordinary course of business of Silk Road. The Offer Shares to be subscribed for or purchased by Keltic may be pledged to Silk Road as security for the loan facilities. Under the financing arrangement, Keltic may be required to discharge its obligations to Silk Road and Silk Road may therefore have the right to enforce its security interest by way of appropriation or foreclosure in the relevant Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default, save that Silk Road undertakes not to dispose of the relevant Offer Shares until after the date falling six months after the Listing Date.

Zheng Xianfang

Mr. Zheng Xianfang has over 18 years of experience in the investment, top-level design, strategy and operation management of building materials technology and related industries. Mr. Zheng is currently serving as a supervisor of Golden Orange (Shenzhen) Equity Investment Fund Management Co., Ltd. (“**Golden Orange**”), and is also its actual controller. Golden Orange is principally engaged in providing customers with a full range of comprehensive financial services, and is a private placement manager registered under the Asset Management Association of China.

In addition, Mr. Zheng currently serves as a supervisor of Sichuan Weidun New Materials Co., Ltd. (四川省威盾新材料有限公司), a company established in the PRC and principally engaged in the research and development, production, sales and construction of waterproof materials.

CORNERSTONE INVESTORS

The following table sets forth details on the Cornerstone Placing:

Based on the Offer Price of HK\$5.50 (being the low-end of the Offer Price range)									
Cornerstone Investor	Investment amount (US\$) ⁽¹⁾	Hong Kong dollar equivalent ⁽²⁾	Number of Offer Shares to be acquired ⁽³⁾	Appropriate % of total number of Offer Shares (assuming that the Over-allotment Option is not exercised)	Approximate % of total number of Offer Shares (assuming that the Over-allotment Option is fully exercised)	Appropriate % of total number of International Offer Shares (assuming that the Over-allotment Option is not exercised)	Approximate % of total number of International Offer Shares (assuming that the Over-allotment Option is fully exercised)	Approximate % of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate % of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is fully exercised)
Springs Capital (Hong Kong)	40,000,000	310,032,000	56,369,000	19.04%	16.56%	21.16%	18.14%	4.76%	4.59%
Guohua Life Insurance	10,000,000	77,508,000	14,092,000	4.76%	4.14%	5.29%	4.53%	1.19%	1.15%
Hillhouse Funds	5,000,000	38,754,000	7,046,000	2.38%	2.07%	2.64%	2.27%	0.60%	0.57%
OP Capital	10,000,000	77,508,000	14,092,000	4.76%	4.14%	5.29%	4.53%	1.19%	1.15%
Franchise Fund LP	10,000,000	77,508,000	14,092,000	4.76%	4.14%	5.29%	4.53%	1.19%	1.15%
Winland Foundation	20,000,000	155,016,000	28,184,500	9.52%	8.28%	10.58%	9.07%	2.38%	2.29%
Keltic	20,000,000	155,016,000	28,184,500	9.52%	8.28%	10.58%	9.07%	2.38%	2.29%
Zheng Xianfang	5,000,000	38,754,000	7,046,000	2.38%	2.07%	2.64%	2.27%	0.60%	0.57%
Total	120,000,000	930,096,000	169,106,000	57.13%	49.68%	63.48%	54.41%	14.28%	13.77%
Based on the Offer Price of HK\$6.10 (being the mid-point of the Offer Price range)									
Springs Capital (Hong Kong)	40,000,000	310,032,000	50,824,500	17.17%	14.93%	19.08%	16.35%	4.29%	4.14%
Guohua Life Insurance	10,000,000	77,508,000	12,706,000	4.29%	3.73%	4.77%	4.09%	1.07%	1.03%
Hillhouse Funds	5,000,000	38,754,000	6,353,000	2.15%	1.87%	2.38%	2.04%	0.54%	0.52%
OP Capital	10,000,000	77,508,000	12,706,000	4.29%	3.73%	4.77%	4.09%	1.07%	1.03%
Franchise Fund LP	10,000,000	77,508,000	12,706,000	4.29%	3.73%	4.77%	4.09%	1.07%	1.03%
Winland Foundation	20,000,000	155,016,000	25,412,000	8.59%	7.47%	9.54%	8.18%	2.15%	2.07%
Keltic	20,000,000	155,016,000	25,412,000	8.59%	7.47%	9.54%	8.18%	2.15%	2.07%
Zheng Xianfang	5,000,000	38,754,000	6,353,000	2.15%	1.87%	2.38%	2.04%	0.54%	0.52%
Total	120,000,000	930,096,000	152,472,500	51.51%	44.79%	57.23%	49.06%	12.88%	12.41%
Based on the Offer Price of HK\$6.70 (being the high-end of the Offer Price range)									
Springs Capital (Hong Kong)	40,000,000	310,032,000	46,273,000	15.63%	13.59%	17.37%	14.89%	3.91%	3.77%
Guohua Life Insurance	10,000,000	77,508,000	11,568,000	3.91%	3.40%	4.34%	3.72%	0.98%	0.94%
Hillhouse Funds	5,000,000	38,754,000	5,784,000	1.95%	1.70%	2.17%	1.86%	0.49%	0.47%
OP Capital	10,000,000	77,508,000	11,568,000	3.91%	3.40%	4.34%	3.72%	0.98%	0.94%
Franchise Fund LP	10,000,000	77,508,000	11,568,000	3.91%	3.40%	4.34%	3.72%	0.98%	0.94%
Winland Foundation	20,000,000	155,016,000	23,136,500	7.82%	6.80%	8.68%	7.44%	1.95%	1.88%
Keltic	20,000,000	155,016,000	23,136,500	7.82%	6.80%	8.68%	7.44%	1.95%	1.88%
Zheng Xianfang	5,000,000	38,754,000	5,784,000	1.95%	1.70%	2.17%	1.86%	0.49%	0.47%
Total	120,000,000	930,096,000	138,818,000	46.90%	40.78%	52.11%	44.66%	11.72%	11.30%

Notes:

- (1) The investment amount excludes the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee which the Cornerstone Investor will pay in respect of the Offer Shares subscribed.
- (2) Calculated based on an exchange rate of US\$1.00:HK\$7.7508.
- (3) Subject to rounding down to the nearest whole board lot of 500 Shares.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

The obligations of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective cornerstone investment agreements are subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and none of the aforesaid Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon the Company and the Joint Global Coordinators (on behalf of themselves and the underwriters of the Global Offering);
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by each Cornerstone Investor as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of each Cornerstone Investor and the Company under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the Company and such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and Joint Global Coordinators, it shall not, and shall procure that its wholly-owned subsidiaries or an entity holding the entire equity interest in it (as applicable) to whom such Cornerstone Investor has transferred any of the Shares acquired under the relevant cornerstone investment agreement shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date:

- (a) dispose of (as defined in the relevant cornerstone investment agreement), in any way, any of the Shares subscribed for it (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares;

CORNERSTONE INVESTORS

- (b) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or
- (c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions.

UNDERWRITING

HONG KONG UNDERWRITERS

Hong Kong Underwriters

Citigroup Global Markets Asia Limited
China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
ABCI Securities Company Limited
BOCI Asia Limited
CLSA Limited
CMB International Capital Limited
Haitong International Securities Company Limited
ICBC International Securities Limited
Silk Road International Capital Limited
Futu Securities International (Hong Kong) Limited
Sinomax Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering and the Preferential Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 29,600,000 Hong Kong Offer Shares and the International Offering of initially 266,400,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is initially offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set forth in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers to subscribe for, or failing which to subscribe for themselves, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but not taken up under the Hong Kong Public Offering on the terms and conditions set forth in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

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The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may, in their absolute discretion, terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), the Cayman Islands, Japan or Singapore (collectively, the “**Relevant Jurisdiction**”);
 - (ii) any change or development involving a prospective change, or any event or series of events resulting in or likely to result in any change or development involving a prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) or a change in the system under which the value of Hong Kong dollar is linked to U.S. dollar or any devaluation of Hong Kong dollar or Renminbi against any foreign currencies, in any of the Relevant Jurisdictions;
 - (iii) any general moratorium on commercial banking activities in any Relevant Jurisdiction imposed or declared by the relevant competent authority, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions;
 - (iv) the imposition of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

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- (v) a change or development involving a prospective change in taxation or foreign exchange control (or the implementation of any foreign exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of Hong Kong dollar or Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Shares;
- (vi) any adverse change or development involving any prospective adverse change in the assets, liabilities, profit, losses, earnings, results of operations, business performance, financial or trading position, conditions or prospects of any member of the Group;
- (vii) any event, or series of events, in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions (including, without limitation, any act of God, act of government, declaration of a regional, national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, pandemic, outbreak, escalation, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), economic sanctions, outbreak or escalation of hostilities (whether or not war is or has been declared), earthquake, terrorism, strike, labour dispute or lock-out), provided that in respect of epidemic, pandemic, outbreak of disease, civil commotion, public disorder or hostilities existing at the date of the Hong Kong Underwriting Agreement, the Joint Global Coordinator (on behalf of the Hong Kong Underwriters) shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such clause if, in their sole opinion (acting reasonably), there has been an escalation in such event or such event which does not have any of the effects mentioned under paragraphs (1) to (4) below as at the date the Hong Kong Underwriting Agreement subsequently becomes to have any of such effects after the date of the Hong Kong Underwriting Agreement;
- (viii) a materialisation of any of the risks set out in the section headed “Risk Factors” in this prospectus;
- (ix) any litigation or claim being threatened or instigated against any member of the Group or any Director;
- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of the Company;
- (xi) any Authority in any Relevant Jurisdiction commencing any investigation or taking other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director,

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- (xii) any imposition of sanctions under any sanction laws or regulations, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (xiii) any contravention by any member of the Group or any Director of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable laws;
- (xiv) non-compliance of this prospectus, the **WHITE, YELLOW or GREEN** Application Form (or any other documents used in connection with the contemplated offer of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;
- (xv) except with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, Application Forms, the preliminary offering circular or final offering circular or other documents in connection with the offer of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;
- (xvi) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xvii) a valid demand by any creditor for repayment or payment of any of the indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) is or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole;
- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares;

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- (3) makes or will make or is likely to make it inadvisable, impracticable or incapable for any part of the Hong Kong Public Offering and/or the International Offering to proceed as envisaged or to market the Global Offering or to deliver or distribute the Offer Shares on the terms and in the manner contemplated by this prospectus; or
 - (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement incapable or impracticable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators that:
- (i) any statement contained in any of this prospectus, the Application Forms and the formal notice and/or in any notices, announcements, post hearing information packs, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of this prospectus, the Application Forms and the formal notice and/or any notices, announcements, post hearing information packs, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting;
 - (ii) any of the representations, warranties and undertakings given by the Company or Sino-Ocean in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading;
 - (iii) there is a matter, event, act or omission which gives or is likely to give rise to any liability of the Company or Sino-Ocean pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
 - (iv) there is a breach on the part of the Company or Sino-Ocean of any of the provisions or obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement in any material respect;

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- (v) there is a material adverse change or development involving a prospective material adverse change (whether permanent or not) in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition (financial or otherwise) of the Group as a whole;
- (vi) any of the experts (other than the Joint Sponsors) specified in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (vii) the Company has withdrawn this prospectus, the Application Forms, the preliminary offering circular, the final offering circular (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (viii) the chairman of the Company, chief executive officer of the Company, chief financial officer of the Company or any Director vacating his/her office;
- (ix) approval by the listing committee of Stock Exchange of the listing of, and permission to deal in, the Offer Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (x) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in, or a material omission from, any of this prospectus, the Application Forms, notices, announcements, advertisements, communications or other documents (including any supplement or amendment thereto) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering; or
- (xi) the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors having been withdrawn, terminated or cancelled or a material portion of the orders in the book-building process at the time the International Underwriting Agreement is entered into having been withdrawn, terminated or cancelled and such withdrawn, terminated or cancelled orders not having been fully covered by other orders at or before 4:00 p.m. on the Price Determination Date (the “**replacement order**”) or any replacement order having been subsequently withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole discretion (acting reasonably), conclude that it is therefore inadvisable or impracticable to proceed with the Global Offering.

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Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to (a) the Global Offering (including the Over-allotment Option); (b) the Capitalization Issue; or (c) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to (a) the Global Offering (including the Over-allotment Option); (b) the Capitalization Issue; or (c) the Stock Borrowing Agreement and arrangements relating thereto, it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus 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 securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company,

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (i) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

The Company has undertaken to the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that, it will not (save for (i) the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering including pursuant to any exercise of the Over-allotment Option and issue of Shares pursuant to the Capitalization Issue; and (ii) the issue of Shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless permitted by and in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

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- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to publicly announce or disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or other equity securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other equity securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers, agrees or contracts to, or publicly announces or discloses, any intention to enter into any such transaction, the Company will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

(B) Undertakings by Sino-Ocean

Sino-Ocean has undertaken to the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters and each of them that (save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering including pursuant to any exercise of the Over-allotment Option and except pursuant to the Capitalization Issue or the Stock Borrowing Agreement and arrangement relating thereto), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless permitted by and in compliance with the requirements of the Listing Rules:

- (i) during the First Six-Month Period, it will not, and it will procure that the relevant registered holder(s) will not:
 - (a) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or

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exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) beneficially owned by it as at the Listing Date (the “**Locked-up Securities**”);

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities;
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of such Shares or other equity securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) during the Second Six-Month Period, Sino-Ocean will not enter into any transaction described in paragraphs (i)(a), (i)(b) or (i)(c) above in respect of any Locked-up Securities or offer, agree or contract to or publicly announce any intention to enter into any such transaction, if, immediately following such transaction, it will cease to be a controlling shareholder of the Company;
- (iii) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, Sino-Ocean will:
 - (a) if and when it or the relevant registered holder(s) pledges or charges any Shares or other equity securities of the Company beneficially owned by it, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other equity securities (or interests therein) of the Company so pledged or charged; and
 - (b) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other equity securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

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Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, among others, Sino-Ocean and the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set forth therein, agree severally but not jointly to procure purchasers to purchase, or failing which to purchase themselves, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For further details, see the section headed “Structure of the Global Offering — The International Offering.”

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 44,400,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. For further details, see the section headed “Structure of the Global Offering — Over-allotment Option.”

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Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators may receive a discretionary incentive fee of up to 0.7% of the aggregate Offer Price of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$6.10 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$56.1 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$115.0 million (assuming an Offer Price of HK\$6.10 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

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ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day-to-day cannot be estimated.

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It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (i) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (ii) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and any of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

296,000,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 29,600,000 Shares (subject to reallocation) in Hong Kong as described in “— The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 266,400,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from the registration requirement of the Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “— The International Offering” below.

Of the 266,400,000 Offer Shares initially being offered under the International Offering, 30,488,000 Offer Shares will be offered under the Preferential Offering to the Qualifying Sino-Ocean Shareholders as an Assured Entitlement as described in “— The Preferential Offering” below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both (except that the Qualifying Sino-Ocean Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and the exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 29,600,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth in “— Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the

STRUCTURE OF THE GLOBAL OFFERING

other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications and any application for more than 14,800,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 88,800,000 Offer Shares (in the case of (a)), 118,400,000 Offer Shares (in the case of (b)) and 148,000,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance other than pursuant to the clawback mechanism above, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 59,200,000 Offer Shares (representing 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e., HK\$5.50 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

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The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The Reserved Shares which are offered under the Preferential Offering to Qualifying Sino-Ocean Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$6.70 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,383.76 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the Maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth in “How to Apply for Hong Kong Offer Shares and Reserved Shares.”

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Sino-Ocean Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, Qualifying Sino-Ocean Shareholders are being invited to apply for an aggregate of 30,488,000 Reserved Shares in the Preferential Offering, representing approximately 11.4% and 10.3% of the Offer Shares initially available under the International Offering and the Global Offering (assuming that the Over-allotment Option is not exercised), respectively, as an Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in the section headed “— The Hong Kong Public Offering — Reallocation” above. In the event the Over-allotment Option is exercised, the number of Reserved Shares will not change.

STRUCTURE OF THE GLOBAL OFFERING

The basis of the Assured Entitlement is one Reserved Share for every 250 Sino-Ocean Shares held by Qualifying Sino-Ocean Shareholders as of 4:30 p.m. on the Record Date.

Qualifying Sino-Ocean Shareholders should note that their Assured Entitlement to the Reserved Shares may not represent a full board lot of 500 Shares. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of Qualifying Sino-Ocean Shareholders to Reserved Shares are not transferrable. There will be no trading in nil-paid entitlements on the Stock Exchange.

Qualifying Sino-Ocean Shareholders who hold less than 250 Sino-Ocean Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

Qualifying Sino-Ocean Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Sino-Ocean Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set forth in the **BLUE** Application Forms or the **HK eIPO Blue Form** service via www.hkeipo.hk and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Sino-Ocean Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Sino-Ocean Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Sino-Ocean Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Sino-Ocean Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set forth in the table of numbers and payments in the **BLUE** Application Form and make a payment

STRUCTURE OF THE GLOBAL OFFERING

of the corresponding amount. If the number of Reserved Shares applied for is not one of the numbers set forth in the table, you must calculate the correct amount payable on application by using the formula set forth in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (a) less than the Assured Entitlement not taken up by the Qualifying Sino-Ocean Shareholders (the “**Available Reserved Shares**”), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

The Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Sino-Ocean Shareholders (not being Non-Qualifying Sino-Ocean Shareholders) whose Sino-Ocean Shares are held by a nominee company should note that the Company will regard the nominee company as a single Sino-Ocean Shareholder according to the register of members of Sino-Ocean. Accordingly, such Beneficial Sino-Ocean Shareholders whose Sino-Ocean Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Sino-Ocean Shareholders (not being Non-Qualifying Sino-Ocean Shareholders) whose Sino-Ocean Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Sino-Ocean Shares in the name of the beneficial owner prior to the Record Date.

STRUCTURE OF THE GLOBAL OFFERING

Applications by Qualifying Sino-Ocean Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on the **BLUE** Application Form or through the **HK eIPO Blue Form** service, Qualifying Sino-Ocean Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **HK eIPO White Form** service. Qualifying Sino-Ocean Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service under the Hong Kong Public Offering.

Qualifying Sino-Ocean Shareholders and Non-Qualifying Sino-Ocean Shareholders

Only Sino-Ocean Shareholders whose names appeared on the register of members of Sino-Ocean on the Record Date and who are not Non-Qualifying Sino-Ocean Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Sino-Ocean Shareholders are those Sino-Ocean Shareholders with registered addresses in, or who are otherwise known by Sino-Ocean to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Sino-Ocean and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Sino-Ocean Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Sino-Ocean and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Sino-Ocean Shareholders in the Specified Territories. Having considered the circumstances, the directors of Sino-Ocean and the Company have formed the view that it is necessary or expedient to restrict the ability of Sino-Ocean Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Sino-Ocean Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

STRUCTURE OF THE GLOBAL OFFERING

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Sino-Ocean Shareholders are:

- (a) Sino-Ocean Shareholders whose names appeared in the register of members of Sino-Ocean on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) Sino-Ocean Shareholders or Beneficial Sino-Ocean Shareholders on the Record Date who are otherwise known by Sino-Ocean to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms, the Company reserves the right to permit any Sino-Ocean Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Beneficial Sino-Ocean Shareholders who hold Sino-Ocean Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland China-Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Sino-Ocean Shareholders who hold Sino-Ocean Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been dispatched to all Qualifying Sino-Ocean Shareholders save for certain core connected persons of the Company who will not participate in the Preferential Offering. In addition, Qualifying Sino-Ocean Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under Sino-Ocean's corporate communications policy. For further details, see the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares."

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set forth in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" and on the **BLUE** Application Forms.

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THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 266,400,000 Offer Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the International Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares and/or hold or sell its Offer Shares after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

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OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 44,400,000 additional Offer Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 3.6% of the total Shares in issue immediately following the completion of the Capitalization Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules of the SFO. Stabilization actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO include (a)

STRUCTURE OF THE GLOBAL OFFERING

over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager (or any person acting for it) will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, January 9, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market;
- (e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

An announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

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Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement (as detailed below) or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 44,400,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Shine Wind, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Shine Wind on or about the Price Determination Date.

If the Stock Borrowing Agreement is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

The same number of Shares so borrowed must be returned to Shine Wind or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Shine Wind by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, December 10, 2020 and, in any event, no later than Wednesday, December 16, 2020, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

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The Offer Price will not be more than HK\$6.70 per Share and is expected to be not less than HK\$5.50 per Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$6.70 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,383.76 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Minimum Offer Price stated in this prospectus.**

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price Range below as stated in this prospectus at any time in or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, cause to be published on the websites of the Company and the Stock Exchange at www.sinooceanservice.com.cn and www.hkexnews.hk, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares and the results of allocations in the Hong Kong Public Offering and the Preferential Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares and Reserved Shares — E. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on or before Wednesday, December 16, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at www.sinooceanservice.com.cn and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set forth in “How to Apply for Hong Kong Offer Shares and Reserved Shares — G. Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)(as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, December 17, 2020, provided (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised at or before that time.

DEALINGS IN THE SHARES

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 17, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 17, 2020.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 6677.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **HK eIPO White Form** service at www.hkeipo.hk or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a United States person (as defined in Regulation S).

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of shares in the Company and/or a substantial shareholder of any of its subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; and
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service at www.hkeipo.hk or the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 7, 2020 until 12:00 noon on Thursday, December 10, 2020 from:

- (a) any of the following offices of the Joint Global Coordinators:

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

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

- (b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
	Yu Chau Street Branch	42-46 Yu Chau Street, Sham Shui Po, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 7, 2020 until 12:00 noon on Thursday, December 10, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SINO-OCEAN SERVICE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Monday, December 7, 2020 – 9:00 a.m. to 4:00 p.m.
Tuesday, December 8, 2020 – 9:00 a.m. to 4:00 p.m.
Wednesday, December 9, 2020 – 9:00 a.m. to 4:00 p.m.
Thursday, December 10, 2020 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 10, 2020, the last application day, or such later time as described in "— D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles of Association;
- (b) agree to comply with the Memorandum and Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Cayman Companies Law;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (c) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set forth in this prospectus;
- (f) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the “**Relevant Persons**”) and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);
- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S and are not a United States person (as defined in Regulation S);

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria set out in “H. Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection” in the “How to Apply for Hong Kong Offer Shares and Reserved Shares” section in the Prospectus to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that except for an application made under the Preferential Offering, this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company, the Directors, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in “— 2. Who Can Apply” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.hkeipo.hk or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are set forth on the designated website or the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk or the **IPO App** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, December 7, 2020 until 11:30 a.m. on Thursday, December 10, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, December 10, 2020, the last day for applications, or such later time as described in “— D. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre,
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, December 7, 2020	– 9:00 a.m. to 8:30 p.m.
Tuesday, December 8, 2020	– 8:00 a.m. to 8:30 p.m.
Wednesday, December 9, 2020	– 8:00 a.m. to 8:30 p.m.
Thursday, December 10, 2020	– 8:00 a.m. to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 7, 2020 until 12:00 noon on Thursday, December 10, 2020 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, December 10, 2020, the last day for applications, or such later time as described in “— D. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, December 10, 2020, the last day for applications, or such later time as described in “— D. Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees,” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Sino-Ocean Shareholder applying for Reserved Shares under the Preferential Offering on the **BLUE** Application Form or through the **HK eIPO Blue Form** service, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **HK eIPO White Form** service through the designated website at www.hkeipo.hk or the **IPO App**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in “Structure of the Global Offering — The Preferential Offering.”

