世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED

世茂服務控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：873)

海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司證券上市規則(「**上市規則**」)第13.10B條刊發。

茲提述世茂服務控股有限公司(「**本公司**」)日期為2021年10月20日有關發行債券的公告(「**該公告**」)。除另有界定外，本公告所用詞彙具有該公告所界定的相同涵義。

請參閱隨附發行人日期為2021年10月28日有關債券發行的發售通函(「**發售通函**」)，該通函已於新交所之網站刊登。

於香港交易及結算所有限公司網站刊載發售通函僅為遵照上市規則第13.10B條向香港投資者同步發佈資訊，並無任何其他目的。

發售通函並不構成在任何司法權區向公眾人士提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦非邀請公眾人士提出認購或購買任何證券的要約，且不旨在邀請公眾人士提出認購或購買任何證券的要約。

發售通函不得被視為勸誘認購或購買本公司任何證券，亦不擬作出上述勸誘。不應根據發售通函所載的資料作出投資決定。

代表董事會
世茂服務控股有限公司
主席
許世壇

香港，2021年11月3日

於本公告日期，本公司董事會包括四名執行董事許世壇先生(主席)、葉明杰先生(總裁)、曹士揚先生及蔡文為先生；兩名非執行董事湯沸女士及孫岩先生；以及三名獨立非執行董事簡麗娟女士、顧雲昌先生及周心怡女士。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OUTSIDE THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Crystal Idea Group Limited (the "**Issuer**") or Shimao Services Holdings Limited (世茂服務控股有限公司) (the "**Company**") as a result of such access.

Confirmation of Your Representation: You have accessed the attached offering circular on the basis that you have confirmed your representation to Morgan Stanley & Co International plc (the "**Manager**"), that (1) you are outside the United States, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, to the extent you purchase the securities described in the attached offering circular (the "**Securities**"), you will be doing in an offshore transaction so pursuant to Regulation S under the Securities Act AND (2) that you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") *— the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds (as defined herein) are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

The attached offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129.

Prohibition of Sales to EEA Retail Investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the "**EUWA**").

Prohibition of sales to UK retail investors — The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the UK's Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The communication of the attached offering circular and any other document or materials relating to the issue of the Securities offered thereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the UK, the Securities offered in the attached offering circular are only available to, and any investment or investment activity to which the attached offering circular relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on the attached offering circular or any of its contents.

Restrictions: The attached is an offering circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Securities described therein.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Company, the Manager, the Trustee (as defined in the Conditions), the Agents (as defined in the Conditions), or any of their respective directors, employees, representatives, agents, advisers, officers, affiliates or any person who controls any of them, accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Manager will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Company of the Securities or the Manager to subscribe for or purchase any of the Securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Manager and their respective affiliates on behalf of the Issuer or the Company in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any Securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CRYSTAL IDEA GROUP LIMITED

(incorporated in the British Virgin Islands with limited liability)

Guaranteed by

世茂服務
SHIMAO SERVICE

SHIMAO SERVICES HOLDINGS LIMITED
世 茂 服 務 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

HK$3,110,000,000 2.25% Guaranteed Convertible Bonds due 2022
Issue Price: 100 per cent.

The HK$3,110,000,000 2.25% Guaranteed Convertible Bonds due 2022 (the "**Bonds,**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "*Terms and Conditions of the Bonds*" (the "**Conditions**" and each of the Conditions, a "**Condition**") and consolidated and forming a single series therewith) will be issued by Crystal Idea Group Limited (the "**Issuer**") on November 2, 2021 (the "**Issue Date**"). The Bonds will be guaranteed by Shimao Services Holdings Limited (世茂服務控股有限公司) (the "**Company**"). The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be HK$2,000,000 each and in integral multiples of HK$1,000,000 in excess thereof.

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Company will unconditionally and irrevocably guarantee (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Company's obligations in respect of the Guarantee are contained in the Trust Deed. The Guarantee will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Each Bondholder (as defined in the Conditions) will have the right to convert any Bonds held by it into ordinary shares of par value HK$0.01 each in the share capital of the Company, as further described in Condition 6 (the "**Shares**") at any time during the Conversion Period (as defined in the Conditions). The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$18.22 per Share. The Conversion Price is subject to adjustment in accordance with the Conditions. The Shares are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") under stock code 873.

Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Issuer will redeem each Bond at 100 per cent. of its principal amount on October 31, 2022. On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds at their principal amount (together with any interest accrued to but unpaid to but excluding the date fixed for redemption) (a) on the occurrence of certain tax-related events as described in Condition 8(c) or (b) if, prior to the date of such notice being given, Conversion Rights (as defined in the Conditions) shall have been exercised and/or purchased (and corresponding cancellations) and/or redemptions have been effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with the Conditions and consolidated and forming a single series therewith) as described in Condition 8(b). If the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days (as defined in the Conditions), on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange (as defined in the Conditions)) or (ii) there is a Change of Control (as defined in the Conditions), the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at the redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Issuer, the Company, any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. The Company has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange. The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer or the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") ("**Connected Persons**"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer, the Company and the Manager that it is not a Connected Person of the Issuer and the Company and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer and the Company. Each prospective investor will be deemed to have agreed with the Issuer, the Company and the Manager that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering circular, 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 offering circular.

Investing in the Bonds and the Shares involves certain risks. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this offering circular, see "*Subscription and Sale*".

The Bonds will initially be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**", and together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Bookrunner and Sole Lead Manager

Morgan Stanley

The date of this offering circular is October 28, 2021.

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offering described herein. If investors are in any doubt about any of the contents of this offering circular, they should obtain independent professional advice.

This offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This offering circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom (the "**UK**") by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the "**EUWA**").

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or the regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The communication of this offering circular and any other document or materials relating to the issue of the Bonds offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the FSMA. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the UK, the Bonds offered hereby are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the UK that is not a relevant person should not act or rely on this offering circular or any of its contents.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this offering circular contains all information with respect to the Issuer, the Company and their respective subsidiaries taken as a whole (collectively, the "**Group**") and to the Bonds and Shares, which is material in the context of the issue and offering of the Bonds and the giving of the Guarantee (including information which is required by applicable laws and regulations of the British Virgin Islands, the Cayman Islands and Hong Kong and the rules and regulations of the Hong Kong Stock Exchange), (ii) all statements of fact contained in this offering circular are true and accurate in all material respects and not misleading in any material respect, (iii) all statements of opinions, intention or expectation contained in this offering circular are truly and honestly held and have been made after due and careful consideration of all relevant circumstances and have been based on the assumptions stated in this offering circular, (iv) no fact or matter has been omitted from this offering circular: (a) which is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Company and any other member of the Group and of the rights attaching to the Bonds, the Guarantee and the Shares, (b) the omission of which will make any statement in this offering circular misleading in any material respect, or (c) which in the context of the issue and offering of the Bonds and the giving of the Guarantee is material for disclosure in this offering circular, and (v) all reasonable enquiries have been made by the directors of the Issuer and the Company to ascertain such facts and to verify the accuracy of all the foregoing information and statements. This offering circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer, the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the information contained in this offering circular.

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this offering circular. The distribution of this offering circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Issuer, the Company and the Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this offering circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see "*Subscription and Sale.*"

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company, the Manager, The Bank of New York Mellon, London Branch as the trustee (the "**Trustee**") or the Agents (as defined in the Conditions), or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them. Neither the delivery of this offering circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This offering circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This offering circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise, representation or warranty by the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them. None of the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them has independently verified any of the information contained in this offering circular and none of them can give any assurance that this information is accurate, truthful or complete. This offering circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them that any recipient of this offering circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this offering circular acknowledges that such person has not relied on the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them accepts any responsibility for the contents of this offering circular. Each of the Manager, the Trustee and the Agents, and each of their respective directors, officers, employees, agents, representatives, advisers, affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. None of the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this offering circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Manager, the Trustee or the Agents, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them.

Except as otherwise indicated in this offering circular, all non-company specific statistics and data relating to the industry or to the economic development of Hong Kong or any other jurisdiction have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Company, the Trustee, the Agents, the Manager, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them, and none of the Issuer, the Company, the Trustee, the Agents, the Manager, or any of their respective directors, officers, employees, agents, representatives, advisers, affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

In connection with the issue of any Bonds, the Manager in its role as stabilizing manager (a "**Stabilizing Manager**") (or persons acting on behalf of the Stabilizing Manager) may, to the extent permitted by applicable laws, over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail in the open market but in doing so the Manager shall act as principal and not as agent of the Issuer or the Company. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake any stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilization action or over-allotment must be conducted by the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and rules.

We reserve the right to withdraw the offering of Bonds at any time, and the Manager reserve the right to reject any commitment Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of Bonds sought by such purchaser. The Manager and certain related entities may acquire for their own account a portion of the Bonds.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "**we**," "**us**," "**our**," the "**Company,**" the "**Group**" and words of similar import, we are referring to Shimao Services Holdings Limited (世茂服務控股有限公司) itself, or to Shimao Services Holdings Limited (世茂服務控股有限公司) and its consolidated subsidiaries, as the context requires.