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR RESERVED SHARES

1. Who Can Apply

Only Sino-Ocean Shareholders whose names appeared on the register of members of Sino-Ocean on the Record Date and who are not Non-Qualifying Sino-Ocean Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Sino-Ocean Shareholders are those Sino-Ocean Shareholders with registered addresses in, or who are otherwise known by Sino-Ocean to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Sino-Ocean and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Sino-Ocean Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Sino-Ocean and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Sino-Ocean Shareholders in the Specified Territories. Having considered the circumstances, the directors of Sino-Ocean and the Company have formed the view that it is necessary or expedient to restrict the ability of Sino-Ocean Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Sino-Ocean Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Sino-Ocean Shareholders are:

- (a) Sino-Ocean Shareholders whose names appeared in the register of members of Sino-Ocean on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and
- (b) Sino-Ocean Shareholders or Beneficial Sino-Ocean Shareholders on the Record Date who are otherwise known by Sino-Ocean to be resident in any of the Specified Territories.

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Notwithstanding any other provision in this prospectus or the **BLUE** Application Forms or the terms and conditions of the **HK eIPO Blue Form** service, the Company reserves the right to permit any Sino-Ocean Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, Sino-Ocean has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any Sino-Ocean Shares on behalf of the Non-Qualifying Sino-Ocean Shareholders, they are excluded from participating in the Preferential Offering.

Qualifying Sino-Ocean Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every 250 Sino-Ocean Shares held by them on the Record Date.

Qualifying Sino-Ocean Shareholders who hold less than 250 Sino-Ocean Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorized person under a valid power of attorney, the Company and the Joint Global Coordinators, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Joint Global Coordinators, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

You cannot apply for any Reserved Shares if you are:

- a substantial shareholder of the Company and/or any of its subsidiaries;
- a director or chief executive of the Company and/or any of the Company's subsidiaries;
- a close associate of any of the above persons;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; or
- a Non-Qualifying Sino-Ocean Shareholder.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

2. How to Apply

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Sino-Ocean Shareholders using either (i) **BLUE** Application Forms which have been dispatched to Qualifying Sino-Ocean Shareholders by the Company or (ii) through the **HK eIPO Blue Form** Service via www.hkeipo.hk.

Qualifying Sino-Ocean Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering. Qualifying Sino-Ocean Shareholders who hold less than 250 Sino-Ocean Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offering by applying only for excess Reserved Shares.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Sino-Ocean Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set forth in this prospectus, the **BLUE** Application Forms and the **HK eIPO Blue Form** service assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Sino-Ocean Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Sino-Ocean Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Sino-Ocean Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Sino-Ocean Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement either using the **BLUE** Application Forms or through the **HK eIPO Blue Form** service in www.hkeipo.hk for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set forth in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If the number of Reserved Shares applied for is not one of the numbers set forth in the table, you must calculate the correct amount payable on application by using the formula set forth in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;

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- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Sino-Ocean Shareholders who have applied for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **HK eIPO White Form** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Sino-Ocean Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service under the Hong Kong Public Offering.

Persons who held their Sino-Ocean Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Sino-Ocean Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this Prospectus and the Blue Application Forms

BLUE Application Forms have been dispatched to all Qualifying Sino-Ocean Shareholders, save for certain core connected persons of the Company who will not participate in the Preferential Offering, to their address recorded on the register of members of Sino-Ocean on the Record Date.

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In addition, Qualifying Sino-Ocean Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under Sino-Ocean's corporate communications policy.

If a Qualifying Sino-Ocean Shareholder has elected to receive corporate communications from Sino-Ocean in printed form under Sino-Ocean's corporate communications policy or has not been asked to elect the means of receiving Sino-Ocean's corporate communications, a printed copy of this prospectus in the elected language version(s) (if applicable) will be dispatched to such Qualifying Sino-Ocean Shareholder.

If a Qualifying Sino-Ocean Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Sino-Ocean, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at www.sinooceanservice.com.cn and the Stock Exchange at www.hkexnews.hk under the section entitled "*HKEXnews > Listed Company Information > Latest Listed Company Information.*"

A Qualifying Sino-Ocean Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Tricor Investor Services Limited or by email to Tricor Investor Services Limited at is-enquiries@hk.tricorglobal.com. Tricor Investor Services Limited will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying Sino-Ocean Shareholder, free of charge, although such Qualifying Sino-Ocean Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Qualifying Sino-Ocean Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of the Joint Global Coordinators as set forth in the section headed "— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms" above.

Qualifying Sino-Ocean Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or on its hotline 2980 1333.

Distribution of this prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the

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securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **BLUE** Application Forms, except to Qualifying Sino-Ocean Shareholders as specified in this prospectus.

Receipt of this prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of Sino-Ocean and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **BLUE** Application Form(s) in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying Through the HK eIPO Blue Form Service

If you apply for Reserved Shares online through the **HK eIPO Blue Form** service:

- (a) detailed instructions for application through the **HK eIPO Blue Form** service are set forth on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO Blue Form** Service Provider and may not be submitted to the Company;
- (b) you must also be willing to provide a valid e-mail address; and
- (c) once payment is completed via **electronic application instructions** given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **HK eIPO Blue Form** service and by using a **BLUE** Application Form, only the application submitted via the **HK eIPO Blue Form** service will be accepted and the other will be rejected.

The application for Reserved Shares through the **HK eIPO Blue Form** service is only a facility provided by the **HK eIPO Blue Form** Service Provider to Qualifying Sino-Ocean Shareholders for application for Reserved Shares. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for application to make your electronic application. The Company, the Relevant Persons and the **HK eIPO Blue Form** Service Provider take no responsibility for such applications.

5. Applying by Using Blue Application Forms

- (a) You may choose one of the four options on the **BLUE** Application Form when applying for Reserved Shares:
- (i) Option 1: apply for a number of Reserved Shares that is equal to your Assured Entitlement.
 - (ii) Option 2: apply for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares.
 - (iii) Option 3: apply for a number of Reserved Shares that is less than your Assured Entitlement.
 - (iv) Option 4: Apply for a number of excess Reserved Shares only (e.g. if you hold less than 250 Sino-Ocean Shares on the Record Date and therefore do not have an Assured Entitlement but are still entitled to participate in the Preferential Offering by applying for excess Reserved Shares).
- (b) The **BLUE** Application Form will be rejected by the Company if:
- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
 - the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
 - in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
 - the check/banker's cashier order/**BLUE** Application Form is defective;
 - the **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a check/banker's cashier order or is accompanied by more than one check/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;
 - the account name on the check/banker's cashier order is not pre-printed or certified by the issuing bank;
 - the banker's cashier order was not issued by a licensed bank in Hong Kong, or did not have the applicant's name certified on the back by a person authorized by the bank;
 - the check/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;

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- the name of the payee indicated on the check/banker's cashier order is not "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SINO-OCEAN SERVICE PREFERENTIAL OFFER;"
 - the check has not been crossed "Account Payee Only;"
 - the check was post-dated;
 - the applicant's payment is not made correctly or if the applicant pays by check or banker's cashier order, the check or banker's cashier order is dishonored on its first presentation;
 - the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the check/banker's cashier order;
 - any alteration(s) to the application details on the **BLUE** Application Form has or have not been authorized by the signature(s) of the applicant(s);
 - the application is completed by pencil;
 - the applicant does not fill in all the boxes in the option he/she/it chooses;
 - the applicant chooses more than one of the options on the **BLUE** Application Form;
 - the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or
 - the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.
- (c) If you are applying for a number of Reserved Shares which is equal to your Assured Entitlement (**Option 1**):
- Your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable in Box B set forth in the **BLUE** Application Form.
- (d) If you are applying for a number of Reserved Shares up to your Assured Entitlement and excess Reserved Shares (**Option 2**):
- Your application will be rejected if the amount on the cheque/banker's cashier order does not match and is less than the amount payable in relation to your Assured Entitlement applied for in your **BLUE** Application Form.

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- Your application for your Assured Entitlement (if any) will be accepted in full but your application for excess Reserved Shares will be rejected if the amount on the cheque/banker's cashier order does not match and is more than the amount payable in relation to your Assured Entitlement applied for but is less than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.
 - Your application will be accepted in full if the amount on the cheque/banker's cashier order does not match and is more than the total amount payable in relation to both your Assured Entitlement applied for and the excess Reserved Shares applied for in your **BLUE** Application Form.
- (e) If you are applying for a number of Reserved Shares which is less than your Assured Entitlement (**Option 3**):
- You are recommended to apply for Reserved Shares in one of the numbers set forth in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set forth in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the corresponding amount payable as set forth in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set forth in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with the amount payable calculated by using the formula set forth in the **BLUE** Application Form.
- (f) If you are applying for a number of excess Reserved Shares only (**Option 4**):
- You are recommended to apply for Reserved Shares in one of the numbers set forth in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is in one of the numbers set forth in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the corresponding amount payable as set forth in the table in the **BLUE** Application Form. When the number of Reserved Shares applied for is not in one of the numbers set forth in the table in the **BLUE** Application Form, your application will be rejected by the Company if the amount on your cheque/banker's cashier order does not match with and is less than the amount payable calculated by using the formula set forth in the **BLUE** Application Form.

6. When May Applications Be Made**(a) Applications on BLUE Application Form(s)**

Your completed **BLUE** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SINO-OCEAN SERVICE PREFERENTIAL OFFER" for the payment, should be deposited in the special collection boxes provided at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at the following times:

Monday, December 7, 2020 – 9:00 a.m. to 4:30 p.m.

Tuesday, December 8, 2020 – 9:00 a.m. to 4:30 p.m.

Wednesday, December 9, 2020 – 9:00 a.m. to 4:30 p.m.

Thursday, December 10, 2020 – 9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, December 10, 2020, the last day for applications, or such later time as described in "— D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 10, 2020, the last day for applications, or such later time as described in "— D. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

7. How Many Applications May Be Made

You should refer to "— A. Applications for Hong Kong Offer Shares — 8. How Many Applications Can You Make" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

8. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

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C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND RESERVED SHARES

The Maximum Offer Price is HK\$6.70 per Offer Share. You must pay the Maximum Offer Price, brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee 0.005% in full upon application for the Hong Kong Offer Shares or Reserved Shares under the terms set forth in the Application Forms. This means that for one board lot of 500 Hong Kong Offer Shares or one board lot of 500 Reserved Shares, you will pay HK\$3,383.76.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or **IPO App**.

For applicants on the **BLUE** Application Form, if the number of Reserved Shares applied for is not one of the numbers set forth in the table, you must calculate the correct amount payable on application by using the formula set forth in the **BLUE** Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation.”

D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 10, 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

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If the application lists do not open and close on Thursday, December 10, 2020 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made.

E. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Shares and Reserved Shares on Wednesday, December 16, 2020 and on the websites of the Company at www.sinooceanservice.com.cn and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and dates and in the manner set forth below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at www.sinooceanservice.com.cn and www.hkexnews.hk, respectively, by no later than Wednesday, December 16, 2020;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult with a “search by ID” function or at “Allotment Result” function in the **IPO App** on a 24 hour basis from 8:00 a.m. on Wednesday, December 16, 2020 to 12:00 midnight on Tuesday, December 22, 2020;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, December 16, 2020 to Monday, December 21, 2020 on a Business Day; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank’s designated branches referred to above from Wednesday, December 16, 2020 to Friday, December 18, 2020.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or Reserved Shares (as the case may be) if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set forth in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and/or Reserved Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service or the **HK eIPO Blue Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), in the following circumstances:

- (i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider, the **HK eIPO Blue Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

(c) If the allocation of Hong Kong Offer Shares and/or Reserved Shares is void:

The allocation of Hong Kong Offer Shares and/or Reserved Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications (other than an application (if any) made on the **BLUE** Application Form in your capacity as a Qualifying Sino-Ocean Shareholder);
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service or the **HK eIPO Blue Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.hkeipo.hk;
- you apply for more than 14,800,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set forth in the section headed “Structure of the Global Offering — Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, December 16, 2020.

H. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Reserved Shares allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW** or **BLUE** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares and/or Reserved Shares allotted to you (for **YELLOW** Application Forms, Share certificate(s) will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares and/or Reserved Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificate(s) are expected to be posted on or before Wednesday, December 16, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 17, 2020, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE or BLUE Application Form:

- If you apply for (i) 1,000,000 or more Hong Kong Offer Shares on a **WHITE** Application Form or (ii) 1,000,000 or more Reserved Shares on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 16, 2020, or any other place or date notified by the Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, it/they will be dispatched promptly to the address specified in your Application Form by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- If you apply for (i) less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form or (ii) less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Wednesday, December 16, 2020 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on Wednesday, December 16, 2020 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 16, 2020 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, December 16, 2020 in the manner as described in "— E. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 16, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

(c) If you apply through HK eIPO White Form service or HK eIPO Blue Form service:

- If you apply for 1,000,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service or **HK eIPO Blue Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 16, 2020, or any other place or date notified by the Company in the newspapers as the date of dispatch/collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service or **HK eIPO Blue Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, December 16, 2020 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 16, 2020 or on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “— E. Publication of Results” above on Wednesday, December 16, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 16, 2020 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, December 16, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 16, 2020.

I. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set forth on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SINO-OCEAN SERVICE HOLDING LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (together, the "Group") set forth on pages I-4 to I-77, which comprises the consolidated statements of financial position as of December 31, 2017, 2018 and 2019 and June 30, 2020, the Company's statement of financial position as of June 30, 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set forth on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the Prospectus of the Company dated December 7, 2020 (the "Prospectus") in connection with the initial listing of the share of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set forth in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *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 judgment, 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 forth in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of June 30, 2020, and the consolidated financial position of the Group as of December 31, 2017, 2018 and 2019 and June 30, 2020, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set forth in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set forth in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the*

Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set forth in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 33 to the Historical Financial Information which contains information about the dividends paid by the Sino-Ocean Service Holding Limited and companies now comprising the Group in respect of Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

December 7, 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set forth below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, and on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Consolidated Statements of Comprehensive Income

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	1,213,028	1,610,309	1,829,575	848,042	903,694
Cost of sales	6,9	(961,682)	(1,287,312)	(1,452,896)	(645,147)	(646,578)
Gross profit		251,346	322,997	376,679	202,895	257,116
Selling and marketing expenses	9	(5,834)	(10,413)	(9,002)	(3,003)	(2,052)
Administrative expenses	9	(102,594)	(132,200)	(143,878)	(56,959)	(74,212)
Net impairment losses on financial assets		(19,666)	(24,818)	(14,186)	(11,404)	(14,139)
Other income	7	2,984	110,526	225,397	112,260	107,106
Other gains, net	8	15,191	3,486	3,093	1,733	1,761
Fair value gains/(losses) on investment properties	16	1,041	(180)	1,085	214	557
Operating profit		142,468	269,398	439,188	245,736	276,137
Finance costs	11	(900)	(84,137)	(173,117)	(86,164)	(79,671)
Share of (losses)/profit from investment in joint ventures	13	(231)	149	333	117	1,268
Profit before income tax		141,337	185,410	266,404	159,689	197,734
Income tax expense	14	(36,269)	(41,472)	(61,128)	(37,517)	(43,620)
Profit for the year/period		105,068	143,938	205,276	122,172	154,114
Other comprehensive income		—	—	—	—	—
Profit and total comprehensive income for the year/period		<u>105,068</u>	<u>143,938</u>	<u>205,276</u>	<u>122,172</u>	<u>154,114</u>
Profit and total comprehensive income attributable to:						
– Owners of the Company		104,168	137,153	206,504	125,991	150,766
– Non-controlling interests		900	6,785	(1,228)	(3,819)	3,348
		<u>105,068</u>	<u>143,938</u>	<u>205,276</u>	<u>122,172</u>	<u>154,114</u>
Earnings per share for profit attributable to the owners of the Company (basic and diluted) (expressed in RMB per share)	15	<u>1,042</u>	<u>1,372</u>	<u>2,065</u>	<u>1,260</u>	<u>1,508</u>

Consolidated Statements of Financial Position

		As of December 31,			As of
		2017	2018	2019	June 30,
	Note	RMB'000	RMB'000	RMB'000	2020
					RMB'000
Assets					
Non-current assets					
Investment properties	16	83,989	83,809	84,894	85,451
Property, plant and equipment	17	21,103	24,907	25,280	21,854
Intangible assets	18	3,364	117,075	112,438	108,703
Right-of-use assets	19	14,853	10,072	4,280	12,186
Investments in joint ventures	13	1,118	21,767	22,100	104,453
Prepayments and other receivables	23	3,900	3,087,359	–	–
Loan and interest receivables due from related parties	24	–	–	2,856,000	–
Deferred income tax assets	32	11,879	15,821	17,779	23,855
Total non-current assets		<u>140,206</u>	<u>3,360,810</u>	<u>3,122,771</u>	<u>356,502</u>
Current assets					
Inventories	21	65,061	128,685	134,825	133,456
Trade and note receivables	22	243,815	345,684	363,659	469,436
Prepayments and other receivables	23	77,416	88,984	94,286	90,707
Loan and interest receivables due from related parties	24	–	–	–	2,654,381
Financial assets at fair value through profit or loss	25	–	–	17,835	23,290
Restricted bank deposits	26	26,958	246	154	6,144
Cash and cash equivalents	26	700,740	414,623	423,413	725,491
Total current assets		<u>1,113,990</u>	<u>978,222</u>	<u>1,034,172</u>	<u>4,102,905</u>
Total assets		<u>1,254,196</u>	<u>4,339,032</u>	<u>4,156,943</u>	<u>4,459,407</u>

	Note	As of December 31,			As of
		2017	2018	2019	June 30,
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
Equity					
Equity attributable to owners of the Company					
Share capital	27	–	–	–	9
Reserves	28	161,522	160,697	163,486	240,666
Retained earnings	29	203,506	340,245	254,452	118,246
		365,028	500,942	417,938	358,921
Non-controlling interests		7,774	28,943	22,328	21,347
Total equity		372,802	529,885	440,266	380,268
Liabilities					
Non-current liabilities					
Borrowings	31	10,000	2,443,029	2,142,008	–
Trade and other payables	30	4,184	6,457	7,783	7,822
Lease liabilities	19	8,176	2,523	705	4,767
Deferred income tax liabilities	32	7,808	16,028	13,759	12,774
Total non-current liabilities		30,168	2,468,037	2,164,255	25,363
Current liabilities					
Borrowings	31	–	368,990	403,974	2,388,481
Trade and other payables	30	581,316	643,584	799,948	1,282,456
Contract liabilities		247,144	293,778	304,055	336,658
Lease liabilities	19	7,245	8,148	3,753	5,130
Current tax liabilities		15,521	26,610	40,692	41,051
Total current liabilities		851,226	1,341,110	1,552,422	4,053,776
Total liabilities		881,394	3,809,147	3,716,677	4,079,139
Total equity and liabilities		1,254,196	4,339,032	4,156,943	4,459,407

Company Statement of Financial Position

	<i>Note</i>	As of June 30, 2020 <i>RMB'000</i>
Assets		
Non-current assets		
Investment in subsidiaries		—*
Prepayments and other receivables	23	185,802
Total non-current assets		185,802
Current assets		
Cash and cash equivalents		14,894
Total current assets		14,894
Total assets		200,696
Equity		
Equity attributable to owners of the Company		
Share capital	27	9
Reserves		189,991
Retained earnings		105
Total equity		190,105
Liabilities		
Current liabilities		
Trade and other payables		10,591
Total current liabilities		10,591
Total liabilities		10,591
Total equity and liabilities		200,696

* Less than RMB1,000

Consolidated Statements of Changes in Equity

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Statutory Reserves	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2017		–	2,151	138,025	190,292	330,468	–	330,468
Comprehensive income								
Profit for the year		–	–	–	104,168	104,168	900	105,068
Transactions with owners of the Company								
Business combinations under common control	28	–	–	1,640	–	1,640	2,360	4,000
Appropriation of statutory reserve	28	–	7,754	–	(7,754)	–	–	–
Contribution from an entity controlled by the ultimate holding company, net of tax	28	–	–	18	–	18	27	45
Capital injection	28	–	–	11,934	–	11,934	–	11,934
Acquisition of subsidiaries		–	–	–	–	–	4,487	4,487
Dividends	33	–	–	–	(83,200)	(83,200)	–	(83,200)
Balance at December 31, 2017		–	9,905	151,617	203,506	365,028	7,774	372,802
Balance at January 1, 2018		–	9,905	151,617	203,506	365,028	7,774	372,802
Comprehensive income								
Profit for the year		–	–	–	137,153	137,153	6,785	143,938
Transactions with owners of the Company								
Business combinations under common control	28	–	–	(1,640)	–	(1,640)	–	(1,640)
Appropriation of statutory reserve	28	–	414	–	(414)	–	–	–
Contribution from an entity controlled by the ultimate holding company, net of tax	28	–	–	401	–	401	577	978
Acquisition of subsidiaries	36	–	–	–	–	–	14,815	14,815
Dividends	33	–	–	–	–	–	(1,008)	(1,008)
Balance at December 31, 2018		–	10,319	150,378	340,245	500,942	28,943	529,885

APPENDIX I
ACCOUNTANT'S REPORT

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Statutory Reserves	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		–	10,319	150,378	340,245	500,942	28,943	529,885
Comprehensive income								
Profit for the year		–	–	–	206,504	206,504	(1,228)	205,276
Transactions with owners of the Company								
Appropriation of statutory reserve	28	–	2,789	–	(2,789)	–	–	–
Dividends	33	–	–	–	(289,508)	(289,508)	(5,387)	(294,895)
Balance at December 31, 2019		–	13,108	150,378	254,452	417,938	22,328	440,266
(Unaudited)								
Balance at January 1, 2019		–	10,319	150,378	340,245	500,942	28,943	529,885
Comprehensive income								
Profit for the period		–	–	–	125,991	125,991	(3,819)	122,172
Transactions with owners of the Company								
Dividends	33	–	–	–	–	–	(5,387)	(5,387)
Balance at June 30, 2019		–	10,319	150,378	466,236	626,933	19,737	646,670
Balance at January 1, 2020		–	13,108	150,378	254,452	417,938	22,328	440,266
Comprehensive income								
Profit for the period		–	–	–	150,766	150,766	3,348	154,114
Transactions with owners of the Company								
Capital injection	27, 28	9	–	189,991	–	190,000	–	190,000
Deemed distribution	28	–	–	(185,000)	–	(185,000)	–	(185,000)
Contribution from the ultimate holding company	28	–	–	73,005	–	73,005	–	73,005
Dividends	33	–	–	–	(286,972)	(286,972)	(5,145)	(292,117)
Transaction with non-controlling interests	28	–	–	(816)	–	(816)	816	–
Balance at June 30, 2020		9	13,108	227,558	118,246	358,921	21,347	380,268