References to "Shimao Group" and "Shimao Group Holdings" are to Shimao Group Holdings Limited (世茂集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 0813) and its subsidiaries.

Market data and certain industry forecast and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by the Issuer, the Company, the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and none of the Issuer, the Company, the Manager, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

In this offering circular, all references to "**USD**", "**US$**", "**U.S.$**" and "**U.S. dollars**" are to United States dollars, the official currency of the United States; all references to "**HK$**", "**H.K. dollars**", "**Hong Kong dollars**" and "**HKD**" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**" or "**HK**"); all references to "**RMB**" or "**Renminbi**" are to the Renminbi, the official currency of the People's Republic of China.

References to the "**PRC**", "**China**", "**Mainland of China**" and "**Mainland China**" are to the People's Republic of China and, for the purposes of this offering circular, except where the context requires, do not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China ("**Macau**") or Taiwan. The "**PRC government**" or the "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.4566 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2021, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7658 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2021. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange rates.*"

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

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

We have included in this offering circular forward-looking statements that relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in "Risk Factors" and elsewhere in this offering circular. In some cases, you can identify these forward-looking statements by words such as "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "propose," "seek," "should," "will," "would" or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

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

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

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

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our reporting currency is the Renminbi. See "Risk factors — Risks relating to the Bonds and the Shares — There may be less publicly available information about us than is available in certain other jurisdictions".

GLOSSARY OF TECHNICAL TERMS

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

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

"lump sum basis"	a revenue generating model for our property management business line whereby we charge a predetermined property management price per GFA for all units (whether sold or unsold) on a monthly basis which represents the all-inclusive fees for all of the property management services provided by our teams and subcontractors. Under a lump sum basis, the property owners and property developers will be responsible for paying our management fees for the sold and unsold units respectively on a monthly basis;
"Mao YUE Island"	a brand under which we offer community educational services;
"More+ platform"	a platform through which we offer marketing and promotional services to third-party home furnishing service providers;
"new tier-one cities"	as of December 31, 2020, included Chengdu, Hangzhou, Chongqing, Xi'an, Suzhou, Wuhan, Nanjing, Tianjin, Zhengzhou, Changsha, Dongguan, Foshan, Ningbo, Qingdao and Shenyang as specified by China Business News;
"residential communities" or "residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are nonresidential in nature such as commercial or office units but excluding pure commercial properties;
"revenue-bearing GFA"	the portion of our GFA under management for which we charge property management fees, which equals our GFA under management excluding the GFA of common areas, such as common facilities, visitor parking lots and swimming pools;
"SUNIT"	a set of offline community spaces which we intend to operate under our community value-added services;
"tier-one cities"	as of December 31, 2020, included Shanghai, Beijing, Shenzhen and Guangzhou as specified by China Business News;
"tier-two cities"	as of December 31, 2020, included Hefei, Kunming, Wuxi, Xiamen, Jinan, Fuzhou, Dalian, Harbin, Changchun, Quanzhou, Shijiazhuang, Nanning, Jinhua, Guiyang, Nanchang, Changzhou, Jiaxing, Zhuhai, Nantong, Huizhou, Taiyuan, Zhongshan, Xuzhou, Shaoxing, Taizhou, Yantai, Lanzhou, Weifang and Linyi as specified by China Business News;
"tier-three and tier-four cities"	as of December 31, 2020, included cities in the PRC other than tier-one cities, new tier-one cities and tier-two cities, as specified by China Business News;

"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall strength published by China Index Academy solely or jointly with other institution(s) based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility of such companies in the preceding year. The number of companies included in 2015, 2016, 2017, 2018, 2019 and 2020 are 210, 200, 200, 220, 244 and 264, respectively. The number of companies for 2015, 2016, 2017, 2018, 2019 and 2020 exceeded 100 as multiple companies with the same or very close scores were assigned the same ranking.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering circular, including the section entitled "Risk factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