Consolidated Statements of Cash Flows

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	34	161,564	76,743	257,915	23,221	116,051
Income tax paid		(57,744)	(38,471)	(51,301)	(31,300)	(50,322)
Net cash generated from/(used in) operating activities		<u>103,820</u>	<u>38,272</u>	<u>206,614</u>	<u>(8,079)</u>	<u>65,729</u>
Cash flows from investing activities						
Purchases of property, plant and equipment		(11,741)	(13,973)	(11,182)	(3,276)	(1,598)
Proceeds from sale of property, plant and equipment		634	532	349	110	74
Purchase of intangible assets		(1,708)	(11,777)	(3,029)	(692)	(131)
Purchases of financial assets at fair value through profit or loss		(1,515,000)	(765,000)	(784,800)	(360,500)	(484,000)
Redemption of financial assets at fair value through profit or loss		1,530,207	768,377	770,131	319,982	480,195
Proceeds of disposal of a subsidiary		–	–	379	–	–
Loan advanced to an entity controlled by the ultimate holding company	37(b)	–	(3,158,000)	(2,856,000)	(2,856,000)	–
Repayment of loan from an entity controlled by the ultimate holding company	37(b)	–	3,158,000	–	–	306,000
Amount advanced to an entity controlled by the ultimate holding company	37(b)	–	(3,089,189)	–	–	–
Repayment of amount due from an entity controlled by the ultimate holding company	37(b)	–	–	3,089,189	2,986,732	–
Interest received		–	107,003	214,330	108,221	–
Acquisition of a joint controlled entity	13	(3,900)	(16,600)	–	–	–
Acquisition of subsidiaries, net of cash	36	87	(69,506)	–	–	–
Net cash (used in)/generated from investing activities		<u>(1,421)</u>	<u>(3,090,133)</u>	<u>419,367</u>	<u>194,577</u>	<u>300,540</u>
Cash flows from financing activities						
Dividends		(83,200)	(1,008)	(294,895)	(5,387)	(124,587)
Capital injection	28	11,934	–	–	–	190,000
Payments of lease liabilities	19(c)	(5,259)	(9,418)	(10,106)	(5,360)	(2,881)
Proceeds from borrowings, net		10,000	3,004,683	–	–	–
Repayments of borrowings		–	(203,010)	(267,016)	(131,990)	(157,954)
Interest paid		–	(42,792)	(174,015)	(88,687)	(82,214)
Amount advanced from an entity controlled by the ultimate holding company		–	17,289	128,841	602	113,340
Net cash (used in)/generated from financing activities		<u>(66,525)</u>	<u>2,765,744</u>	<u>(617,191)</u>	<u>(230,822)</u>	<u>(64,296)</u>
Net increase/(decrease) in cash and cash equivalents		<u>35,874</u>	<u>(286,117)</u>	<u>8,790</u>	<u>(44,324)</u>	<u>301,973</u>
Cash and cash equivalents at beginning of the year/period	26	664,866	700,740	414,623	414,623	423,413
Exchange gains on cash and cash equivalents		–	–	–	–	105
Cash and cash equivalents at end of the year/period		<u>700,740</u>	<u>414,623</u>	<u>423,413</u>	<u>370,299</u>	<u>725,491</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Sino-Ocean Service Holding Limited (“the Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on April 15, 2020. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together “the Group”) are primarily engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC (the “Listing Business”).

The Company’s immediate holding company is Shine Wind Development Limited (“Shine Wind”), which was incorporated as an exempted company with limited liability in the British Virgin Islands (“BVI”). Its ultimate holding company is Sino-Ocean Group Holding Limited (“Sino-Ocean Group”), a limited liability company incorporated in Hong Kong on March 12, 2007, and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization (the “Reorganization”), the Listing Business was principally operated by Ocean Homeplus Property Service Corporation Limited (“Ocean Homeplus”) and its subsidiaries (collectively the “Operating Companies”) in the PRC. Before the completion of the Reorganization, Ocean Homeplus and its subsidiaries were controlled by Sino-Ocean Group.

On May 9, 2016, shares of Ocean Homeplus were listed on National Equities Exchange and Quotations (“NEEQ”) under stock code of 837149. On March 2, 2018, Ocean Homeplus was delisted from NEEQ.

In preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”), the Reorganization was undertaken pursuant to which the equity interests of the Operating Companies engaging in the Listing Business were transferred to the Company, the Reorganization involves the following major steps:

- (1) On April 15, 2020, the Company was incorporated in the Cayman Islands as a limited liability company by Shine Wind, a wholly-owned subsidiary of Sino-Ocean Group.
- (2) On March 3, 2020, Harvest Team Global Limited (“Harvest Team”) and Park Star Global Limited (“Park Star”) were incorporated in the BVI with limited liability by an independent third party and were transferred to Sino-Ocean Group on March 26, 2020. On April 22, 2020, Harvest Team and Park Star were transferred to the Company as its wholly-owned subsidiaries.
- (3) On March 2, 2020 and February 12, 2020, Super Lucky Investment Limited (“Super Lucky”) and Talent Bright Creation Limited (“Talent Bright”) were incorporated in Hong Kong with limited liability by an independent third party and were transferred to Harvest Team and Park Star on March 26, 2020, as its wholly-owned subsidiary, respectively.
- (4) On April 20, 2020, Beijing Yuanjing Rongda Management Consultancy Co., Ltd (“Beijing Yuanjing Rongda”) and Beijing Yuanjing Ruida Management Consultancy Co., Ltd (“Beijing Yuanjing Ruida”) were incorporated in the PRC as a limited liability company by Super Lucky and Talent Bright respectively. The registered share capital of Beijing Yuanjing Rongda and Beijing Yuanjing Ruida is RMB132,000,000 and RMB53,800,000, respectively.

- (5) On April 24, 2020, Beijing Zhuoyuan Ruitong Management Consultancy Co., Ltd (“Zhuoyuan Ruitong”) and Beijing Zhuoyuan Ruihe Management Consultancy Co., Ltd (“Zhuoyuan Ruihe”) were incorporated in the PRC as a limited liability company by Beijing Yuanjing Rongda and Beijing Yuanjing Ruida respectively. The registered share capital of Beijing Zhuoyuan Ruitong and Beijing Zhuoyuan Ruihe is RMB131,800,000 and RMB53,600,000, respectively.
- (6) Pursuant to a sale and purchase agreement on April 14, 2020, Beijing Yuankun Real Estate Development Co., Ltd (“Beijing Yuankun”) as a vendor and Beijing Bicheng Venture Capital Management Co., Ltd (“Beijing Bicheng”) as a purchaser acquired 71.15% equity stake in Ocean Homeplus at a consideration of RMB131,000,000.
- (7) Pursuant to a sale and purchase agreement on April 28, 2020, Beijing Bicheng as a vendor and Beijing Zhuoyuan Ruitong as a purchaser acquired 71.15% equity stake in Ocean Homeplus at a consideration of RMB131,600,000.
- (8) Pursuant to a sale and purchase agreement on April 28, 2020, Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. (“Beijing Yuanjing”) as a vendor and Beijing Zhuoyuan Ruihe as a purchaser acquired 28.85% equity stake in Ocean Homeplus at a consideration of RMB53,400,000.

Upon the completion of the above transfers, the Company became the holding company of Ocean Homeplus and the companies now comprising the Group. Particulars of the subsidiaries of the Group are set forth in Note 12 to this report.

1.3 Basis of presentation

The Group comprising the Company, the inter-mediate holding companies and the Operating Subsidiaries has always been under the common control of Sino-Ocean Group during the Track Record Period and before and after the Group Reorganization. Therefore, it is regarded as a continuing entity and the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Sino-Ocean Group immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Sino-Ocean Group, whichever is a shorter period.

The net assets of the combining companies were consolidated using the existing book values from Sino-Ocean Group's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set forth below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) are set forth below. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2020 are consistently applied to the Group throughout the Track Record Period.

Standards and amendments that have been issued but not yet effective for the Track Record Period and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
HKFRS 17 – Insurance contract	January 1, 2023
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to HKAS 3 – Update reference to the Conceptual framework	January 1, 2022
Amendments to HKAS 16 – Proceeds before intended use	January 1, 2022
Amendments to HKAS 37 – Onerous contracts – costs of fulfilling a contract	January 1, 2022
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint ventures	January 1, 2022
Amendments to HKFRS 16 – COVID-19 related rent concession	June 1, 2020

The director of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group.

2.2 Principles of consolidation and equity accounting

2.2.1 Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Contingent consideration is classified either as a financial asset or a financial liability. Amounts classified as a financial asset or liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

(b) *Business combinations under common control*

The acquisitions of subsidiaries under common control have been accounted for using the merger method of accounting. The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or the excess of the acquirees' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statements of comprehensive income includes 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 common control, where this is a shorter period, regardless of the date of the common control combination.

(c) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 *Joint arrangements*

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.3 *Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures or financial asset. In addition, any amounts previously recognized 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 recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint ventures is reduced but joint control is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income, within finance income/(costs). All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other gains, net.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Estimated useful lives	Estimated net residual value
– Buildings	5-50 years	5%
– Vehicles	8 years	0-5%
– Plant and machinery	3 years	0-5%
– Office equipment	5 years	0-5%
– Electronic equipment	3-5 years	0-5%
– Leasehold improvement	Estimated useful lives or remaining lease terms whichever is shorter	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains, net" in the consolidated statements of comprehensive income.

2.7 Investment properties

Investment properties, principally community facility and carpark spaces, are held to earn rentals and for capital appreciation.

Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequent to initial recognition, investment properties are measured at their fair values. Changes in the fair value of investment properties are presented in profit or loss.

2.8 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 13 years, with reference to the remaining useful life of trademarks on the acquisition date plus the expected useful life of trademarks after renewed.

(c) Property management contracts and customer relationship

Property management contracts and customer relationship acquired in business combinations are recognized at fair value at the acquisition date. The property management contracts and customer relationship have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful lives of the contracts (7.75 to 10 years).

(d) Computer software

Acquired computer software programs are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Taking into account of the continuity, the stability and simplicity of the service provided by the Group and the past experience of the actual useful life of computer software, these costs are amortized over their estimated useful lives (5 to 10 years).

2.9 Impairment of non-financial assets

Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets**2.10.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses), net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

2.10.3 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and note receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade and note receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is measured by using specific identification of their individual costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and note receivables

Trade and note receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and note receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and note receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and note receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. For details of Group's accounting for trade and note receivables and description of the Group's impairment policies, see Note 3.1.2 and 22.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statements of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and joint ventures operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. Benefits falling due within 12 months after the end of the reporting period are recognized in other payables.

(e) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employee up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(f) Bonus entitlements

Expected costs of bonus payments are recognized as liabilities when constructive obligations are present, as a result of services rendered by employees and reliable estimations of the obligations can be made.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group provides property management services, value-added services to non-property owners and community value-added services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Property Management Services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by a pre-determined amount of the property management fee received or receivable from the properties units as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Value-added services to non-property owners

Value-added services to non-property owners mainly includes pre-delivery services to property developers, consultancy services and property engineering services. The Group agrees the price for each service with the customers upfront and issues the monthly bill to customers which varies based on the actual level of service completed in that month.

Community value-added services

Community value-added services mainly includes (i) Property brokerage services in relation to commission income from sales and rental of secondhand properties, which is billed to property owners and third parties immediately upon the services are provided and is recognized on a net basis at point in time; (ii) Revenue from community asset value-added services, which is recognized over the time when such services are rendered; (iii) Revenue from community living services are charged for each service provided and recognized when the relevant services are rendered; (iv) Revenue from sales of carpark spaces is recognized when the control of the use rights of carpark spaces is transferred to the customer and is billable immediately.

2.21 Interest income

Interest income from financial assets measured at fair value is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of other income.

Interest income is presented as other income where it is earned from financial assets that are held for cash management purposes, see Note 7 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.22 Earnings per share***Basic earnings per share***

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2.23 Lease***(a) The Group as a lessee***

The Group leases certain properties. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as “other receivables” in the consolidated statements of financial position.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss, directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The board of directors reviews and approves policies for managing each of these risks and they are summarized below.

3.1.1 Fair value interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents and interest-bearing cash advance (“the interest-bearing assets”) to related party, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and note receivables, other receivables, loan and interest receivables due from related parties, cash and cash equivalents and restricted bank deposits. The carrying amounts of trade and note receivables, other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from nonperformance by these counterparties.

(ii) Trade and note receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms, and related party customers. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and note receivables. To measure the expected credit losses, trade and note receivables have been grouped based on shared credit risk characteristics and the aging. The expected credit loss also incorporate forward looking information.

(iii) Loans and interest receivables due from related parties and other receivables due from related parties

The Group expects that the credit risk associated with loans and interest receivables due from related parties and other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses. The directors believe that there is no material credit risk inherent in loans and interest receivables due from related parties and other receivables due from related parties.

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As of December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow:

	Up to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade and note receivables due from third parties					
At December 31, 2017					
Expected loss rate	1%	27%	50%	100%	20%
Gross carrying amount (RMB'000)	139,007	48,870	14,913	22,653	225,443
Loss allowance provision (RMB'000)	<u>1,962</u>	<u>13,424</u>	<u>7,522</u>	<u>22,653</u>	<u>45,561</u>
At December 31, 2018					
Expected loss rate	1%	27%	50%	100%	21%
Gross carrying amount (RMB'000)	191,799	63,975	33,291	31,288	320,353
Loss allowance provision (RMB'000)	<u>1,952</u>	<u>17,095</u>	<u>16,487</u>	<u>31,288</u>	<u>66,822</u>
At December 31, 2019					
Expected loss rate	1%	27%	48%	97%	24%
Gross carrying amount (RMB'000)	191,479	58,629	37,310	46,220	333,638
Loss allowance provision (RMB'000)	<u>1,976</u>	<u>15,786</u>	<u>17,787</u>	<u>44,882</u>	<u>80,431</u>
At June 30, 2020					
Expected loss rate	1%	21%	49%	99%	21%
Gross carrying amount (RMB'000)	286,701	64,034	43,373	56,132	450,240
Loss allowance provision (RMB'000)	<u>1,853</u>	<u>13,488</u>	<u>21,372</u>	<u>55,727</u>	<u>92,440</u>

The expected credit loss rate for the provision matrix is for trade and note receivable which are mainly related to our property management and related services and other financial assets at amortized cost. As there is no significant change in business operation of property management and related services, actual loss rates for trade and note receivables, customer profile and the adjustment for forward looking macroeconomic data during the Track Record Period, the change in the expected credit loss rate for the provision matrix is insignificant throughout the Track Record Period.

	Expected Loss Rate	As of December 31,						As of June 30,	
		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
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and note receivables due from related parties	0.03%	63,951	18	92,179	26	110,483	31	111,665	29
Other receivables other than those from related parties	0.06%	61,037	34	55,857	31	63,380	35	65,206	36
Loans and interest receivables due from related parties and other receivables due from related parties	0.03%	1,950	1	3,107,448	863	2,868,639	797	2,670,213	742
		62,987	35	3,163,305	894	2,932,019	832	2,735,419	778

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the loss allowance provision for trade and note receivables and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade and note receivables	Other receivables (excluding prepayments)	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2017	26,162	283	26,445
Provision for loss allowance recognized in profit or loss	19,531	135	19,666
Loss allowance write-off	(114)	(383)	(497)
At December 31, 2017	45,579	35	45,614
At January 1, 2018	45,579	35	45,614
Provision for loss allowance recognized in profit or loss	23,959	859	24,818
Loss allowance write-off	(2,690)	–	(2,690)
At December 31, 2018	66,848	894	67,742
At January 1, 2019	66,848	894	67,742
Provision for loss allowance recognized in profit or loss	14,186	–	14,186
Loss allowance write-off	(572)	(62)	(634)
At December 31, 2019	80,462	832	81,294
At January 1, 2020	80,462	832	81,294
Provision for loss allowance recognized in profit or loss	14,139	–	14,139
Loss allowance write-off	(2,132)	(54)	(2,186)
At June 30, 2020	92,469	778	93,247

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the gross carrying amount of trade and note receivables and other receivables (excluding prepayment) was RMB352,381,000, RMB3,575,837,000, RMB520,140,000 and RMB642,943,000 and thus the maximum exposure to loss was RMB306,767,000, RMB3,508,095,000, RMB438,846,000 and RMB549,696,000.

3.1.3 Liquidity risk

The management of the Company aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents through having available sources of financing.

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Contractual maturities of financial liabilities					
At December 31, 2017					
Borrowings	800	800	10,800	–	12,400
Trade and other payables (excluding payroll and welfare payables and other tax payables)	483,700	–	4,184	–	487,884
Lease liabilities	8,025	6,401	2,142	–	16,568
	492,525	7,201	17,126	–	516,852
At December 31, 2018					
Borrowings	536,137	553,904	1,277,175	1,337,471	3,704,687
Trade and other payables (excluding payroll and welfare payables and other tax payables)	550,905	–	6,457	–	557,362
Lease liabilities	8,559	2,481	100	–	11,140
	1,095,601	556,385	1,283,732	1,337,471	4,273,189
At December 31, 2019					
Borrowings	553,904	426,812	1,275,271	912,563	3,168,550
Trade and other payables (excluding payroll and welfare payables and other tax payables)	691,926	–	7,783	–	699,709
Lease liabilities	3,894	717	–	–	4,611
	1,249,724	427,529	1,283,054	912,563	3,872,870
At June 30, 2020					
Borrowings	2,532,764	–	–	–	2,532,764
Trade and other payables (excluding payroll and welfare payables and other tax payables)	1,208,166	–	7,822	–	1,215,988
Lease liabilities	5,593	4,878	–	–	10,471
	3,746,523	4,878	7,822	–	3,759,223

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents.

As of December 31, 2017, 2018 and 2019 and June 30, 2020 and the gearing ratio of the Group is as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	10,000	2,812,019	2,545,982	2,388,481
Lease liabilities	15,421	10,671	4,458	9,897
Less: cash and cash equivalents	(700,740)	(414,623)	(423,413)	(725,491)
Net debt/(cash)	(675,319)	2,408,067	2,127,027	1,672,887
Total equity	372,802	529,885	440,266	380,268
Gearing ratio	N/A	454.5%	483.1%	439.9%

The Group's gearing ratio was not available as of December 31, 2017 which is primarily due to the Group is at a net cash position. The Group's gearing ratio increased to 454.5% as of December 31, 2018 since the Group issued asset-backed securities ("ABS") in 2018. The Group's gearing ratio increased to 483.1% as of December 31, 2019, which was primarily due to a large percentage of decrease in total equity as the Group declared and paid dividends in 2019, and the Group's gearing ratio decreased to 439.9% as of June 30, 2020, which was primarily due to a large percentage of decrease in net debt since Sino-Ocean Holding Group (China) Limited ("Sino-Ocean (China)"), an entity controlled by the ultimate holding company, repaid a portion of loan to us during the six months ended June 30, 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9, where the recoverable amounts of the CGU is determined based on value-in-use (the "VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

(b) Estimation of the useful life of property management contracts and customer relationship identified in business combinations

Property management contracts and customers relationships are recognized during two major business combination, which is measured at fair value on the acquisition date. Property management contracts and customers relationship has a finite life and are carried at cost less accumulated amortization. The Director determined the useful life of property management contracts with reference to the term of outstanding contract and the useful life of customer relationship with reference to each existing contract based on contract expiring dates, historical trend of termination or renewal rate, experience in the property management industry and to the useful life of customer relationship used by industry peers. Amortization is calculated using the straight-line method over the expected life of 7.5-10 years.

However, the actual useful life may be shorter or longer than estimate depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual useful life is different from the original estimate, such difference will impact the carrying amount of these intangible assets and the amortization expenses in the periods in which such estimate has been changed.

(c) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and note receivables, other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC. Management reviews the operating results of the business by geography but these operating segments are aggregated into a single operating segment as the nature of services, the type of customers for services, the methods used to provide their services and the nature of regulatory environment is same in different regions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, all of the non-current assets were located in the PRC.

6 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group's revenue and cost of sales by category for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 is as follows:

		Year ended December 31,						Six months ended June 30,			
		2017		2018		2019		2019		2020	
		Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
								(unaudited)		(unaudited)	
	Revenue from customer and recognized										
Property management services	Over time	830,111	704,604	1,051,601	914,563	1,219,641	1,052,479	581,620	471,724	647,666	490,098
Value-added services to non-property owners	Over time	204,703	168,034	317,377	265,758	372,643	304,607	167,651	134,939	154,309	118,908
Community value-added services	Over time and point in time	178,214	89,044	241,331	106,991	237,291	95,810	98,771	38,484	101,719	37,572
		<u>1,213,028</u>	<u>961,682</u>	<u>1,610,309</u>	<u>1,287,312</u>	<u>1,829,575</u>	<u>1,452,896</u>	<u>848,042</u>	<u>645,147</u>	<u>903,694</u>	<u>646,578</u>

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, revenue from entities controlled by Sino-Ocean Group, joint ventures and associates of Sino-Ocean Group and the shareholder of ultimate holding company of the Group contributed 20.8%, 19.6%, 20.4%, 18.5% and 21.7% of the Group's revenue, respectively. Other than Sino-Ocean Group and its joint ventures and associates, the Group has a large number of customers, none of whom contributed approximately 10% or more of the Group's revenue during the Track Record Period.

(a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
– related parties (Note 37(d))	6,386	3,534	12,214	10,196
– third parties	240,758	290,244	291,841	326,462
	247,144	293,778	304,055	336,658

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the expansion of business activities from self-development and business combinations.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/period					
Property management services	169,801	211,192	254,841	197,923	216,322
Community value-added services	34,158	35,952	38,875	28,523	78,444
Value-added services to non-property owners	–	–	62	62	1,783
	203,959	247,144	293,778	226,508	296,549

(iii) *Unsatisfied performance obligations*

For property management services, community value-added services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(iv) *Assets recognized from incremental cost to obtain a contract*

During the Track Record Period, there is no significant incremental cost to obtain a contract.

7 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants (a)	1,411	2,177	9,447	3,298	7,974
Interest income from bank deposits	925	934	726	363	333
Interest income from loans due from related parties (Note 37(b))	–	107,003	214,330	108,221	98,472
Others	648	412	894	378	327
	<u>2,984</u>	<u>110,526</u>	<u>225,397</u>	<u>112,260</u>	<u>107,106</u>

(a) Government grants mainly represented financial support funds from local government and additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

8 OTHER GAINS – NET

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fair value gains on financial assets at fair value through profit or loss	15,207	3,377	3,166	1,770	1,650
Losses on disposal of interests in subsidiaries	–	–	(2)	–	–
(Losses)/gains on disposal of property, plant and equipment	(16)	109	(71)	(37)	6
Net foreign exchange gains	–	–	–	–	105
	<u>15,191</u>	<u>3,486</u>	<u>3,093</u>	<u>1,733</u>	<u>1,761</u>

9 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employee benefit expenses (Note 10)	435,598	549,523	595,949	281,434	255,971
Outsourced security, greening and cleaning expenses	294,208	472,890	551,470	252,108	277,630
Maintenance expenses	78,981	114,815	141,138	43,535	54,566
Utilities	103,446	105,586	106,838	46,336	40,681
Office-related expenses	55,143	67,773	73,930	26,859	24,458
Depreciation and amortization charges (Note 17, Note 18, Note 19)	16,062	26,766	26,916	14,597	13,753
Cost of consumables and raw materials	50,403	51,221	56,706	20,598	20,967
Cost of selling carpark spaces	4,971	3,586	9,982	2,347	1,058
Taxes and surcharges	7,765	9,600	9,321	5,235	5,234
Community activities expenses	5,834	10,413	9,002	3,003	2,052
Listing expenses	–	–	–	–	16,333
Auditors' remuneration	4,526	1,035	1,328	481	429
– Audit services	900	900	750	–	–
– Non-audit services	3,626	135	578	481	429
Others	13,173	16,717	23,196	8,576	9,710
	1,070,110	1,429,925	1,605,776	705,109	722,842

10 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and bonuses	318,123	399,996	438,471	204,263	201,347
Pension costs	37,818	50,018	51,217	26,791	6,664
Housing funds, medical insurances and other social insurance (a)	47,833	60,710	66,757	32,634	32,161
Other employee benefits (b)	31,824	38,799	39,504	17,746	15,799
	435,598	549,523	595,949	281,434	255,971

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of employee salaries as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Other employee benefits mainly include meal, traveling and festival allowances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 0, 2, 0, 0 and 0 directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining 5, 3, 5, 5 and 5 individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries and bonuses	2,642	2,345	2,940	1,650	1,470
Social insurance expenses (a)	431	291	438	220	199
Housing benefits	166	113	201	100	100
Other employee benefits	489	450	544	305	272
	3,728	3,199	4,123	2,275	2,041

The emoluments fell within the following bands:

	Number of individuals			Six months ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
Emolument bands (in HK dollar)					
Nil – HK\$1,000,000	1	–	–	5	5
HK\$1,000,001 – HK\$1,500,000	1	1	2	–	–
HK\$1,500,001 – HK\$2,000,000	3	2	3	–	–
	5	3	5	5	5

11 FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expense of other borrowings (Note 37(b))	61	1,304	1,600	800	–
Interest expense of asset-backed securities	–	81,910	171,006	85,066	79,311
Interest expense for lease liabilities (Note 19)	839	923	511	298	360
	900	84,137	173,117	86,164	79,671

12 SUBSIDIARIES

The Group's principal subsidiaries as of December 31, 2017, 2018 and 2019 and June 30, 2020 are set forth below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

									Statutory auditors for the years ended December 31, 2017, 2018 and 2019
Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital (In thousand)	Attributable equity interest of the Group					
				As of December 31,			As of June 30,		
				2017	2018	2019	2020		
(1) Harvest Team Global Limited	BVI, March 3, 2020	Investment holding in BVI	USD50	N/A	N/A	N/A	100%	—	
(2) Park Star Global Limited	BVI, March 3, 2020	Investment holding in BVI	USD50	N/A	N/A	N/A	100%	—	
(3) Super Lucky Investment Limited	Hong Kong, March 2, 2020	Investment holding in Hong Kong	HKD-	N/A	N/A	N/A	100%	—	
(4) Talent Bright Creation Limited	Hong Kong, February 12, 2020	Investment holding in Hong Kong	HKD-	N/A	N/A	N/A	100%	—	
(5) Beijing Yuanjing Rongda Management Consultancy Co., Ltd. 北京遠璟榮達企業管理服務有限公司	The PRC, April 20, 2020	Investment holding in Beijing	RMB132,000	N/A	N/A	N/A	100%	—	
(6) Beijing Yuanjing Ruida Management Consultancy Co., Ltd. 北京遠璟瑞達企業管理服務有限公司	The PRC, April 20, 2020	Investment holding in Beijing	RMB53,800	N/A	N/A	N/A	100%	—	
(7) Zhuoyuan Ruitong 北京卓遠瑞通企業管理服務有限公司	The PRC, April 24, 2020	Investment holding in Beijing	RMB131,800	N/A	N/A	N/A	100%	—	
(8) Zhuoyuan Ruihe 北京卓遠瑞合企業管理服務有限公司	The PRC, April 24, 2020	Investment holding in Beijing	RMB53,600	N/A	N/A	N/A	100%	—	
(9) Ocean Homeplus Property Service Corporation Limited 遠洋億家物業服務股份有限公司	The PRC, September 9, 1999	Property management in Mainland of the PRC	RMB104,000	100%	100%	100%	100%	Note (f)	
(10) Zhongyuan Hotel Property Management Co., Ltd. 中遠酒店物業管理有限公司	The PRC, March 31, 1997	Property management in Mainland of the PRC	RMB12,667	100%	100%	100%	100%	Note (f)	
(11) Dalian Ocean Foundation Property Management Co., Ltd. 大連遠洋基業物業管理有限公司	The PRC, June 8, 2001	Property management in Mainland of the PRC	RMB5,000	100%	100%	100%	100%	Note (f)	
(12) Zhongshan Ocean Property Service Co., Ltd. 中山遠洋物業服務有限公司	The PRC, August 20, 2007	Property management in Mainland of the PRC	RMB3,000	100%	100%	100%	100%	Note (f)	

Name	Place and date of incorporation/ establishment	Principal activities and place of operation	Registered capital (In thousand)	Attributable equity interest of the Group				Statutory auditors for the years ended December 31, 2017, 2018 and 2019
							As of	
				As of December 31,			June 30,	
				2017	2018	2019	2020	
(13) Beijing Yiyang Times Building Technology Co., Ltd. 北京億洋時代樓宇科技有限公司	The PRC, September 17, 2015	Repair and Maintenance Services in Beijing	RMB8,000	100%	100%	100%	100%	Note (f)
(14) Shandong Liantai Property Service Co., Ltd. 山東聯泰物業服務有限公司 (“Shandong Liantai”) (c)	The PRC, March 4, 1994	Property management in Qingdao	RMB5,000	N/A	80%	80%	80%	Note (f)
(15) Ocean Yijia Property Service Nantong Co., Ltd. 遠洋億家物業服務南通有限公司 (“Ocean Nantong”) (a)	The PRC, March 27, 2008	Property management in Nantong	RMB3,000	60%	60%	60%	60%	Note (f)
(16) Hangzhou Yuanyang New Era Property Management Co., Ltd. 杭州遠洋新時代物業管理有限公司 (“Hangzhou New Era”) (b)	The PRC, April 29, 1999	Property management in Hangzhou	RMB3,000	60%	60%	60%	60%	Note (f)
(17) Changsha Xiangcheng Property Management Co., Ltd. 長沙相成物業管理有限公司 (“Changsha Xiangcheng”) (c)	The PRC, June 12, 2006	Property management in Changsha	RMB5,000	N/A	60%	60%	60%	Note (f)
(18) Beijing Yuanhe Zhishang Technology Service Co., Ltd. 北京遠和志尚科技服務有限公司 (“Beijing Yuanhe”) (d)	The PRC, September 1, 2017	On-site service in Beijing	RMB10,000	41%	41%	41%	100%	Note (f)
(19) Beijing Yichi Property Service Co., Ltd. 北京億馳物業服務有限公司	The PRC, April 24, 2020	Property management in Beijing	RMB1,000	N/A	N/A	N/A	100%	–
(20) Beijing Yiheng Property Service Co., Ltd. 北京億恒物業服務有限公司	The PRC, April 24, 2020	Property management in Beijing	RMB1,000	N/A	N/A	N/A	100%	–
(21) Beijing Jiuyiqi Information Technology Co., Ltd. 北京九一七信息技術有限公司 (“Beijing Jiuyiqi”) (e)	The PRC, October 22, 2015	Brokerage service in Beijing	RMB5,000	N/A	N/A	N/A	100%	–

* The English name of the subsidiaries represents the best efforts made by the management of the Group in translating their Chinese name as they do not have official English name.

(a) In November 2017, the Group completed its acquisition of 60% the equity interests in Ocean Nantong.

(b) In November 2017, the Group completed its acquisition of 60% the equity interests in Hangzhou New Era.

(c) In March 2018, the Group completed its acquisition of 60% and 80% the equity interests in Changsha Xiangcheng and Shandong Liantai (Note 36).

(d) In January 2018, the Group completed the acquisition of 41% equity interests in Beijing Yuanhe from Beijing Junde Land Development Company Limited (Beijing Junde), an entity controlled by the ultimate holding company. After the acquisition, the Company, Beijing Junde and a third party held 41%, 10% and 49% equity interests in Beijing Yuanhe, respectively. Meanwhile an agreement was signed between the Company and

Beijing Junde by which Beijing Junde will act in concert with the Company, as a result the Company obtained the controlling rights over the significant operating, investing and financial activities of Beijing Yuanhe. As Beijing Yuanhe was controlled by the ultimate holding company before and after the acquisition, the acquisition constituted a business combination under common control.

In May 2020, the Group acquired the 10% and 49% equity interests in Beijing Yuanhe from Beijing Junde and a third party at considerations of RMB1 and RMB1 respectively.

- (e) In May 2020, the Group completed its acquisition of 100% the equity interests in Beijing Jiuyiqi.
- (f) The statutory audited financial statements has been issued by Da Hua Certified Public Accountants Co., Ltd. (大華會計師事務所(特殊普通合夥)) for the years ended December 31, 2017 and 2018.

The statutory audited financial statements has been issued by PricewaterhouseCoopers Zhong Tian LLP. (普華永道中天會計師事務所(特殊普通合夥)) for the year ended December 31, 2019.

- (g) Material non-controlling interests

The total non-controlling interests as of December 31, 2017, 2018 and 2019 and June 30, 2020 are RMB7,774,000, RMB28,943,000, RMB22,328,000 and RMB21,347,000. No subsidiary has non-controlling interests that are material to the Group.

13 INVESTMENTS IN JOINT VENTURES

Set forth below are the joint ventures of the Group as of December 31, 2017, 2018 and 2019 and June 30, 2020 which, in the opinion of the directors, are not individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/country of incorporation	% of ownership interest				Nature of relationship	Measurement method				
		As of December 31,			As of June 30,			As of December 31,			As of June 30,
		2017	2018	2019	2020			2017	2018	2019	2020
Chengdu Qianhao Property Service Co., Ltd. 成都乾豪物業服務有限公司 ("Chengdu Qianhao") (i)	Property Management in Chengdu	N/A	N/A	N/A	50%	Joint venture	Equity method	N/A	N/A	N/A	77,801,000
Beijing Best Technology Service Co., Ltd. 北京百思得科技服務有限公司 ("Beijing Best") (ii)	Cleaning Service in Beijing	N/A	30%	30%	30%	Joint venture	Equity method	N/A	20,676,000	20,885,000	21,534,000
Beijing Indigo Property Service Co., Ltd. 北京頤堤港物業服務有限公司 ("Beijing Indigo") (iii)	Property Management in Beijing	N/A	N/A	N/A	50%	Joint venture	Equity method	N/A	N/A	N/A	3,284,000
Chongqing Tengji Property Management Co., Ltd. 重慶騰基物業管理有限公司 ("Chongqing Tengji") (iv)	Property management in Chongqing	49%	49%	49%	49%	Joint venture	Equity method	1,118,000	1,091,000	1,215,000	1,834,000

* The English names of the joint ventures represent the best efforts made by the management of the Group in translating their Chinese names as they do not have official English names.

- (i) According to the Article of Chengdu Qianhao, all significant matters of the entity require unanimous consent by both shareholders, Chengdu Qianhao is therefore accounted for as a joint venture of the Group.

- (ii) According to the Article of Beijing Best, all significant matters of the entity require unanimous consent by all shareholders, Beijing Best is therefore accounted for as a joint venture of the Group.
- (iii) According to the Article of Beijing Indigo, all significant matters of the entity require unanimous consent by both shareholders, Beijing Indigo is therefore accounted for as a joint venture of the Group.
- (iv) According to the Article of Chongqing Tengji, all significant matters of the entity require unanimous consent by both shareholders, Chongqing Tengji is therefore accounted for as a joint venture of the Group.

The movement in investment in joint ventures in the consolidated statements of financial position is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of year/period	1,349	1,118	21,767	21,767	22,100
Acquisition (a)	–	20,500	–	–	81,085
Share of (losses)/profit from investment in joint ventures	(231)	149	333	117	1,268
At end of year/period	1,118	21,767	22,100	21,884	104,453

- (a) On January 9, 2018, the Group acquired 30% of the equity interests in Beijing Best from a third party at consideration of RMB20,500,000.

On June 30, 2020, the Group acquired 50% of the equity interests in Chengdu Qianhao and Beijing Indigo from the joint ventures of Sino-Ocean Group with considerations of RMB7,830,000 and RMB250,000. As the fair value of the acquired interests in Chengdu Qianhao and Beijing Indigo is RMB77,801,000 and RMB3,284,000, which has been assessed by an independent valuer, the difference between the fair value and the considerations amounting to RMB73,005,000 are recorded as reserve.

As of December 31, 2017, 2018, 2019 and June 30, 2020, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures.

The summarized financial information of the individually immaterial joint ventures on an aggregate basis is as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Carrying amounts in the consolidated financial statements	1,118	21,767	22,100	21,884	104,453
Share of results	(231)	149	333	117	1,268
Share of total comprehensive income	(231)	149	333	117	1,268

14 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows how the tax expense is affected by non-assessable and nondeductible items.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax					
– PRC corporate income tax	38,709	46,957	64,300	40,723	50,559
– PRC land appreciation tax	32	1,097	1,083	10	122
Deferred income tax (Note 32)					
– PRC corporate income tax	(2,472)	(6,582)	(4,255)	(3,216)	(7,061)
	36,269	41,472	61,128	37,517	43,620

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	141,337	185,410	266,404	159,689	197,734
Adjust for:					
Share of results of joint ventures	231	(149)	(333)	(117)	(1,268)
	141,568	185,261	266,071	159,572	196,466
Tax calculated at a tax rate of 25%	35,392	46,314	66,518	39,893	49,116
Tax effects of:					
Effect of higher tax rate for the appreciation of land in the PRC	24	823	813	7	91
Expenses not deductible for tax purposes	2,446	2,291	1,769	798	741
Tax losses not recognized	49	326	1,264	1,310	1,110
Utilization of previously unrecognized tax losses and expenses	(321)	(1,030)	(4)	(56)	(771)
Differences in tax rate	(1,175)	(5,767)	(9,395)	(4,407)	(6,571)
Others	(146)	(1,485)	163	(28)	(96)
	36,269	41,472	61,128	37,517	43,620

The effective income tax rate was 26%, 22%, 23%, 23% and 22% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 respectively.

(a) Cayman Island income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profit tax

No provision for Hong Kong profits tax was made as the Group did not have and assessable income subject to Hong Kong profits tax during the Track Record Period.

(c) PRC corporate income tax

Income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in the PRC is 25%. Certain subsidiaries of the Group in the PRC are High-New Technology Enterprise, and they are subject to a preferential income tax rate of 15% in certain years. Certain subsidiaries of the Group in the PRC are qualified as small and micro businesses and enjoy preferential income tax rate of 5% or 10% in certain years.

(d) PRC land appreciation tax ("LAT")

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

(e) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

15 EARNINGS PER SHARE

The basic earnings per share is calculated on the profit attributable to owners of the Company by the weighted number of ordinary shares deemed to be in issue during each of the years ended December 31, 2017, 2018, 2019 and each of the six months ended June 30, 2019 and 2020. In determining the weighted average number of ordinary shares deemed to be in issue, the 100,000 shares of the Company issued in relation to the Reorganization were deemed to have been in issue since January 1, 2017.

The Company did not have any potential ordinary shares outstanding during the Track Record Period. Diluted earnings per share is equal to basic earnings per share.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
				<i>(unaudited)</i>	
Profit attributable to Owners of the Company (RMB'000)	104,168	137,153	206,504	125,991	150,766
Weighted average number of ordinary shares in issue	100,000	100,000	100,000	100,000	100,000
Basic earnings per share for profit attributable to the owners of the Company during the year/period (expressed in RMB per share)	1,042	1,372	2,065	1,260	1,508

The earnings per share as presented above has not taken into account the capitalization issue of 887,889,000 Shares pursuant to the shareholders' resolution of the Company passed on November 25, 2020, which has not been effective as of the date of this report.

16 INVESTMENT PROPERTIES

	Year ended December 31,			Six months ended June 30,	
	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>	
Opening net book amount	82,948	83,989	83,809	83,809	84,894
Fair value gains/(losses) recognized in profit or loss	1,041	(180)	1,085	214	557
Closing net book amount	83,989	83,809	84,894	84,023	85,451

(a) Fair value hierarchy

As of December 31, 2017, 2018 and 2019 and June 30, 2020, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the Track Record Period.

(b) Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were mainly revalued by Beijing Jianhuaxin Assets Appraisal Co., Ltd, independent qualified valuers not related to the Group, who hold recognized relevant professional qualifications and have recent experiences in the location and segments of the investment properties valued, at December 31, 2017, 2018, 2019 and June 30, 2020. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers after each valuation by the independent qualified valuers, which is normally done once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent qualified valuers.

(c) Valuation techniques

The fair values of the Group's completed investment properties as of December 31, 2017, 2018 and 2019 and June 30, 2020 have been arrived at on the basis of valuations carried out on those dates by Beijing Jianhuaxin Assets Appraisal Co., Ltd, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair values of community facility and carpark spaces were evaluated by using direct comparison approach, which was based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

Description	Fair value at December 31,				Valuation technique	Significant Unobservable inputs	Range of unobservable inputs				Relationship of unobservable inputs to fair value	
	Fair value at June 30,						as at December 31,					as at June 30,
	2017	2018	2019	2020			as at December 31,					June 30,
	2017	2018	2019	2020			2017	2018	2019	2020		
	RMB'000	RMB'000	RMB'000	RMB'000								
Completed investment properties												
– Community facility	10,590	11,345	12,101	12,151	Direct comparison	Market unit sales price (RMB/sqm)	3,100	3,400	3,600	3,900	The higher the market unit sales price per square, the higher the fair value	
– Carpark spaces	73,399	72,464	72,793	73,300	Direct comparison	Market unit sales price (RMB/unit)	146,000	144,000	144,000	145,000	The higher the market unit sales price per square, the higher the fair value	

(d) Amounts recognized in profit or loss for investment properties

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Rental income	3,901	4,117	4,068	2,038	2,192
Direct operating expenses	(1,768)	(1,680)	(1,698)	(847)	(850)

17 PROPERTY, PLANT AND EQUIPMENT

Year ended December 31, 2017							
	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At beginning of year	1,280	10,882	1,465	3,014	17,398	8,391	42,430
Additions	–	2,567	569	1,598	2,161	4,846	11,741
Acquisition of subsidiaries	–	327	–	–	3	–	330
Disposals	–	(949)	(97)	(1,050)	(2,069)	–	(4,165)
At end of year	1,280	12,827	1,937	3,562	17,493	13,237	50,336
Accumulated depreciation							
At beginning of year	–	(7,185)	(845)	(1,733)	(12,459)	(218)	(22,440)
Depreciation	(66)	(1,617)	(142)	(682)	(3,412)	(4,389)	(10,308)
Disposals	–	709	56	1,009	1,741	–	3,515
At end of year	(66)	(8,093)	(931)	(1,406)	(14,130)	(4,607)	(29,233)
Net book amount							
At end of year	1,214	4,734	1,006	2,156	3,363	8,630	21,103

Year ended December 31, 2018							
	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At beginning of year	1,280	12,827	1,937	3,562	17,493	13,237	50,336
Additions	–	265	228	237	9,240	4,003	13,973
Acquisition of subsidiaries (Note 36)	–	585	10	1,640	13	–	2,248
Disposals	–	(443)	(255)	(317)	(1,216)	–	(2,231)
At end of year	1,280	13,234	1,920	5,122	25,530	17,240	64,326
Accumulated depreciation							
At beginning of year	(66)	(8,093)	(931)	(1,406)	(14,130)	(4,607)	(29,233)
Depreciation	(22)	(2,433)	(173)	(438)	(2,987)	(5,941)	(11,994)
Disposals	–	361	7	301	1,139	–	1,808
At end of year	(88)	(10,165)	(1,097)	(1,543)	(15,978)	(10,548)	(39,419)
Net book amount							
At end of year	1,192	3,069	823	3,579	9,552	6,692	24,907

Year ended December 31, 2019

	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost							
At beginning of year	1,280	13,234	1,920	5,122	25,530	17,240	64,326
Additions	11	2,180	313	563	2,414	5,701	11,182
Disposals	–	(2,119)	(200)	(110)	(2,222)	–	(4,651)
Disposal of interest in a subsidiary	–	–	(10)	–	(16)	–	(26)
At end of year	1,291	13,295	2,023	5,575	25,706	22,941	70,831
Accumulated depreciation							
At beginning of year	(88)	(10,165)	(1,097)	(1,543)	(15,978)	(10,548)	(39,419)
Depreciation	(38)	(2,418)	(134)	(729)	(3,613)	(3,453)	(10,385)
Disposals	–	2,087	143	50	1,951	–	4,231
Disposal of interest in a subsidiary	–	–	6	–	16	–	22
At end of year	(126)	(10,496)	(1,082)	(2,222)	(17,624)	(14,001)	(45,551)
Net book amount							
At end of year	1,165	2,799	941	3,353	8,082	8,940	25,280

Six months ended June 30, 2019 (Unaudited)

	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost							
At beginning of period	1,280	13,234	1,920	5,122	25,530	17,240	64,326
Additions	–	595	62	275	1,908	436	3,276
Disposals	–	(1,238)	(80)	(68)	(791)	–	(2,177)
At end of period	1,280	12,591	1,902	5,329	26,647	17,676	65,425
Accumulated depreciation							
At beginning of period	(88)	(10,165)	(1,097)	(1,543)	(15,978)	(10,548)	(39,419)
Depreciation	(13)	(1,240)	(102)	(297)	(2,267)	(1,915)	(5,834)
Disposals	–	478	48	777	727	–	2,030
At end of period	(101)	(10,927)	(1,151)	(1,063)	(17,518)	(12,463)	(43,223)
Net book amount							
At end of period	1,179	1,664	751	4,266	9,129	5,213	22,202

	Six months ended June 30, 2020						
	Buildings	Office equipment	Plant and machinery	Vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At beginning of period	1,291	13,295	2,023	5,575	25,706	22,941	70,831
Additions	–	469	102	229	538	260	1,598
Disposals	–	(685)	–	(431)	(899)	–	(2,015)
At end of period	1,291	13,079	2,125	5,373	25,345	23,201	70,414
Accumulated depreciation							
At beginning of period	(126)	(10,496)	(1,082)	(2,222)	(17,624)	(14,001)	(45,551)
Depreciation	(11)	(931)	(78)	(406)	(1,715)	(1,815)	(4,956)
Disposals	–	659	–	413	875	–	1,947
At end of period	(137)	(10,768)	(1,160)	(2,215)	(18,464)	(15,816)	(48,560)
Net book amount							
At end of period	1,154	2,311	965	3,158	6,881	7,385	21,854

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cost of sales and services	8,813	10,407	8,261	5,153	4,425
Administrative expenses	1,495	1,587	2,124	681	531
	10,308	11,994	10,385	5,834	4,956

18 INTANGIBLE ASSETS

	Computer software	Trademark	Property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017					
Cost	277	–	–	–	277
Accumulated amortization	(4)	–	–	–	(4)
Net book amount	273	–	–	–	273
Year ended December 31, 2017					
Opening net book amount	273	–	–	–	273
Additions	1,708	–	–	–	1,708
Acquisition of subsidiaries	3	–	–	1,507	1,510
Amortization	(127)	–	–	–	(127)
Closing net book amount	1,857	–	–	1,507	3,364
As of December 31, 2017					
Cost	1,988	–	–	1,507	3,495
Accumulated amortization	(131)	–	–	–	(131)
Net book amount	1,857	–	–	1,507	3,364
Year ended December 31, 2018					
Opening net book amount	1,857	–	–	1,507	3,364
Additions	11,777	–	–	–	11,777
Acquisition of subsidiaries (Note 36)	–	2,975	51,325	53,297	107,597
Amortization	(1,185)	(172)	(4,306)	–	(5,663)
Closing net book amount	12,449	2,803	47,019	54,804	117,075
As of December 31, 2018					
Cost	13,765	2,975	51,325	54,804	122,869
Accumulated amortization	(1,316)	(172)	(4,306)	–	(5,794)
Net book amount	12,449	2,803	47,019	54,804	117,075
Year ended December 31, 2019					
Opening net book amount	12,449	2,803	47,019	54,804	117,075
Additions	3,029	–	–	–	3,029
Amortization	(1,694)	(229)	(5,743)	–	(7,666)
Closing net book amount	13,784	2,574	41,276	54,804	112,438
As of December 31, 2019					
Cost	16,794	2,975	51,325	54,804	125,898
Accumulated amortization	(3,010)	(401)	(10,049)	–	(13,460)
Net book amount	13,784	2,574	41,276	54,804	112,438

	Computer software	Trademark	Property management contracts and customer relationship	Goodwill	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended					
June 30, 2019 (Unaudited)					
Opening net book amount	12,449	2,803	47,019	54,804	117,075
Additions	692	–	–	–	692
Amortization	(803)	(114)	(2,872)	–	(3,789)
Closing net book amount	12,338	2,689	44,147	54,804	113,978
As of June 30, 2019					
Cost	14,457	2,975	51,325	54,804	123,561
Accumulated amortization	(2,119)	(286)	(7,178)	–	(9,583)
Net book amount	12,338	2,689	44,147	54,804	113,978
Six months ended					
June 30, 2020					
Opening net book amount	13,784	2,574	41,276	54,804	112,438
Additions	131	–	–	–	131
Amortization	(880)	(114)	(2,872)	–	(3,866)
Closing net book amount	13,035	2,460	38,404	54,804	108,703
As of June 30, 2020					
Cost	16,925	2,975	51,325	54,804	126,029
Accumulated amortization	(3,890)	(515)	(12,921)	–	(17,326)
Net book amount	13,035	2,460	38,404	54,804	108,703

Amortization of intangible assets has been charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Cost of sales and services	113	1,171	1,108	554	556
Administrative expenses	14	4,492	6,558	3,235	3,310
	127	5,663	7,666	3,789	3,866

- (a) No intangible asset is restricted or pledged as security for liabilities as of December 31, 2017, 2018 and 2019 and June 30, 2020.

(b) Goodwill arising from acquisition of subsidiaries:

	As of December 31,			As of
	2017	2018	2019	June 30,
	RMB'000	RMB'000	RMB'000	2020
Changsha Xiangcheng (Note 36(a))	–	27,336	27,336	27,336
Shandong Liantai (Note 36(b))	–	25,961	25,961	25,961
Hangzhou New Era	1,048	1,048	1,048	1,048
Ocean Nantong	459	459	459	459
	1,507	54,804	54,804	54,804

An independent valuation was performed by an independent valuer to determine the amount of the property management contracts and customer relationship arising from the acquisition of Shandong Liantai and Changsha Xiangcheng. Methods and key assumptions in determining the fair value of the property management contracts and customer relationship are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets
Property management contracts and customer relationship	Multi-period excess earnings method	12.00% to 13.00%	7.75 to 10 years

On March 16 and March 22, 2018, the Company completed its acquisitions of 60% and 80% of the equity interests in Changsha Xiangcheng and Shandong Liantai at a consideration of RMB40,320,000 and RMB50,600,000 respectively (Note 36).

As of December 31, 2018 and 2019 and June 30, 2020, management performed an impairment assessment on the goodwill. The recoverable amounts of the property management business operated by Changsha Xiangcheng and Shandong Liantai have been assessed by an independent valuer and determined based on value-in-use calculation. The calculation used cash flow projections based on financial budgets covering a four-year period approved by management.

The following table sets forth each key assumption at December 31, 2018, on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Changsha Xiangcheng	Shandong Liantai
Revenue 2019 (% annual growth rate)	5.0%	17.0%
Revenue 2020 (% annual growth rate)	1.4%	3.0%
Revenue 2021 to 2022 (% annual growth rate)	3.0%-8.0%	3.0%
Gross margin (% of revenue)	27.0%-33.0%	11%-13%
Pretax discount rate	13.0%	13.0%

The following table sets forth each key assumption at December 31, 2019, on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Changsha Xiangcheng	Shandong Liantai
Revenue 2020 (% annual growth rate)	1.4%	3.0%
Revenue 2021 (% annual growth rate)	8.0%	3.0%
Revenue 2022 to 2023 (% annual growth rate)	3.0%	3.0%
Gross margin (% of revenue)	27.0%-30.0%	11.0%
Pretax discount rate	12.0%	12.0%

The following table sets forth each key assumption at June 30, 2020, on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Changsha Xiangcheng	Shandong Liantai
Revenue 2020 (% annual growth rate)	44.6%	3.0%
Revenue 2021 (% annual growth rate)	8.3%	3.0%
Revenue 2022 to 2023 (% annual growth rate)	2.5%-3.3%	2.0%-3.0%
Gross margin (% of revenue)	23.0%-24.0%	11.0%
Pretax discount rate	13.0%	13.0%

The expected revenue growth of 44.6% of Changsha Xiangcheng in 2020 is mainly due to the contribution of newly acquired property management project in Guangxi, which will bring a lower gross profit margin.

As of December 31, 2018 and 2019 and June 30, 2020, the recoverable amounts of RMB117 million, RMB135 million and RMB133 million of the property management business calculated based on VIU calculation exceeded their carrying value of RMB109 million, RMB109 million and RMB113 million by RMB8 million, RMB26 million and RMB20 million respectively.

Details of the headroom attributable to the property management business of the acquired entities as of December 31, 2018 and 2019 and June 30, 2020.

	As of December 31,		As of June 30,
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Changsha Xiangcheng	5,897	15,390	16,959
Shandong Liantai	1,812	9,996	3,146

The director of the Company considered that the assumptions applied in the impairment test of goodwill are relatively conservative, based on which the directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as of December 31, 2018 and 2019 and June 30, 2020.

	Changsha Xiangcheng	Shandong Liantai
As of December 31, 2018		
Annual revenue growth rate	-3%	-1%
Discount rate	+8%	+3%
As of December 31, 2019		
Annual revenue growth rate	-8%	-6%
Discount rate	+23%	+16%
As of June 30, 2020		
Annual revenue growth rate	-7%	-2%
Discount rate	+28%	+5%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as of December 31, 2019 and June 30, 2020, the directors of the Company determined that no impairment provision on goodwill was required as of December 31, 2017, 2018 and 2019 and June 30, 2020.

19 LEASES

(a) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets				
Buildings	14,853	10,072	4,280	12,186
Lease liabilities				
Current	7,245	8,148	3,753	5,130
Non-current	8,176	2,523	705	4,767
	15,421	10,671	4,458	9,897

(b) Amounts recognized in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets					
Buildings	5,627	9,109	8,865	4,974	4,931
Interest expense (<i>Note 11</i>)	839	923	511	298	360

(c) Amounts recognized in the consolidated statements of cash flows

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Cash flows from financing activities					
Payments of interest element of lease liabilities	839	923	511	298	360
Payments of principal element of lease liabilities	4,420	8,495	9,595	5,062	2,521
	5,259	9,418	10,106	5,360	2,881

(d) The Group's leasing activities and how these are accounted for:

The Group mainly leases various offices. Rental contracts are typically made for fixed periods of 2 years to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortized cost				
Trade and note receivables	243,815	345,684	363,659	469,436
Other receivables (excluding prepayment)	62,952	3,162,411	75,187	80,260
Loans and interest receivables due from related parties	–	–	2,856,000	2,654,381
Cash and cash equivalents	700,740	414,623	423,413	725,491
Restricted cash	26,958	246	154	6,144
Financial assets at fair value through profit or loss	–	–	17,835	23,290
	1,034,465	3,922,964	3,736,248	3,959,002
Financial liabilities				
Liabilities at amortized cost				
Trade and other payables (excluding payroll and welfare payables and other tax payables)	487,884	557,362	699,709	1,215,988
Lease liabilities	15,421	10,671	4,458	9,897
	503,305	568,033	704,167	1,225,885

21 INVENTORIES

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Carpark spaces	61,123	123,542	130,846	129,192
Consumables	3,938	5,143	3,979	4,264
	65,061	128,685	134,825	133,456

22 TRADE AND NOTE RECEIVABLES

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– related parties (Note 37(d))	63,951	92,179	108,458	108,757
– third parties	225,443	320,353	333,638	450,240
	289,394	412,532	442,096	558,997
Note receivables				
– related parties (Note 37(d))	–	–	2,025	2,908
	–	–	2,025	2,908
Less: allowance for impairment of trade and note receivables	(45,579)	(66,848)	(80,462)	(92,469)
Total	243,815	345,684	363,659	469,436

Trade and note receivables mainly represented the receivables of outstanding property management service fee and the receivables of value-added service income.

Property management services income and value-added service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

In determining the recoverability of trade and note receivables from the property management and value-added services, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management/service fee collection rate of the customers in estimating the future cash flows from the receivables.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the aging analysis of the trade and note receivables based on the invoice date, were as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	188,385	278,724	293,082	393,074
1 – 2 years	57,899	66,433	66,361	68,073
2 – 3 years	19,457	34,583	37,982	44,524
Over 3 years	23,653	32,792	46,696	56,234
Total	289,394	412,532	444,121	561,905

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As of December 31, 2017, 2018 and 2019 and June 30, 2020, a provision of RMB45,579,000, RMB66,848,000, RMB80,462,000 and RMB92,469,000 was made against the gross amounts of trade and note receivables (Note 3.1.2).

As of December 31, 2017, 2018, 2019 and June 30, 2020, the trade and note receivables were denominated in RMB, and the fair value of trade and note receivables approximated their carrying amounts.

23 PREPAYMENT AND OTHER RECEIVABLES

The Group

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers				
– Related parties (Note 37(d))	100	112	231	708
– Third parties	13,001	11,207	15,528	8,256
	13,101	11,319	15,759	8,964
Other receivables				
– Related parties (Note 37(d))	1,950	3,107,448	12,639	15,832
– Payments on behalf of property owner	44,952	44,577	45,672	45,476
– Deposit	4,715	6,265	11,121	10,070
– Others	11,370	5,015	6,587	9,660
	62,987	3,163,305	76,019	81,038
Less: allowance for impairment of other receivables	(35)	(894)	(832)	(778)
	62,952	3,162,411	75,187	80,260
Prepaid tax	5,263	2,613	3,340	1,483
	81,316	3,176,343	94,286	90,707
Less: non-current portion	(3,900)	(3,087,359)	–	–
	77,416	88,984	94,286	90,707

The Company

	As at June 30,
	2020
	RMB'000
Other receivables	
– Subsidiaries	185,802
	185,802

24 LOANS AND INTEREST RECEIVABLES DUE FROM RELATED PARTIES

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and interest receivables due from related parties (a)				
– Current	–	–	–	2,654,381
– Non-current	–	–	2,856,000	–
	–	–	2,856,000	2,654,381

(a) Loans to related parties (Note 37(d)) carry interest 8.04% per annum, the maturities of these loans are 36 months.

On April 20, 2020, Sino-Ocean (China) entered into a supplementary agreement with the Company to repay such loans and interest in September 2020.

As at September 30, 2020, loans and interest receivables due from related parties have been fully collected.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Money market funds (a)	–	–	10,000	10,106
Structural deposits (b)	–	–	7,835	13,184
	–	–	17,835	23,290

(a) As of December 31, 2019 and June 30, 2020, the balance represented the Group's investment in the money market funds which is open-end funds and publicly traded in the market.

(b) As of December 31, 2019 and June 30, 2020, the balance represented the Group's investment in the structured deposits issued by state-owned financial institutions with a guaranteed principal, while the total expected return ranged from 1.97%-3.55% depending on the performance of the underlying financial investment or the change in the interest rate as specified in the relevant deposits placement.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

	Fair value as at		Valuation techniques	Significant unobservable input	Range of unobservable inputs		Relationship of unobservable inputs to fair value
	December 31, 2019	June 30, 2020			As at		
	RMB'000	RMB'000			December 31, 2019	June 30, 2020	
Financial assets at fair value through profit or loss							
– Structural deposits	7,835	13,184	Discounted cash flow	Expected rate return per annum	1.97%-3.55%	3.30%-3.40%	A change in expected interest rate per annum by 100 basic point results in a change in fair value by RMB353 and RMB2,038 as at December 31, 2019 and June 30, 2020

26 CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	221	194	17	18
Bank deposits (a)	727,477	414,675	423,550	731,617
	727,698	414,869	423,567	731,635
Less: Restricted bank deposits (b)	(26,958)	(246)	(154)	(6,144)
Cash and cash equivalents	700,740	414,623	423,413	725,491

(a) Cash at banks were denominated in the following currencies:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	727,470	414,668	423,543	716,714
Other currencies	7	7	7	14,903
	727,477	414,675	423,550	731,617

(b) As of December 31, 2017, 2018 and 2019, restricted cash deposits mainly consisted of housing maintenance funds, which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

As of June 30, 2020, a subsidiary of the Group has not updated the change of business registration with the bank, which resulted in cash deposits restricted.

27 SHARE CAPITAL

The Company was incorporated in Cayman Islands on April 15, 2020 with issued share capital of HK\$10,000 divided into 100,000 shares of a per value of HK\$0.1 each.

	Number of shares	Share capital HKD'000	Share capital RMB'000
Authorized			
Ordinary share of HK\$0.1 each upon incorporation	100,000	10	9
Issued and not paid			
As of April 15, 2020 (date of incorporation)	100,000	10	9
As of June 30, 2020	100,000	10	9

28 RESERVES

	Statutory reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2017	2,151	138,025	140,176
Appropriation of statutory reserves (a)	7,754	–	7,754
Capital injection (b)	–	11,934	11,934
Contribution from an entity controlled by the ultimate holding company, net of tax (Note 31(b))	–	18	18
Business combinations under common control (Note 12(d))	–	1,640	1,640
As of December 31, 2017	9,905	151,617	161,522
As of January 1, 2018	9,905	151,617	161,522
Appropriation of statutory reserves (a)	414	–	414
Contribution from an entity controlled by the ultimate holding company, net of tax (Note 31(b))	–	401	401
Business combinations under common control (Note 12(d))	–	(1,640)	(1,640)
As of December 31, 2018	10,319	150,378	160,697
As of January 1, 2019	10,319	150,378	160,697
Appropriation of statutory reserves (a)	2,789	–	2,789
As of December 31, 2019	13,108	150,378	163,486
As of January 1, 2020	13,108	150,378	163,486
Capital injection from the owner of the Company (c)	–	189,991	189,991
Deemed distribution (d)	–	(185,000)	(185,000)
Transaction with non-controlling interests (Note 12(d))	–	(816)	(816)
Contribution from the ultimate holding company (Note 13(a))	–	73,005	73,005
As of June 30, 2020	13,108	227,558	240,666

(a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC, and article of association, all PRC companies are required to transfer 10% of their profit after taxation calculated under the PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

- (b) On February 7, 2017, the then shareholder of Ocean Homeplus injected capital of RMB11,934,000 to Ocean Homeplus. The amount was recorded as reserve.
- (c) On May 29, 2020, the Company received capital injection of HKD208,384,000 (equivalent to RMB190,000,000) from Shine Wind, the difference between the amount contributed and the par value of RMB9,000 was recorded as reserve.
- (d) Deemed distribution amounting to RMB185,000,000 represents the consideration paid for the acquisition of 100% issued share capital of Ocean Homeplus in April 2020. The consideration was accounted for as a deduction of reserve.

29 RETAINED EARNINGS

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
At January 1	190,292	203,506	340,245	340,245	254,452
Profit for the year/period	104,168	137,153	206,504	125,991	150,766
Dividends	(83,200)	–	(289,508)	–	(286,972)
Appropriation of statutory reserve	(7,754)	(414)	(2,789)	–	–
At December 31	203,506	340,245	254,452	466,236	118,246

30 TRADE AND OTHER PAYABLES

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)				
– Related parties (Note 37(d))	9,547	35,683	22,130	21,073
– Third parties	201,968	198,639	231,767	239,583
	<u>211,515</u>	<u>234,322</u>	<u>253,897</u>	<u>260,656</u>
Other payables				
– Related parties (Note 37(d))	28,345	41,348	166,123	493,099
– Deposit	115,265	115,701	111,007	117,100
– Amounts collected on behalf of property owner	106,441	88,818	94,907	91,586
– Others	26,318	38,401	37,391	52,989
	<u>276,369</u>	<u>284,268</u>	<u>409,428</u>	<u>754,774</u>
Dividends payables				
– Related parties (Note 37(d))	–	–	–	162,385
– Non-controlling shareholders	–	–	–	5,145
	<u>–</u>	<u>–</u>	<u>–</u>	<u>167,530</u>
Interest payables				
– Related parties (Note 37(d))	–	–	1,600	–
– Third parties	–	38,772	34,784	33,028
	<u>–</u>	<u>38,772</u>	<u>36,384</u>	<u>33,028</u>
Accrued payroll	92,892	85,018	99,545	63,616
Other taxes payables	4,724	7,661	8,477	10,674
	<u>97,616</u>	<u>92,679</u>	<u>108,022</u>	<u>74,290</u>
Less: non-current portion	(4,184)	(6,457)	(7,783)	(7,822)
Total	581,316	643,584	799,948	1,282,456

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the carrying amounts of trade and other payables approximated its fair values.

As at September 30, 2020, other payables and dividend payables due to related parties have been fully repaid.

- (a) As of December 31, 2017, 2018 and 2019 and June 30, 2020, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were are follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	186,192	227,268	250,093	250,110
1 – 2 years	19,164	5,510	3,050	9,698
2 – 3 years	6,159	1,445	576	575
Over 3 years	–	99	178	273
	211,515	234,322	253,897	260,656

31 BORROWINGS

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
ABS (a)	–	2,792,019	2,525,982	2,388,481
Other Borrowings (b)	10,000	20,000	20,000	–
Less: non-current portion	(10,000)	(2,443,029)	(2,142,008)	–
Current portion	–	368,990	403,974	2,388,481

- (a) On April 23, 2018, the Group entered into an ABS agreement with a third-party financing company in the form of asset securitization. ABS are divided into priority level and subprime level with the principal of RMB2,994,683,000 and RMB158,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended December 31, 2018. The priority level securities were guaranteed by Sino-Ocean (China). The ABS carries nominal interest rate ranging from 5.8% to 6.4% per annum.

According to the agreement of ABS, the Group as the issuer is eligible to exercise the right of redeem at redemption start date corresponding to each of the expected mature date, and the redemption is irrevocable once started. As of June 30, 2020, the amount of RMB2,388,481,000 is included in the current liabilities as the Group plan to redeem all the remaining principal in October 2020.

Guarantees provided by Sino-Ocean (China) had been released before the date of this report.

- (b) Other borrowings represent advances to Beijing Yuanhe in 2017 from Beijing Junde, with a term of 36 months and interest rate of 8% per annum. The loans bore a performance target concerning revenue and net profit margin of Beijing Yuanhe. If Beijing Yuanhe meet the performance target, the incurred interest would be waived, otherwise Beijing Yuanhe should pay the interest.

For the years ended December 31, 2017 and 2018, Beijing Yuanhe met the agreed performance target, and the waived interest net of tax amounting to RMB45,000 and RMB978,000 was deemed as the contributions by Sino-Ocean Group.

On January 2, 2020, a supplemental agreement was signed between Beijing Yuanhe and Beijing Junde, in which the performance target was removed, and the loans bore no interest. As of June 30, 2020, the loans has been fully repaid.

- (c) As of December 31, 2017, 2018 and 2019 and June 30, 2020, the Group's borrowings were repayable as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	–	368,990	403,974	2,388,481
Between 1 and 2 years	–	302,000	295,000	–
Between 2 and 5 years	10,000	939,000	997,000	–
Over 5 years	–	1,202,029	850,008	–
	10,000	2,812,019	2,545,982	2,388,481

- (d) The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant.

32 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	11,879	15,638	17,498	23,616
– Deferred tax asset to be recovered within 12 months	–	183	281	239
	11,879	15,821	17,779	23,855
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(7,808)	(14,834)	(12,565)	(12,177)
– Deferred tax liability to be recovered within 12 months	–	(1,194)	(1,194)	(597)
	(7,808)	(16,028)	(13,759)	(12,774)
	4,071	(207)	4,020	11,081

The movement in deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets- allowance on doubtful debts	Deferred tax assets-accrued expenses	Deferred tax assets- unrealized gains	Deferred tax assets-net impact of right-of-use assets and lease liabilities	Deferred tax liabilities- Investment properties revaluation	Deferred tax liabilities-excess of value of intangible assets identified in business combination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2017	8,853	1,750	–	–	(9,004)	–	1,599
Credited/(charged) to income tax expense	2,474	288	–	302	(592)	–	2,472
As of December 31, 2017	11,327	2,038	–	302	(9,596)	–	4,071
As of January 1, 2018	11,327	2,038	–	302	(9,596)	–	4,071
Credited/(charged) to income tax expense	5,570	262	–	152	(298)	896	6,582
Acquisition of subsidiaries (Note 36)	–	–	–	–	–	(10,860)	(10,860)
As of December 31, 2018	16,897	2,300	–	454	(9,894)	(9,964)	(207)
As of January 1, 2019	16,897	2,300	–	454	(9,894)	(9,964)	(207)
Credited/(charged) to income tax expense	3,428	225	213	(181)	(624)	1,194	4,255
Disposal of a subsidiary	(28)	–	–	–	–	–	(28)
As of December 31, 2019	20,297	2,525	213	273	(10,518)	(8,770)	4,020
As of January 1, 2020	20,297	2,525	213	273	(10,518)	(8,770)	4,020
Credited/(charged) to income tax expense	2,999	3,736	(35)	105	(341)	597	7,061
As of June 30, 2020	23,296	6,261	178	378	(10,859)	(8,173)	11,081

As of June 30, 2020, deferred income tax liabilities have not been recognized for the withholding tax that would be payable upon remittance, in respect of the unremitted distributable profits of certain PRC subsidiaries amounting to RMB132,787,000 attributable to the investors outside the PRC as such profits are intended to be reinvested in the PRC.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, in accordance with the accounting policy set forth in Note 2.17(b), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB6,245,000, RMB4,830,000, RMB9,870,000 and RMB9,079,000 as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Expiry year				
2018	2,719	—	—	—
2019	—	—	—	—
2020	2,170	2,170	2,170	—
2021	1,160	1,160	1,160	606
2022	196	196	196	196
2023	—	1,304	1,288	1,220
2024	—	—	5,056	2,617
2025	—	—	—	4,440
	6,245	4,830	9,870	9,079

33 DIVIDENDS

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends	83,200	1,008	294,895	5,387	292,117

During the years ended December 31, 2017, 2018 and 2019 and the six month ended June 30, 2020, the Group declared dividends with aggregated amounts of RMB83,200,000, RMB1,008,000, RMB294,895,000 and RMB292,117,000 to Beijing Yuankun, Beijing Yuanjing Ruixiang and non-controlling shareholders.

No dividends has been declared and paid by the Company in respect of the Track Record period.

34 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	141,337	185,410	266,404	159,689	197,734
Adjustments for:					
Depreciation of property, plant and equipment (Note 17)	10,308	11,994	10,385	5,834	4,956
Amortization of right-of-use assets (Note 19)	5,627	9,109	8,865	4,974	4,931
Amortization of intangible assets (Note 18)	127	5,663	7,666	3,789	3,866
Share of results of joint ventures (Note 13)	231	(149)	(333)	(117)	(1,268)
Interest income from loans due from related parties (Note 7)	–	(107,003)	(214,330)	(108,221)	(98,472)
Valuation (gains)/losses on investment properties (Note 16)	(1,041)	180	(1,085)	(214)	(557)
Losses on disposal of interests in a subsidiary (Note 8)	–	–	2	–	–
Losses/(gains) on disposal of property, plant and equipment (Note 8)	16	(109)	71	37	(6)
Fair value gains on financial assets at fair value through profit or loss (Note 8)	(15,207)	(3,377)	(3,166)	(1,770)	(1,650)
Net impairment losses on financial assets (Note 3.1.2)	19,666	24,818	14,186	11,404	14,139
Finance cost (Note 11)	900	84,137	173,117	86,164	79,671
Exchange gains (Note 8)	–	–	–	–	(105)
Changes in working capital:					
Inventories	3,933	(63,624)	(6,140)	528	1,369
Trade and note receivables	(69,213)	(126,327)	(32,212)	(118,286)	(120,246)
Prepayments and other receivables	(20,539)	9,109	(8,278)	319	(968)
Trade and other payables	18,783	(15,769)	31,957	(19,502)	6,044
Contract liabilities	38,869	35,969	10,714	(1,488)	32,603
Restricted bank deposits	27,767	26,712	92	81	(5,990)
	161,564	76,743	257,915	23,221	116,051

(b) Net debt reconciliation

This section sets forth an analysis of net debt and the movement in net debt for each of the period presented.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Cash and cash equivalents	700,740	414,623	423,413	370,299	725,491
Borrowings	(10,000)	(20,000)	(20,000)	(20,000)	–
Lease liabilities	(15,421)	(10,671)	(4,458)	(8,349)	(9,897)
Net cash	675,319	383,952	398,955	341,950	715,594
	Cash and cash equivalents	Borrowings	Lease liabilities	Total	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Net cash as of January 1, 2017	664,866	–	–	664,866	
Addition of lease liabilities	–	–	(19,841)	(19,841)	
Accrued interest expenses	–	–	(839)	(839)	
Cash flows	35,874	(10,000)	5,259	31,133	
Net cash as of December 31, 2017	700,740	(10,000)	(15,421)	675,319	
Net cash as of January 1, 2018	700,740	(10,000)	(15,421)	675,319	
Addition of lease liabilities	–	–	(3,745)	(3,745)	
Accrued interest expenses	–	–	(923)	(923)	
Cash flows	(286,117)	(10,000)	9,418	(286,699)	
Net cash as of December 31, 2018	414,623	(20,000)	(10,671)	383,952	
Net cash as of January 1, 2019	414,623	(20,000)	(10,671)	383,952	
Addition of lease liabilities	–	–	(3,382)	(3,382)	
Accrued interest expenses	–	–	(511)	(511)	
Cash flows	8,790	–	10,106	18,896	
Net cash as of December 31, 2019	423,413	(20,000)	(4,458)	398,955	
(Unaudited)					
Net cash as of January 1, 2019	414,623	(20,000)	(10,671)	383,952	
Addition of lease liabilities	–	–	(2,740)	(2,740)	
Accrued interest expenses	–	–	(298)	(298)	
Cash flows	(44,324)	–	5,360	(38,964)	
Net cash as of June 30, 2019	370,299	(20,000)	(8,349)	341,950	
Net cash as of January 1, 2020	423,413	(20,000)	(4,458)	398,955	
Addition of lease liabilities	–	–	(7,960)	(7,960)	
Accrued interest expenses	–	–	(360)	(360)	
Cash flows	302,078	20,000	2,881	324,959	
Net cash as of June 30, 2020	725,491	–	(9,897)	715,594	

35 COMMITMENTS**(a) Operating lease rental receivables**

The future aggregate minimum lease rental receivables under non-cancellable operating leases in respect of land and buildings are as follows:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,452	3,831	4,419	2,473
Between 1 and 2 years	450	450	450	450
Between 2 and 3 years	450	450	450	450
Between 3 and 4 years	450	450	263	38
Between 4 and 5 years	450	263	—	—
Later than 5 years	263	—	—	—
	5,515	5,444	5,582	3,411

36 BUSINESS COMBINATION

Significant business combinations during the Track Record Period included the acquisitions of two property management companies. The acquired companies' principal activities are property management in the PRC. The financial information of the two acquired companies on the acquisition dates is listed as follows:

(a) Acquisition of Changsha Xiangcheng

On March 16, 2018, the Group completed its acquisition of 60% the equity interests in Changsha Xiangcheng at a consideration of RMB40,320,000 from a third party. Total identifiable net assets of Changsha Xiangcheng amounted to RMB21,640,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired business of Changsha Xiangcheng contributed total revenue of RMB25,015,000 and net profit of RMB2,960,000 to the Group for the year from its acquisition date to December 31, 2018.

Had Changsha Xiangcheng been consolidated from January 1, 2018, the consolidated statements of comprehensive income for the year ended December 31, 2018 would show pro-forma revenue of RMB1,627,888,000 and profit of RMB147,105,000.

	Total
	<i>RMB'000</i>
Consideration	
– Cash paid	34,272
– Other payables	6,048
	40,320
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,207
Property, plant and equipment	1,635
Intangible Assets	23,275
Trade and other receivables and prepayments	14,826
Trade and other payables	(8,895)
Current income tax liabilities	(336)
Contract liabilities	(6,417)
Deferred tax liabilities	(4,655)
	21,640
Total identifiable net assets	21,640
Less: non-controlling interests	(8,656)
	12,984
Net assets acquired	12,984
Goodwill	27,336

Goodwill of RMB27,336,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition during the year ended December 31, 2018:

	<i>RMB'000</i>
Cash consideration paid	(34,272)
Cash and cash equivalents acquired at the acquisition date	2,207
	(32,065)
Net cash outflow on acquisitions	(32,065)

(b) Acquisition of Shandong Liantai

On March 22, 2018, the Group completed its acquisition of 80% the equity interests in Shandong Liantai at a consideration of RMB50,600,000 from a third party. Total identifiable net assets of Shandong Liantai amounted to RMB30,798,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired was recorded as goodwill.

The acquired business of Shandong Liantai contributed total revenue of RMB53,155,000 and net profit of RMB2,554,000 to the Group for the year from its acquisition date to December 31, 2018.

Had Shandong Liantai been consolidated from January 1, 2018, the consolidated statements of comprehensive income for the year ended December 31, 2018 would show pro-forma revenue of RMB1,627,133,000 and profit of RMB147,467,000.

	Total
	<i>RMB'000</i>
Consideration	
– Cash paid	45,540
– Other payables	5,060
	<u>50,600</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	8,099
Property, plant and equipment	613
Intangible Assets	31,025
Trade and other receivables and prepayments	8,934
Trade and other payables	(6,576)
Current income tax liabilities	(844)
Contract liabilities	(4,248)
Deferred tax liabilities	(6,205)
	<u>30,798</u>
Total identifiable net assets	30,798
Less: non-controlling interests	(6,159)
	<u>24,639</u>
Net assets acquired	<u>24,639</u>
Goodwill	<u><u>25,961</u></u>

Goodwill of RMB25,961,000 arose from a number of factors. Significant elements include expected synergies through combining a highly skilled workforce and obtaining economies of scale. None of the goodwill recognized is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition during the year ended December 31, 2018:

	<i>RMB'000</i>
Cash consideration paid	(45,540)
Cash and cash equivalents acquired at the acquisition date	8,099
	<u>(37,441)</u>
Net cash outflow on acquisitions	<u><u>(37,441)</u></u>

37 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
(1) Sino-Ocean Group Holding Limited 遠洋集團控股有限公司	Ultimate holding company
(2) Dajia Insurance Group Co., Ltd. 大家保險集團有限責任公司	Shareholder of the ultimate holding company of the Group
(3) Shine Wind Development Limited	Intermediate holding company
(4) Beijing Best 北京百思得科技服務有限責任公司	Joint Venture
(5) Chongqing Tengji 重慶騰基物業管理有限公司	Joint Venture

(b) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Provision of services					
– A joint venture	–	–	34	17	19
– Entities controlled by the ultimate holding company	239,405	247,570	250,267	94,163	98,622
– Entities over which the ultimate holding company has significant influence and joint control	13,427	68,454	123,142	63,025	82,992
– A shareholder of the ultimate holding company of the Group	–	–	15	–	14,740
	252,832	316,024	373,458	157,205	196,373
Purchase of goods and services					
– A joint venture	–	61,925	107,006	38,455	46,861
– Entities controlled by the ultimate holding company	8,121	15,836	8,989	1,289	817
– Entities over which the ultimate holding company has significant influence and joint control	–	–	301	–	–
	8,121	77,761	116,296	39,744	47,678
Rental expenses					
– Entities controlled by the ultimate holding company	1,693	5,846	10,587	2,644	916
– Entities over which the ultimate holding company has significant influence and joint control	1,760	–	143	143	920
	3,453	5,846	10,730	2,787	1,836
Purchase of computer software					
– Entities controlled by the ultimate holding company	–	8,613	–	–	–
	–	8,613	–	–	–

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase of carpark spaces					
– Entities controlled by the ultimate holding company	1,560	65,994	4,788	–	–
	1,560	65,994	4,788	–	–
Finance income					
– Entities controlled by the ultimate holding company	–	107,003	214,330	108,221	98,472
	–	107,003	214,330	108,221	98,472
Finance expenses					
– Entities controlled by the ultimate holding company	61	1,304	1,600	800	–
Loans to an entity controlled by the ultimate holding company					
At January 1	–	–	–	–	2,856,000
Amounts advanced during year/period	–	3,158,000	2,856,000	2,856,000	–
Repayments during year/period	–	(3,158,000)	–	–	(306,000)
At December 31/June 30	–	–	2,856,000	2,856,000	2,550,000
Amount due from an entity controlled by the ultimate holding company					
At January 1	–	–	3,089,189	3,089,189	–
Amounts advanced during year/period	–	3,089,189	–	–	–
Repayments during year/period	–	–	(3,089,189)	(2,986,732)	–
At December 31/June 30	–	3,089,189	–	102,457	–
Loans from an entity controlled by the ultimate holding company					
At January 1	–	10,000	20,000	20,000	20,000
Amounts advanced during year/period	10,000	10,000	–	–	–
Repayments during year/period	–	–	–	–	(20,000)
At December 31/June 30	10,000	20,000	20,000	20,000	–

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(c) Key management compensation

Compensations for key management and directors are set forth below.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Salaries, bonuses and other benefits	<u>7,032</u>	<u>13,381</u>	<u>7,969</u>	<u>3,266</u>	<u>3,143</u>

(d) Balances with related parties

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and note receivables				
– Entities controlled by the ultimate holding company	53,618	61,125	49,881	83,058
– Entities over which the ultimate holding company has significant influence and joint control	10,333	31,054	60,602	20,199
– A shareholder of the ultimate holding company of the Group	–	–	–	8,408
	<u>63,951</u>	<u>92,179</u>	<u>110,483</u>	<u>111,665</u>
Other receivables				
Trade in nature				
– A joint venture	–	10	29	137
– Entities controlled by the ultimate holding company	1,902	16,884	9,262	8,876
– Entities over which the ultimate holding company has significant influence and joint control	48	1,365	3,348	6,819
	<u>1,950</u>	<u>18,259</u>	<u>12,639</u>	<u>15,832</u>
Non-trade in nature				
– Entities controlled by the ultimate holding company	–	3,089,189	–	–
	<u>1,950</u>	<u>3,107,448</u>	<u>12,639</u>	<u>15,832</u>

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Loans and interest receivables due from related parties				
Non-trade in nature				
– Entities controlled by the ultimate holding company	–	–	2,856,000	2,654,381
Prepayments				
Trade in nature				
– A joint venture	–	–	–	278
– Entities controlled by the ultimate holding company	100	112	231	430
	100	112	231	708
Trade payables				
– A joint venture	–	16,057	9,750	10,886
– Entities controlled by the ultimate holding company	9,547	19,626	10,177	9,222
– Entities over which the ultimate holding company has significant influence and joint control	–	–	2,203	965
	9,547	35,683	22,130	21,073
Other payables				
Trade in nature				
– A joint venture	–	–	12	–
– Entities controlled by the ultimate holding company	27,649	23,311	18,723	208,302
– Entities over which the ultimate holding company has significant influence and joint control	696	748	1,258	14,735
	28,345	24,059	19,993	223,037
Non-trade in nature				
– Entities controlled by the ultimate holding company	–	17,289	146,130	270,062
	28,345	41,348	166,123	493,099

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Dividend payable				
Non-trade in nature				
– Entities controlled by the ultimate holding company	–	–	–	162,385
Interest payables				
Non-trade in nature				
– Entities controlled by the ultimate holding company	–	–	1,600	–
Contract liabilities				
Trade in nature				
– A joint venture	–	12	–	30
– Entities controlled by the ultimate holding company	6,316	3,468	6,102	9,239
– Entities over which the ultimate holding company has significant influence and joint control	70	54	514	927
– A shareholder of the ultimate holding company of the Group	–	–	5,598	–
	6,386	3,534	12,214	10,196
Other Borrowings				
Non-trade in nature				
– Entities controlled by the ultimate holding company	10,000	20,000	20,000	–

Amounts due from/to related parties of non-trade set out above had been settled before the date of this report.

(e) Guarantees provided by related parties

As of December 31, 2017, 2018 and 2019, and June 30, 2020 the repayment of the Group's asset-backed securities was guaranteed by Sino-Ocean (China), an entity controlled by the ultimate holding company as mentioned in Note 31. Guarantees provided by related parties had been released before the date of this report.

38 BENEFITS AND INTERESTS OF DIRECTORS

The following directors were appointed up to the date of report:

Executive Directors

Mr. Yang Deyong (appointed since the date of September 1, 2020)

Ms. Zhu Geying (appointed since the date of September 1, 2020)

Non-executive Directors

Mr. Cui Hongjie (appointed since the date of September 1, 2020)

Mr. Zhu Xiaoxing (appointed since the date of April 15, 2020)

(a) Directors' emoluments

The remuneration of directors and chief executives of the Company for the year ended December 31, 2017 is set forth below:

	Salaries	Bonuses	Housing allowance and contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Yang Deyong (note i)	—	—	—	—	—
Zhu Geying (note i)	—	—	—	—	—
Cui Hongjie (note i)	—	—	—	—	—
Zhu Xiaoxing (note i)	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The remuneration of directors and chief executives of the Company for the year ended December 31, 2018 is set forth below:

	Salaries	Bonuses	Housing allowance and contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Yang Deyong (note i)	1,654	—	125	—	1,779
Zhu Geying (note i)	703	420	125	—	1,248
Cui Hongjie (note i)	—	—	—	—	—
Zhu Xiaoxing (note i)	—	—	—	—	—
	<u>2,357</u>	<u>420</u>	<u>250</u>	<u>—</u>	<u>3,027</u>

The remuneration of directors and chief executives of the Company for the year ended December 31, 2019 is set forth below:

	Salaries	Bonuses	Housing allowance and contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Yang Deyong (note i)	—	—	—	—	—
Zhu Geying (note i)	—	—	—	—	—
Cui Hongjie (note i)	—	—	—	—	—
Zhu Xiaoxing (note i)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

The remuneration of directors and chief executives of the Company for the six months ended June 30, 2019 is set forth below:

	Salaries	Bonuses	Housing allowance and contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Yang Deyong (note i)	—	—	—	—	—
Zhu Geying (note i)	—	—	—	—	—
Cui Hongjie (note i)	—	—	—	—	—
Zhu Xiaoxing (note i)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

The remuneration of directors and chief executives of the Company for the six months ended June 30, 2020 is set forth below:

	Salaries	Bonuses	Housing allowance and contributions to a retirement benefit scheme	Other allowance and benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Yang Deyong (note i)	—	—	—	—	—
Zhu Geying (note i)	—	—	—	—	—
Cui Hongjie (note i)	—	—	—	—	—
Zhu Xiaoxing (note i)	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—

Notes:

- (i) The emoluments of the Chairman, Mr. Yang Deyong, and the director, Ms. Zhu Geying, in relation to their services rendered for the Group for the years ended December 31, 2017, 2019 and the six months ended June 30, 2020 were borne by Sino-Ocean Group. The emoluments of the directors, Mr. Cui Hongjie, and Mr. Zhu Xiaoxing in relation to their services rendered for the Group for the Track Record Period were borne by Sino-Ocean Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

39 EVENTS AFTER THE BALANCES SHEET DATE

Save as disclosed elsewhere in this report, there is no subsequent event.

III. SUBSEQUENT FINANCIAL STATEMENTS

On June 29, 2020, the Company entered into a subscription agreement with Shine Wind, Smart Estate International Limited (“Smart Estate”), a limited liability company incorporated in the BVI on April 28, 2020, and Wealth Best Ventures Limited (“Wealth Best”), a limited liability company incorporated in the BVI on May 21, 2020. Pursuant to the agreement 5,444 Shares and 5,556 Shares were allotted and issued to Smart Estate and Wealth Best, at a consideration of RMB67,446,260 and RMB68,833,840, respectively.

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to June 30, 2020 and up to the date of this report. Save as disclosed in Note 33 in this report, no dividend or distribution has been declared or made by the Company or its subsidiaries in respect of any period subsequent to June 30, 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix II does not form part of the “Accountant’s Report” from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled “Financial Information” and the “Accountant’s Report” set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis as set forth on pages II-1 to II-2 for the purpose of illustrating the effect of the Global Offering on the net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 as if the Global Offering had taken place on that date.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Global Offering been completed as of June 30, 2020 or at any future date.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 RMB'000 ⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000 ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on Offer					
Price of HK\$5.50					
per Offer Share	250,218	1,309,969	1,560,187	1.32	1.55
Based on Offer					
Price of HK\$6.70					
per Offer Share	250,218	1,603,092	1,853,310	1.57	1.85

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of June 30, 2020 is extracted from our consolidated financial statements set forth in the Accountant's Report included in Appendix I to this prospectus, which is based on the consolidated net assets of the Group attributable to owners of the Company as of June 30, 2020 of RMB358,921,000 with adjustments for other intangible assets as of June 30, 2020 of RMB108,703,000 respectively.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$5.50 or HK\$6.70 per Offer Share, after deduction of the estimated underwriting fees and other related estimated expenses (excluding RMB16,333,000 listing expenses which have been accounted for in the consolidated statements of comprehensive income prior to June 30, 2020) payable by the Company in relation to the Global Offering, and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares. The estimated net proceeds are converted into RMB at an exchange rate of HK\$1.00 to RMB0.84820, as prevailing rate set by PBOC on November 25, 2020. No representation is made that the HK\$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.
- (3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 1,184,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue as set forth in the section headed "Share Capital" had the Global Offering been completed on June 30, 2020. It does not take into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.18, as prevailing rate set by PBOC on November 25, 2020. No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars, or vice versa, at that rate, or at any other rate or at all.
- (5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2020.

REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Sino-Ocean Service Holding Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sino-Ocean Service Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of June 30, 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set forth on pages II-1 to II-2 of the Company's prospectus dated December 7, 2020, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of June 30, 2020 as if the proposed initial public offering had taken place at June 30, 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

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 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, December 7, 2020

The following is the text of a letter, a summary of valuations and a valuation report prepared for the purpose of incorporation in this prospectus received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of values of the property interests held by Sino-Ocean Service Holding Limited as of September 30, 2020.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

December 7, 2020

The Directors
Sino-Ocean Service Holding Limited
Suite 601, One Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

**Instructions,
Purpose &
Valuation Date**

We refer to the instruction of Sino-Ocean Service Holding Limited (the ‘Company’) for Cushman & Wakefield Limited (“C&W”) to prepare market valuations of the properties in which the Company and/or its subsidiaries (together referred to as the ‘Group’) have interests in the People’s Republic of China (the “PRC”). We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the values of the properties as of September 30, 2020 (the “valuation date”).

Valuation Basis

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards 2017 Edition issued by The Hong Kong Institute of Surveyors.

In valuing the properties, we have complied with the requirements set forth in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of each of the properties is on an entirety interest basis.

**Valuation
Assumptions**

Our valuations of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuations of the properties, we have assumed that transferable land use rights in respect of the properties for their respective specific term at nominal annual land use fees has been granted and that any premium payable has already been fully paid. We have relied on the advice given by the Company regarding the title to the properties and the interest in the properties.

In valuing the properties, we have assumed that the owner of each of the properties has enforceable title to the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired term as granted.

We have assumed that all consents, approvals and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

In valuing the properties in the PRC, we have used Market Comparison Method assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market, subject to appropriate adjustments including but not limited to age, location, time and other relevant factors. Given that the properties are carpark spaces, comparable sales transactions are frequent and information about such sale is readily available, we have therefore used Market Comparison Method which is in line with the market practice.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal advisors, Kejie Associates (北京市柯杰律師事務所) regarding the titles to the properties and the interests of the Group in the properties. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenures, identification of land and buildings, particulars of occupancy, site and floor areas, site and floor plans, completion date of buildings, number of carpark spaces, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuations. We were also advised that no material facts have been omitted from the information provided to us.

Title Investigation

We have been provided with copies of the title documents relating to the properties but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the properties.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisors, Kejie Associates (北京市柯杰律師事務所), in respect of the titles to the properties in the PRC.

Site Inspection

Mr. Eric Liu (MRICS, CIREA, Senior Associate Director, 9 years of experience) and Mr. William Cai (Assistant Manager, 2 years of experience) of our Beijing Office and Mr. Leo Cai (Assistant Valuer, 1 year of experience) of our Guangzhou Office, inspected the exterior and, where possible, the interior of the properties on July 28, 2020 and August 6, 2020 respectively. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of not, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Confirmation of Independence

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Market Uncertainty

The recent outbreak of the Novel Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuations of the properties are valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuations when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.

Intended Use and User of Report

This valuation report is issued for the use of the Company for incorporation into its listing document.

Currency

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MRICS, MHKIS, RPS(GP)
Director

Valuation & Advisory Services, Greater China

Note: Grace S.M. Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and a Registered Professional Surveyor (General Practice). Ms. Lam has over 25 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property	Market value in existing state as of September 30, 2020 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as of September 30, 2020 (RMB)
Group I – Property held by the Group for investment in the PRC			
1. Basement carpark of Sino-Ocean New Express, House 66, Xiaguangli, Chaoyang District, Beijing, the PRC	73,300,000	100	73,300,000
Sub-total:			73,300,000
Group II – Property held by the Group for sale in the PRC			
2. Basement carpark of Feili Garden, 23 Shengping South Road, Nantou Town, Zhongshan, Guangdong Province, the PRC	53,400,000	100	53,400,000
Sub-total:			53,400,000
Total:			126,700,000

VALUATION REPORT

Group I – Property held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of September 30, 2020
1. Basement carpark of Sino-Ocean New Express, House 66, Xiaguangli, Chaoyang District, Beijing, the PRC 中國北京市朝陽區霞光里66號院遠洋新幹線地下車庫	<p>The property comprises a basement floor with 504 carpark spaces within a commercial and residential development completed in 2004.</p> <p>The property has a total gross floor area of 14,913.36 sq m for car parking use.</p> <p>The property is located in Lufthansa submarket, Beijing. Developments nearby are mainly residential and office in nature. According to the information provided by the Group, the property is for car parking use.</p> <p>The property is held with land use rights for a term of 50 years due to expire on April 23, 2053 for underground car parking use.</p>	<p>As of the valuation date, various carpark spaces were let on monthly basis at a monthly rent of RMB500-750 per lot.</p>	<p>RMB73,300,000</p> <p>(RENMINBI SEVENTY THREE MILLION AND THREE HUNDRED THOUSAND)</p>

Notes:–

- (1) According to Beijing Commodity Housing Sales Contract (Jiu Dian Wu Ye He Zi No. BB-10-91), the property had been contracted to be granted to 中遠酒店物業管理有限公司 (Zhongyuan Hotel Property Management Co., Ltd.). The property is located in the land use term of which will expire on April 23, 2053 for underground car parking use.
- (2) According to Building Ownership Certificate No. 1324557, the building ownership of the property with a total gross floor area of 14,913.36 sq m has been vested in 中遠酒店物業管理有限公司 (Zhongyuan Hotel Property Management Co., Ltd.).
- (3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:–
 - (a) Beijing Commodity Housing Sales Contract (Jiu Dian Wu Ye He Zi No. BB-10-91) and Building Ownership Certificate – No. 1324557 of the property with a total gross floor area of 14,913.36 sq m are legal, valid and enforceable under the PRC laws; and
 - (b) 中遠酒店物業管理有限公司 (Zhongyuan Hotel Property Management Co., Ltd.) has the right to freely occupy, lease, transfer and use of the property with a total gross floor area of 14,913.36 sq m.
- (4) In valuing the property, we have assumed RMB145,500 per lot for the carpark.
- (5) In undertaking our valuation of the property, we have made reference to various recent sales prices of carpark spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. The price of comparable carpark space ranges from about RMB95,000 to RMB220,000 per lot. The unit rate assumed by us is consistent with the relevant comparables after due adjustments. Due adjustments to the unit rates of those sales transactions have been made to reflect these factors including but not limited to condition of transaction, size of transaction, property management, location and environment, quality and maintenance in arriving at our valuation opinion.

VALUATION REPORT

Group II – Property held by the Group for sale in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as of September 30, 2020
2. Basement carpark of Feili Garden, 23 Shengping South Road, Nantou Town, Zhongshan, Guangdong Province, the PRC 中國廣東省中山市南頭鎮升平南路23號翡麗花園地下車庫	<p>The property comprises 2 phases of carpark portions within a residential development completed in between 2016 and 2017. Phase 1 comprises a basement floor with 177 carpark spaces and 36 motorcycle parking spaces while phase 2 comprises a basement floor with 528 carpark spaces and 324 motorcycle parking spaces.</p> <p>The 705 carpark spaces and 360 motorcycle parking spaces have a total gross floor area of 24,630.15 sq m.</p> <p>The property is located in Nantou Town, Zhongshan. Developments nearby are mainly residential in nature. According to the information provided by the Group, the property is for car parking and motorcycle parking uses.</p> <p>The property is held with land use rights for terms of 70 years due to expire on April 24, 2084 for residential use.</p>	As of the valuation date, the property was vacant.	RMB53,400,000 (RENMINBI FIFTY THREE MILLION AND FOUR HUNDRED THOUSAND)

Notes :—

- (1) According to 1,064 Real Estate Title Certificates, the land use rights due to expire on April 24, 2084 for residential use and the building ownership of the property with a total gross floor area of 24,625.97 sq m (705 carpark spaces and 359 motorcycle parking spaces) for carpark use have been vested in 中山遠洋物業服務有限公司 (Zhongshan Sino-Ocean Property Service Co., Ltd.).

Pursuant to the information provided by the Company, Real Estate Title Certificate for the remaining motorcycle parking space with a total gross floor area of 4.18 sq m has not been obtained.

- (2) According to two Zhongshan Commodity Housing Survey Reports dated November 14, 2016 and November 28, 2017 respectively, the total gross floor area of underground carpark of Feili Garden is 52,577.84 sq m accommodating 1,630 carpark spaces and 360 motorcycle parking spaces. The gross floor area of the property being 24,630.15 sq m accommodating 705 carpark spaces and 360 motorcycle parking spaces is included in the above-mentioned reports.

- (3) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisors, which contains, inter alia, the following information:–
- (a) 1,064 Real Estate Title Certificates of the property with a total gross floor area of 24,625.97 sq m are legal, valid and enforceable under the PRC laws;
 - (b) 中山遠洋物業服務有限公司 (Zhongshan Sino-Ocean Property Service Co., Ltd.) has the right to freely occupy, lease, transfer and use of the property with a total gross floor area of 24,625.97 sq m (1,064 spaces); and
 - (c) 中山遠洋物業服務有限公司 (Zhongshan Sino-Ocean Property Service Co., Ltd.) has no substantial legal obstacles to obtain the legal title of the remaining motorcycle parking space with a total gross floor area of 4.18 sq m.
- (4) As advised by the Company, portions of the property with a gross floor area of 847.22 sq m (29 carpark spaces) are subject to various Agreements for Sale and Purchase for a total consideration of RMB2,484,404 (exclusive of value-added tax). The total consideration aforesaid in respect of these portions of the property is reflected and included in our valuation opinion.
- (5) In valuing the property, we have assumed RMB74,000 per lot for the car parking spaces and RMB2,250 per lot for the motorcycle parking spaces.
- (6) In undertaking our valuation of the property, we have made reference to various recent sales prices of carpark spaces within the same district. These comparable properties are selected as they have characteristics comparable to the property. The price of comparable carpark space ranges from about RMB68,000 to RMB80,000 per lot. The unit rate assumed by us is consistent with the relevant comparables after due adjustments. Due adjustments to the unit rates of those sales transactions have been made to reflect these factors including but not limited to condition of transaction, location and environment, quality in arriving at our valuation opinion.

APPENDIX IV	SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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Set forth below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on April 15, 2020 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on November 25, 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the

holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year as the board may determine (or such longer period not exceeding in the whole sixty (60) days in that year as the members may by ordinary resolution determine).

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding ten per cent. (10%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any), but in any case, not exceeding eight per cent. (8%) per annum, as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding ten per cent. (10%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the next following general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months or six (6) months in a period of twelve (12) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law;
- (ff) he is requested in writing to resign by all other Directors;
- (gg) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (hh) he is convicted of an indictable offense; or
- (ii) he is removed by a resolution of the Company pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may, subject to the approval by members in general meeting, issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine provided that no such warrants or securities may be issued to bearer.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party in such manner and upon such terms and conditions in all respects as it thinks fit.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental

expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Any Director who performs services which the remuneration committee considers go beyond the ordinary duties of a Director may be paid such special remuneration as the remuneration committee may determine. The remuneration of a managing directors, joint managing director, deputy managing director or other 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 remuneration committee and with such other benefits and allowances as the remuneration committee may from time to time decide. Such remuneration shall be in addition to his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the

exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the proxy form or authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause proper books of accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The board may, in its absolute discretion, resolve that any dividend shall constitute a debt from the Company and shall be payable on a date specified by the board. In the absence of a resolution from the board as to when such dividend shall constitute a debt due from the Company, it shall not constitute a debt due from the Company until payment.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every

such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of register of members

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set forth below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may,

if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from April 20, 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set forth in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set forth in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set forth in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on April 15, 2020. We have established a principal place of business in Hong Kong at Suite 601, One Pacific Place, 88 Queensway, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 22, 2020. Mr. CHUNG Kai Cheong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of the certain aspects of the Cayman Islands company law and a summary of certain provisions of the Memorandum and Articles of Association are set forth in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

2. Changes in the Share Capital of Our Company

On the date of incorporation of our Company, our Company had an authorized share capital of HK\$380,000, divided into 3,800,000 shares of HK\$0.10 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- On April 15, 2020, 1 Share was allotted and issued, credited as fully paid, to the initial subscriber and such Share was transferred at par value to Shine Wind on the same day.
- On June 29, 2020, 99,999 Shares were allotted and issued at par value, credited as fully paid, to Shine Wind at a consideration of RMB190,000,000.
- On July 30, 2020, pursuant to the Pre-IPO Investments, 5,556 and 5,444 Shares were allotted and issued to Wealth Best and Smart Estate at a consideration of RMB68,833,840 and RMB67,446,260, respectively.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

In addition, the following change in the share capital of our Company will take place after the date of this prospectus:

- Assuming that the Global Offering becomes unconditional, immediately following the completion of the Capitalization Issue and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK\$118,400,000, divided into 1,184,000,000 Shares, all fully paid or credited as fully paid and 8,816,000,000 Shares will remain unissued.

3. Resolutions in Writing of the Shareholders of Our Company Passed on November 25, 2020

Pursuant to the written resolutions passed by the Shareholders on November 25, 2020:

- (a) conditional on (1) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), (2) the Offer Price being fixed on the Price Determination Date and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates and times as may be specified in the Underwriting Agreements:
 - (i) our Company approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
 - (ii) the authorized share capital of our Company was increased from HK\$380,000 divided into 3,800,000 Shares of a par value of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 Shares of a par value of HK\$0.10 each by the creation of additional 9,996,200,000 Shares, which rank *pari passu* in all respects with the Shares in issue as of the date of such resolutions;
 - (iii) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
 - (iv) the granting of the Over-allotment Option was approved;
 - (v) the proposed Listing was approved and our Directors were authorized to implement the Listing;
- (b) subject to the share premium account of our Company being credited as a result of the issue of new Shares pursuant to the Global Offering, our Directors were authorized to allot and issue a total of 887,889,000 Shares credited as fully paid at

par to the holders of Shares whose names appear on the register of members of our Company at the close of business on the Business Day immediately preceding the date on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange, in proportion (or as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then respective shareholdings in our Company by way of capitalization of the sum of HK\$88,788,900 standing to the credit of the share premium account of our Company. The Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the then existing issued Shares;

- (c) a general unconditional mandate was given to our Directors to exercise, during the period from the passing of the resolution until the earliest of (1) the conclusion of the next annual general meeting of our Company following the passing of the resolution; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held under our Memorandum and Articles of Association, the Cayman Companies Law or any other applicable laws; and (3) the passing of an ordinary resolution by the Shareholders at a general meeting revoking or varying the authority given to our Directors under the resolution (the “**Relevant Period**”), all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options which would or might require the Shares to be issued, allotted or disposed of during or after the Relevant Period, provided that the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (otherwise than pursuant to a right issue; the exercise of options which may be granted under any share option scheme of our Company; an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Memorandum and Articles of Association; or the Global Offering or the Capitalization Issue) must not exceed 20% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but before the exercise of the Over-allotment Option);
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company, subject to and in accordance with all applicable laws and the Listing Rules, to repurchase Shares listed on the Stock Exchange or any other stock exchange recognized for this purpose by the SFC and the Stock Exchange, provided that the aggregate number of Shares to be repurchased pursuant to the resolution shall not exceed 10% of the number of issued Shares immediately following the completion of the Capitalization Issue and the Global Offering (but before the exercise of the Over-allotment Option), during the period from the passing of the resolution until the earliest of (1) the conclusion of the next annual general meeting of our Company following the passing of the resolution; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held under our Memorandum and Articles of Association, the Cayman Companies Law or any other applicable laws; and (3) the passing of an ordinary resolution by the Shareholders at a general meeting revoking or varying the authority given to our Directors under the resolution; and

- (e) the general unconditional mandate referred to in paragraph (c) above be extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to or in accordance with such general mandate of a number representing the aggregate number of Shares repurchased by our Company pursuant to the general mandate to repurchase Shares referred to in paragraph (d) above.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, see the section headed “History, Reorganization and Corporate Structure.”

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(a) Beijing Jiuyiqi

On June 30, 2020 the registered capital of Beijing Jiuyiqi increased from RMB1,000,000 to RMB5,000,000.

(b) Yuanjing Ruida

On April 30, 2020, the registered capital of Yuanjing Ruida increased from RMB20,000,000 to RMB53,800,000

(c) Yuanjing Rongda

On April 30, 2020, the registered capital of Yuanjing Rongda increased from RMB20,000,000 to RMB132,000,000.

(d) Beijing Yi Space

On June 5, 2020, the registered capital of Beijing Yi Space increased from RMB1,000,000 to RMB10,000,000.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies listed on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (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 in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on November 25, 2020, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Cayman Companies Law or by our Articles of Association or any other applicable laws of the Cayman Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands.

A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Law, a repurchase may also be made out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for Repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, the Directors do not propose to exercise the general 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 the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 1,184,000,000 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 118,400,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to our Company or our subsidiaries.

The 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 and the applicable laws in the Cayman Islands.

No core connected person of our Company has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the 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 falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange has agreed to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus which are or may be material:

- (a) an equity transfer agreement dated April 28, 2020 and a supplemental agreement to the equity transfer agreement dated May 16, 2020, each entered into between Beijing Bicheng Venture Capital Management Co., Ltd. (北京碧城創業投資管理有限公司) and Beijing Zhuoyuan Ruitong Enterprise Management Service Co., Ltd. (北京卓遠瑞通企業管理服務有限公司) (an indirect wholly-owned subsidiary of our Company), pursuant to which Beijing Bicheng Venture Capital Management Co., Ltd. agreed to transfer 71.15% equity interest in Ocean Homeplus to Beijing Zhuoyuan Ruitong Enterprise Management Service Co., Ltd. for a consideration of RMB131.6 million;
- (b) an equity transfer agreement dated April 28, 2020 and a supplemental agreement to the equity transfer agreement dated May 16, 2020, each entered into between Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. (北京遠景瑞祥管理諮詢有限公司) and Beijing Zhuoyuan Ruihe Enterprise Management Service Co., Ltd. (北京卓遠瑞合企業管理服務有限公司) (an indirect wholly-owned subsidiary of our Company), pursuant to which Beijing Yuanjing Ruixiang Management Consultation Co., Ltd. agreed to transfer 28.85% equity interest in Ocean Homeplus to Beijing Zhuoyuan Ruihe Enterprise Management Service Co., Ltd. for a consideration of RMB53.4 million;
- (c) an equity transfer agreement dated June 30, 2020 entered into between Chengdu Qianhao Real Estate Co., Ltd. (成都乾豪置業有限公司) and Beijing Yichi Property Service Co., Ltd. (北京億馳物業服務有限公司) (an indirect wholly-owned subsidiary of our Company), pursuant to which Chengdu Qianhao Real Estate Co., Ltd. agreed to transfer 50% equity interest in Chengdu Qianhao Property Service Co., Ltd. (成都乾豪物業服務有限公司) to Beijing Yichi Property Service Co., Ltd. for a consideration of RMB7,829,288.49;
- (d) an equity transfer agreement dated June 30, 2020 entered into between Beijing Linlian Real Estate Co., Ltd. (北京麟聯置業有限公司) and Beijing Yiheng Property Services Co., Ltd. (北京億恒物業服務有限公司) (an indirect wholly-owned subsidiary of our Company), pursuant to which Beijing Linlian Real Estate Co., Ltd. agreed to transfer 50% equity interest in Beijing Indigo Property Services Co., Ltd. (北京頤堤港物業服務有限公司) to Beijing Yiheng Property Services Co., Ltd. for a consideration of RMB250,000;
- (e) a subscription agreement dated June 29, 2020 entered into among our Company, Smart Estate International Limited, Wealth Best Ventures Limited and Shine Wind Development Limited, pursuant to which Smart Estate International Limited and Wealth Best Ventures Limited agreed to subscribe for 5,444 Shares and 5,556 Shares for a consideration of RMB67,446,260 and RMB68,833,840, respectively;

- (f) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Guohua Life Insurance Co. Ltd., Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Guohua Life Insurance Co. Ltd. agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$10,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (g) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Keltic Investment (HK) Limited, Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Keltic Investment (HK) Limited agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$20,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (h) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Oscar and Partners Capital Limited (in its capacity as investment manager of, and on behalf of OP Golden Property Value Chain Fund SP and OP New Economy Growth Fund SP), Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Oscar and Partners Capital Limited agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$10,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (i) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Zheng Xianfang, Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Zheng Xianfang agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$5,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (j) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Winland Foundation Limited, Lun Yiu Kay Edwin (倫耀基), Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Winland Foundation Limited agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$20,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (k) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Springs Capital (Hong Kong) Limited (in its capacity as the investment manager or investment advisor with discretionary investment power for and on behalf of certain funds and accounts which are managed and sub-managed by Springs Capital (Hong Kong) Limited as set out therein), Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Springs Capital (Hong Kong) Limited agreed to

subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$40,000,000, rounded down to the nearest whole board lot of 500 Shares;



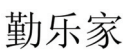
- (l) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Franchise Fund LP, Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Franchise Fund LP agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$10,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (m) a cornerstone investment agreement dated December 2, 2020 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P., Citigroup Global Markets Asia Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Gaoling Fund, L.P. and YHG Investment, L.P. agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with the Hong Kong dollar equivalent of US\$5,000,000, rounded down to the nearest whole board lot of 500 Shares;
- (n) the Deed of Indemnity;
- (o) the Deed of Non-competition; and
- (p) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.		36	Zhongyuan Hotel	PRC	7621238	November 28, 2010	November ⁽¹⁾ 27, 2020
2.		36	Shandong Liantai	PRC	8167164	April 21, 2011	April 20, 2031
3.		43	Zhongyuan Hotel	PRC	18304297	December 21, 2016	December 20, 2026

Note:

- (1) As confirmed by our PRC Legal Advisors, upon the expiry of a trademark registered in the PRC, such trademark shall remain valid for an additional six month period, provided that the registered owner complies with the relevant procedures for the renewal of registration within such six month period after the expiry date. As of the Latest Practicable Date, we are currently undergoing the relevant procedures for the renewal of registration of this trademark.

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and class	Applicant	Place of application	Application number	Application date
1.		39	Zhongyuan Hotel	PRC	15029642	July 30, 2014

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	www.sinoceanservice.com.cn	Company	April 19, 2016	April 19, 2023
2.	www.oceanhomeplus.com	Ocean Homeplus	October 23, 2015	October 23, 2021
3.	www.e-kongjian.com	Beijing Yi Space	March 21, 2016	March 15, 2021
4.	www.yiyunzhahui.com	Yiyun Beijing	April 2, 2019	April 2, 2022

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights:

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
1.	用友U8+企業管理軟件 [簡稱:用友U8+] V13.0 (translated as “UFIDA U8+ Business management software (abbreviation: UFIDA U8+) V13.0”)	Zhongyuan Hotel	Software Copyright Registration No. 2160271	PRC	June 26, 2017	Permanent

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
2.	遠和志尚企業客服運營 管理系統V1.0 (translated as “SW enterprise customer service operation management system V1.0”)	Beijing Yuanhe	2018SR715002	PRC	September 5, 2018	December 31, 2068
3.	遠和志尚管家代購服務 平台V1.0 (translated as “SW butler purchasing service platform V1.0”)	Beijing Yuanhe	2018SR713651	PRC	September 5, 2018	December 31, 2068
4.	遠和志尚社區生活體驗 服務系統平台V1.0 (translated as “SW community life experience service system platform V1.0”)	Beijing Yuanhe	2018SR715887	PRC	September 5, 2018	December 31, 2068
5.	遠和志尚企業資訊化管 理軟件V1.0 (translated as “SW enterprise information management software V1.0”)	Beijing Yuanhe	2018SR714761	PRC	September 5, 2018	December 31, 2068
6.	遠和志尚社區資源對接 數據管理軟件V1.0 (translated as “SW community resource docking data management software V1.0”)	Beijing Yuanhe	2018SR713641	PRC	September 5, 2018	December 31, 2068

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
7.	遠和志尚快遞代收諮詢查詢平台V1.0 (translated as “SW express collection consulting platform V1.0”)	Beijing Yuanhe	2018SR712253	PRC	September 4, 2018	December 31, 2068
8.	遠和志尚私人訂制管家系統V1.0 (translated as “SW personal customized butler system V1.0”)	Beijing Yuanhe	2018SR712159	PRC	September 4, 2018	December 31, 2068
9.	遠和志尚極速回應手機APP系統V1.0 (translated as “SW quick response mobile-phone APP system V1.0”)	Beijing Yuanhe	2018SR711995	PRC	September 4, 2018	December 31, 2068
10.	遠和志尚企業管理協同辦公綜合管理系統V1.0 (translated as “SW business management collaborative office integrated management system V1.0”)	Beijing Yuanhe	2018SR709124	PRC	September 4, 2018	December 31, 2068
11.	遠和志尚水站服務手機APP系統V1.0 (translated as “SW water-station service mobile-phone APP system V1.0”)	Beijing Yuanhe	2018SR711784	PRC	September 4, 2018	December 31, 2068

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
12.	億管家社區物業收費管理系統V1.0 (translated as “Yi Butler community property charging management system V1.0”)	Yiyun Beijing	Software Copyright Registration No. 4707748	PRC	December 5, 2019	December 31, 2069
13.	億管家物業社區配套服務管理系統V1.0 (translated as “Yi Butler property community supporting service management system V1.0”)	Yiyun Beijing	Software Copyright Registration No. 4707370	PRC	December 5, 2019	December 31, 2069
14.	億管家物業客戶資訊綜合管理系統V1.0 (translated as “Yi Butler property customer information integrated management system V1.0”)	Yiyun Beijing	Software Copyright Registration No. 4707397	PRC	December 5, 2019	December 31, 2069
15.	億管家生活服務管理平台V1.0 (translated as “Yi Butler life service management platform V1.0”)	Yiyun Beijing	Software Copyright Registration No. 4695337	PRC	December 4, 2019	December 31, 2069

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
16.	億管家物業管理系統 (Android版) [簡稱:億管家 (Android版)]V2.9.3 (translated as “Yi Butler property management system (Android Version) (abbreviation: Yi Butler (Android Version)) V2.9.3”)	Yiyun Beijing	Software Copyright Registration No. 3373988	PRC	December 20, 2018	December 30, 2068
17.	億管家物業管理系統 (Android版) [簡稱:億管家 (Android版)]V2.0 (translated as “Yi Butler property management system (Android Version) (abbreviation: Yi Butler (Android Version)) V2.0”)	Yiyun Beijing	Software Copyright Registration No. 3027721	PRC	August 30, 2018	December 31, 2066
18.	億管家物業管理系統 (IOS版) [簡稱:億管家 (IOS版)]V2.0 (translated as “Yi Butler property management system (IOS Version) (abbreviation: Yi Butler (IOS Version)) V2.0”)	Yiyun Beijing	Software Copyright Registration No. 3027720	PRC	August 30, 2018	December 31, 2066

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
19.	億家生活到家服務系統 [簡稱:億家生活]V4.9.0 (translated as “Yi Life home service system (abbreviation: Yi Life) V4.9.0”)	Yiyun Beijing	Software Copyright Registration No. 2994629	PRC	August 21, 2018	December 31, 2066
20.	億家生活社區服務系統 (Android版) [簡稱:億家生活 (Android版)]V4.8.7 (translated as “Yi Life community service system (Android Version) (abbreviation: Yi Life (Android Version)) V4.8.7”)	Yiyun Beijing	Software Copyright Registration No. 2702997	PRC	May 23, 2018	December 31, 2068
21.	億家生活社區服務系統 (IOS版)[簡稱:億家生活 (IOS版)]V4.9.0 (translated as “Yi Life community service system (IOS Version) (abbreviation: Yi Life (IOS Version)) V4.9.0”)	Yiyun Beijing	Software Copyright Registration No. 3008877	PRC	August 24, 2018	December 31, 2068
22.	億家生活社區服務系統 (微信版)[簡稱:億家 生活(微信版)]V4.8.5 (translated as “Yi Life community service system (WeChat Version) (abbreviation: Yi Life (WeChat Version)) V4.8.5”)	Yiyun Beijing	Software Copyright Registration No. 2994637	PRC	August 21, 2018	December 31, 2068

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
23.	億管家物業管理系統 (IOS版)[簡稱:億管家 (IOS版)]V2.9.3 (translated as “Yi Butler property management system (IOS Version) (abbreviation: Yi Butler (IOS Version)) V2.9.3”)	Yiyun Beijing	Software Copyright Registration No. 3373983	PRC	December 20, 2018	December 31, 2068
24.	億空間倉儲服務軟件 (簡稱:億空間) V1.0 (translated as “Yi Space storage service software (abbreviation: Yi Space) V1.0”)	Beijing Yi Space	2019SR0279980	PRC	March 26, 2019	September 30, 2068
25.	億維修插件系統軟件 V1.0 (translated as “Yi Maintenance inserts system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1909309	PRC	May 15, 2019	December 31, 2069
26.	億捷暢通智能門禁系統平台V1.0 (translated as “Yijie unblocked intelligent access control system platform V1.0”)	Beijing Yiyang	Software Copyright Registration No. 3203570	PRC	November 1, 2018	December 31, 2068
27.	億享停智能停車軟件系統平台V1.0 (translated as “Yixiangting intelligent parking software system platform V1.0”)	Beijing Yiyang	Software Copyright Registration No. 3198626	PRC	October 30, 2018	December 31, 2068

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
28.	億森智能綠化噴淋系統 平台V1.0 (translated as “Yisen intelligent greening sprinkler system platform V1.0”)	Beijing Yiyang	Software Copyright Registration No. 3197826	PRC	October 30, 2018	December 31, 2068
29.	億象智能雨量監測系統 平台V1.0 (translated as “Yixiang intelligent rainfall monitoring system platform V1.0”)	Beijing Yiyang	Software Copyright Registration No. 3197833	PRC	October 30, 2018	December 31, 2068
30.	群山遠程視頻會議系統 軟件V1.0 (translated as “Qunshan remote video conference system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1930679	PRC	July 5, 2017	December 31, 2067
31.	慧欣智能建築樓宇自動 化系統軟件V1.0 (translated as “Huixin intelligent building automation system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1911925	PRC	June 29, 2017	December 31, 2067
32.	億雲設備設施智能遠程 監測報警系統軟件 V1.0 (translated as “Yiyun equipment & facilities intelligent remote monitoring and alarm system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1911908	PRC	June 29, 2017	December 31, 2067

No.	Title of copyright	Registered owner	Registration number	Place of registration	First publication date	Expiration date
33.	銳度遠程視頻監控系統軟件V1.0 (translated as “Ruidu remote video monitoring system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1911917	PRC	June 29, 2017	December 31, 2067
34.	眾聯智能家居系統軟件V1.0 (translated as “Zhonglian intelligent home system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1911914	PRC	June 29, 2017	December 31, 2067
35.	睿傑能源監測系統軟件V1.0 (translated as “Ruijie energy monitoring system software V1.0”)	Beijing Yiyang	Software Copyright Registration No. 1909309	PRC	June 29, 2017	December 31, 2067

(d) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

No.	Title of Patent	Registered owner	Registration number	Place of registration	Filing date	Expiration date
1.	一種三重預警式液位感測器 (translated as “A triple early warning liquid level sensor”)	Beijing Yiyang	ZL 2019 2 0181839.8	PRC	January 28, 2019	January 27, 2029
2.	一種多級預警式水浸探測器 (translated as “A multi-stage early warning water immersion detector”)	Beijing Yiyang	ZL 2019 2 0183716.8	PRC	January 28, 2019	January 27, 2029
















No.	Title of Patent	Registered owner	Registration number	Place of registration	Filing date	Expiration date
3.	一種隱蔽工程監控檢查儀 (translated as “A monitoring and inspection instrument for concealed engineering”)	Beijing Yiyang	ZL 2016 2 0900111.2	PRC	August 18, 2016	August 17, 2026
4.	一種排水管檢查口緊固扳手 (translated as “A fastening wrench for inspection port of drain pipes”)	Beijing Yiyang	ZL 2016 2 0900727.X	PRC	August 18, 2016	August 17, 2026
5.	一種爬梯結構 (translated as “A ladder-climbing structure”)	Beijing Yiyang	ZL 2017 2 0648185.6	PRC	June 6, 2017	June 5, 2027
6.	一種下水管道檢查口用扳手 (translated as “A wrench for inspection port of sewer pipes”)	Beijing Yiyang	ZL 2016 2 0900013.9	PRC	August 18, 2016	August 17, 2026
7.	一種單流閥拆卸專用工具 (translated as “A special tool for disassembling one-way valve”)	Beijing Yiyang	ZL 2016 2 0900793.7	PRC	August 18, 2016	August 17, 2026
8.	一種水浸關閥裝置 (translated as “A water immersion shut-off valve device”)	Beijing Yiyang	ZL 2019 2 0183666.3	PRC	January 28, 2019	January 27, 2029
9.	一種遇水變色預警式液位感測器 (translated as “An early warning liquid level sensor for color change when encountering water”)	Beijing Yiyang	ZL 2019 2 0183668.2	PRC	January 28, 2019	January 27, 2029















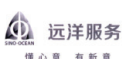




No.	Title of Patent	Registered owner	Registration number	Place of registration	Filing date	Expiration date
10.	一種電路巡線裝置 (translated as “A device for circuit patrol inspection”)	Beijing Yiyang	ZL 2019 2 0183669.7	PRC	January 28, 2019	January 27, 2029
11.	一種重型井蓋吊放小車 (translated as “A lifting trolley for heavy-duty well cover”)	Beijing Yiyang	ZL 2016 2 0900714.2	PRC	August 18, 2016	August 17, 2026
12.	一種斷頭螺絲取出工具 (translated as “A tool for taking out broken screws”)	Beijing Yiyang	ZL 2019 2 0183670.X	PRC	January 28, 2019	January 27, 2029
13.	一種物業管理用監控裝置 (translated as “A monitoring device for property management”)	Beijing Yiyang	ZL 2019 2 1304882.5	PRC	August 8, 2019	August 7, 2029
14.	一種物業維修工具箱 (translated as “A kit for property maintenance”)	Beijing Yiyang	ZL 2019 2 1304881.0	PRC	August 8, 2019	August 7, 2029
15.	一種電動螺母器 (translated as “An electric nut device”)	Beijing Yiyang	ZL 2019 2 1684997.1	PRC	September 27, 2019	September 26, 2029
16.	一種加熱排出管 (translated as “A pipe for heating discharge”)	Beijing Yiyang	ZL 2019 2 1684889.4	PRC	September 27, 2019	September 26, 2029
17.	一種建設工程變形間隙 監測裝置 (translated as “A monitoring device for deformation gap of construction engineering”)	Beijing Yiyang	ZL 2019 2 1684890.7	PRC	September 27, 2019	September 26, 2029
18.	一種煙道探測器 (translated as “A flue detector”)	Beijing Yiyang	ZL 2019 2 1684888.X	PRC	September 27, 2019	September 26, 2029












3. Intellectual Property Rights Licensed to our Group

As of the Latest Practicable Date, we had been licensed the rights to use the following trademarks:

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	远洋亿家生活	9	Sino-Ocean (China)	PRC	32886160	August 14, 2018	May 6, 2029
2.	远洋亿家生活	35	Sino-Ocean (China)	PRC	32892019	August 14, 2018	May 13, 2029
3.	远洋亿家生活	36	Sino-Ocean (China)	PRC	32870284	August 14, 2018	May 6, 2029
4.	远洋亿家生活	37	Sino-Ocean (China)	PRC	32877442	August 14, 2018	May 20, 2029
5.	远洋亿家生活	38	Sino-Ocean (China)	PRC	32869386	August 14, 2018	May 6, 2029
6.	远洋亿家生活	42	Sino-Ocean (China)	PRC	32888030	August 14, 2018	May 6, 2029
7.	远洋亿家生活	44	Sino-Ocean (China)	PRC	32890615	August 14, 2018	May 6, 2029
8.	远洋亿家生活	45	Sino-Ocean (China)	PRC	32892116	August 14, 2018	May 6, 2029
9.		9	Sino-Ocean (China)	PRC	32886144	August 14, 2018	July 27, 2029
10.		37	Sino-Ocean (China)	PRC	32880681	August 14, 2018	August 13, 2029
11.		38	Sino-Ocean (China)	PRC	32880939	August 14, 2018	April 27, 2029
12.		42	Sino-Ocean (China)	PRC	32878948	August 14, 2018	April 27, 2029
13.		44	Sino-Ocean (China)	PRC	32885082	August 14, 2018	August 27, 2029
14.		45	Sino-Ocean (China)	PRC	32880775	August 14, 2018	May 20, 2029
15.	亿空间	37	Sino-Ocean (China)	PRC	17789273	August 31, 2015	October 13, 2026
16.	亿空间	39	Sino-Ocean (China)	PRC	17789274	August 31, 2015	October 13, 2026

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
17.		37	Sino-Ocean (China)	PRC	17789271	August 31, 2015	October 13, 2026
18.		39	Sino-Ocean (China)	PRC	17789272	August 31, 2015	October 13, 2026
19.		37	Sino-Ocean (China)	PRC	17789269	August 31, 2015	October 13, 2026
20.		39	Sino-Ocean (China)	PRC	17789270	August 31, 2015	October 13, 2026
21.		37	Sino-Ocean (China)	PRC	17789267	August 31, 2015	October 13, 2026
22.		39	Sino-Ocean (China)	PRC	17789268	August 31, 2015	October 13, 2026
23.		37	Sino-Ocean (China)	PRC	17667327	August 14, 2015	September 27, 2027
24.		38	Sino-Ocean (China)	PRC	17666776	August 14, 2015	September 27, 2027
25.		39	Sino-Ocean (China)	PRC	17666775	August 14, 2015	September 27, 2027
26.		40	Sino-Ocean (China)	PRC	17666774	August 14, 2015	September 27, 2027
27.		41	Sino-Ocean (China)	PRC	17666773	August 14, 2015	February 13, 2027
28.		44	Sino-Ocean (China)	PRC	17666771	August 14, 2015	September 27, 2027
29.		45	Sino-Ocean (China)	PRC	17666770	August 14, 2015	September 27, 2027
30.		36	Sino-Ocean (China)	PRC	15279648	September 3, 2014	December 20, 2025
31.		43	Sino-Ocean (China)	PRC	15279643	September 3, 2014	January 27, 2026

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
32.		44	Sino-Ocean (China)	PRC	15279642	September 3, 2014	March 20, 2027
33.		45	Sino-Ocean (China)	PRC	15279641	September 3, 2014	November 20, 2026
34.		9	Sino-Ocean (China)	PRC	17666769	August 14, 2015	October 6, 2026
35.		35	Sino-Ocean (China)	PRC	17666768	August 14, 2015	September 27, 2027
36.		36	Sino-Ocean (China)	PRC	17666767	August 14, 2015	October 6, 2026
37.		37	Sino-Ocean (China)	PRC	17666766	August 14, 2015	October 6, 2026
38.		39	Sino-Ocean (China)	PRC	17666764	August 14, 2015	October 6, 2026
39.		40	Sino-Ocean (China)	PRC	17666763	August 14, 2015	October 6, 2026
40.		41	Sino-Ocean (China)	PRC	17666762	August 14, 2015	October 6, 2026
41.		42	Sino-Ocean (China)	PRC	17666761A	August 14, 2015	October 13, 2026
42.		44	Sino-Ocean (China)	PRC	17666760	August 14, 2015	October 6, 2026
43.		45	Sino-Ocean (China)	PRC	17666759	August 14, 2015	October 6, 2026
44.		36	Sino-Ocean (China)	PRC	28253154	December 22, 2017	April 20, 2029
45.		37	Sino-Ocean (China)	PRC	28253153	December 22, 2017	February 20, 2029
46.		40	Sino-Ocean (China)	PRC	28253150	December 22, 2017	February 20, 2029
47.		41	Sino-Ocean (China)	PRC	28253149	December 22, 2017	April 20, 2029
48.		42	Sino-Ocean (China)	PRC	28253148	December 22, 2017	February 20, 2029
49.		43	Sino-Ocean (China)	PRC	28253147	December 22, 2017	February 20, 2029
50.		44	Sino-Ocean (China)	PRC	28253146	December 22, 2017	April 20, 2029

No.	Trademark	Type and class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
51.	 远洋服务 懂心意 有新意	45	Sino-Ocean (China)	PRC	28253145	December 22, 2017	November 20, 2028
52.	A  B  远洋服务	35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	Sino-Ocean Land (Hong Kong) Limited	Hong Kong	303915207AA	September 28, 2016	September 27, 2026
53.	A  B  SERVICE	35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	Sino-Ocean Land (Hong Kong) Limited	Hong Kong	303915207AB	September 28, 2016	September 27, 2026
54.	A  遠洋集團 B  遠洋集團 C  遠洋集團	35, 36, 37, 41, 42, 43, 44	Sino-Ocean	Hong Kong	303748429	April 19, 2016	April 18, 2026
55.	A  SINO-OCEAN B  SINO-OCEAN C  SINO-OCEAN	35, 36, 37, 41, 42, 43, 44	Sino-Ocean	Hong Kong	303839833	July 15, 2016	July 14, 2026

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, designs, intellectual or industrial property rights which were material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the Capitalization Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors and chief executive of our Company in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be

required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Interest in our Company*

Nil.

(ii) *Interest in associated corporation of our Company*

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested			Approximate percentage of shareholding interest ⁽³⁾
			Number of shares held ⁽¹⁾	Number of share options held ⁽²⁾	Total	
Yang Deyong	Sino-Ocean	Beneficial owner	118,777	4,100,000	4,218,777	0.055%
Zhu Geying	Sino-Ocean	Beneficial owner	38,531	–	38,531	0.0005%
Cui Hongjie	Sino-Ocean	Beneficial owner	369,571	4,670,000	5,039,571	0.066%
Zhu Xiaoxing	Sino-Ocean	Beneficial owner	249	2,700,000	2,700,249	0.035%

Notes:

- (1) Unless otherwise stated, all interests stated are long positions.
- (2) Such interest is in the form of share options as of the Latest Practicable Date.
- (3) The shareholding percentage is calculated (i) assuming full exercise of the relevant options, and (ii) based on the total number of issued shares of 7,616,095,657 of Sino-Ocean without taking into account share options granted but not yet exercised, as of the Latest Practicable Date.

(b) *Interests of the Substantial Shareholders of Our Company*

Save as disclosed in the section headed “Substantial Shareholders,” our Directors are not aware of any other person (other than a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest and/or a short position in the 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 be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

2. Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company and we have issued a letter of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors are for an initial fixed term of one year commencing from the Listing Date. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of one year commencing from the Listing Date. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, 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)).

3. Directors' Remuneration

The aggregate remuneration (including salaries, discretionary bonuses, housing allowance and contributions to a retirement benefit scheme and other benefits in kind) incurred for our Directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was nil, RMB3.0 million, nil and nil as the emoluments of each of our Directors in relation to their services rendered for our Group for the Track Record Period were primarily borne by the Sino-Ocean Group.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, by any of member of the Group to any of the Directors.

Pursuant to the service contracts entered into between our Company and each of our executive Directors and the appointment letters issued to each of the non-executive Directors and independent non-executive Directors, the basic annual salary payable to each of our Directors are as follows:

Director	Remuneration (per annum) RMB'000
YANG Deyong	1,620
ZHU Geying	900
CUI Hongjie ⁽¹⁾	–
ZHU Xiaoxing ⁽¹⁾	–
GUO Jie	250
XUE Jun	250
ZHU Lin	250

(1) Each of our non-executive Directors has agreed to waive their director's fee.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, payable to our Directors for the year ending December 31, 2020 to be approximately RMB1.6 million.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons listed in “— D. Other Information — 6. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors nor any of the persons listed in “— D. Other Information — 6. Qualification of Experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in “— D. Other Information — 6. Qualification of Experts” 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;
- (f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity in favor of our Company (for ourselves and as trustee for the other members of our Group) (being the contract referred to in the paragraph headed “— B. Further Information about Our Business — 1. Summary of Material Contracts” above) to provide indemnities on a joint and several basis in respect of, among other things, tax liabilities (including all fines, penalties, liabilities, costs,

charges, expenses and interests incidental or relating to taxation (including but not limited to profits tax, provisional profits tax, interest tax, salaries tax, property tax, any form of value-added tax, estate duty, death duty, capital duty, stamp duty, withholding tax, rates, customs and excise duties)) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received, or any transactions, events, matters or things entered into or occurring, on or before the Listing Date.

3. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Legal Proceedings,” 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 the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalization Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

The fees payable to the Joint Sponsors are US\$1.2 million in aggregate and are payable by our Company.

5. No Material Adverse Change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Citigroup Global Markets Asia Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50), Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Kejie Associates	Legal advisors as to PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Index Academy	Industry consultant
Cushman & Wakefield Limited	Independent property valuer

7. Consents of Experts

Each of the experts as referred to in the paragraph headed “— D. Other Information — 6. Qualification of Experts” above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Preliminary Expenses

The preliminary expenses incurred by our Company in relation to the incorporation of our Company were approximately US\$9,156 and have been paid by us.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

12. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares.

13. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage (other than under the Underwriting Agreements) or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
- (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
- (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (vi) our Company has no outstanding convertible debt securities or debentures; and
- (vii) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

- (c) None of the equity and 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.
- (d) The branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, BLUE** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Norton Rose Fulbright Hong Kong at 38/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set forth in Appendix I to this prospectus;
- (c) the report on the Unaudited Pro Forma Financial Information of our Group from PricewaterhouseCoopers, the text of which is set forth in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended December 31, 2019 and the six months ended June 30, 2020;
- (e) the legal opinion issued by Kejie Associates, our PRC Legal Advisors, in respect of certain aspects of our Group in the PRC;
- (f) the letter of advice issued by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix IV to this prospectus;

- (g) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 7. Consents of Experts” in Appendix V to this prospectus;
- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix V to this prospectus;
- (i) the service contracts and letters of appointment referred to in “Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 2. Directors’ Service Contracts and Letters of Appointment” in Appendix V to this prospectus;
- (j) the industry report issued by China Index Academy, the summary of which is set forth in the section headed “Industry Overview”;
- (k) the valuation report relating to certain property interests of our Group prepared by Cushman & Wakefield Limited, the text of which is set forth in Appendix III to this prospectus; and
- (l) the Cayman Companies Law.



远洋服务

遠洋服務控股有限公司
SINO-OCEAN SERVICE HOLDING LIMITED