We are a leading comprehensive property management and community living service provider in the PRC. We were ranked 12th among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. We were ranked 7th among of the "Top 100 Companies in the Property Service Industry in the PRC" (中國物業服務業百強企業), recognized as one of the "Top 10 Listed Property Service Companies in the PRC" (中國物業服務企業上市公司10強) and ranked 8th among the "Top 10 Property Service Enterprises in the PRC in Terms of Overall Strength" (中國物業服務企業綜合實力10強) in 2021, respectively. We were recognized as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019. We have been providing property management services and various value-added services in China for more than 16 years. We added city services as a new line of business starting from November 2020. Over the years, we have grown our presence nationwide with an aggregate contracted GFA of 239.2 million sq.m., covering 137 cities across 29 provinces in China as of June 30, 2021. In particular, we managed 661 properties with an aggregate GFA under management of 175.0 million sq.m. as of June 30, 2021. We also witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,329.3 million in 2018 to RMB2,489.1 million in 2019, and further to 5,025.7 million in 2020, representing a CAGR of 94.4%. Our revenue increased by 170.6% from RMB1,564.6 million in the six months ended June 30, 2020 to RMB 4,233.8 million in the six months ended June 30, 2021. Our profit increased from RMB146.2 million in 2018 to RMB384.5 million in 2019, and further to 724.3 million in 2020, representing a CAGR of 122.6%. Our profit increased by 150.9% from RMB254.7 million in the six months ended June 30, 2020 to RMB639.1 million in the six months ended June 30, 2021.

Our Shares have been listed on the Hong Kong Stock Exchange since October 30, 2020 under stock code 873.

COMPETITIVE STRENGTHS

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

BUSINESS STRATEGIES

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

RECENT DEVELOPMENTS

Acquisitions

On August 20, 2021, Shimao Tiancheng Property Services Group Co., Ltd. ("**Shimao Tiancheng**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement under which the vendors thereunder conditionally agreed to sell and Shimao Tiancheng conditionally agreed to purchase, 60% of the equity interests in Wuxi Jinshatian Technology Co., Ltd. (the "**Target Company**"). The Target Company is a smart environmental protection integrated solutions company based in Wuxi, Jiangsu Province, the PRC.

COVID-19 Pandemic

The COVID-19 virus spread across the PRC and the rest of the world in early 2020. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See "Risk Factors — Risks Relating to Our Business and Industry — Risks relating to natural disasters, epidemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business" and "Risk Factors — Risks Relating to Our Business and Industry — We may be adversely affected by fluctuations in the global economy and financial markets at the macroeconomic level."

Since the outbreak of COVID-19, we have taken the initiative to assume social responsibilities, and have fought together with all sectors in the forefront of the pandemic. Property management companies have formed a government-enterprise linkage mechanism with local governments to implement work deployments and have undertaken certain epidemic prevention work, including: personnel inspection, vehicle recording, providing access statistics to communities, temperature measurements of residents, providing advice on wearing masks, isolation and quarantine of suspected cases, publicity on epidemic prevention and control in communities, frequent sanitization and disinfection in public areas, distribution of masks to property owners, and purchasing and delivering supplies for property owners under quarantine.

The COVID-19 outbreak has had certain impacts on the daily operations of property management companies, including us, in the short term, but we believe in the long term, it will present an opportunity for us due to the following reasons: (1) the property management industry will be respected by society and the government, and its exposure and sense of presence will be significantly improved compared to before; (2) high-quality property management services can provide property owners with an intuitive experience, therefore enhance owners' trust in property management companies and demand for quality properties, which has a positive impact on the collection rate of subsequent property management fees; (3) it will facilitate the building of good service reputation and brand. The reputation and brand building of property management services usually take time, and the COVID-19 outbreak may help high-quality property management companies build a good service reputation and brand image faster. Property owners will be inclined to choose leading companies with reputation, ability and good services. The integration of small and medium-sized property management companies will also be strengthened, which may accelerate the improvement of industry consolidation; (4) the impact on the future development of the property management industry will be reflected in the further deployments of technology to replace labor. Leading companies with high technology can empower other small and medium-sized companies; and (5) governments at all levels have successively introduced supportive policies applicable to property management companies to alleviate the short-term adverse effects arising from the pandemic.

Concurrent Equity Placement

Concurrent with the offering of the Bonds, the Company entered into a placing and subscription agreement with Morgan Stanley & Co. International plc for the issue of up to a maximum number of 115,000,000 Shares at a placement price of HK$15.18 per Share (the "**Equity Placement**"). The Equity Placement was conducted concurrently with the offering of the Bonds but the completion of the Bond issuance and Equity Placement are not inter-conditional. The closing date (the "**Placement Closing Date**") for the Equity Placement was October 22, 2021.

GENERAL INFORMATION

The Issuer was incorporated in the British Virgin Islands on October 5, 2021, as a business company with limited liability, with the registered number 2077734. The Company was incorporated in the Cayman Islands on December 3, 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The Company's registered office is located at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands. The Company's head office and principal place of business in the PRC is at 26th Floor, Shanghai Shimao Tower, No. 55, West Weifang Road, Shanghai, PRC. The Company's principal place of business in Hong Kong is at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. The Company's website is www.shimaofuwu.com. Information contained on our website does not constitute a part of this offering circular.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. The full Conditions are set out in the section of this offering circular entitled "Terms and Conditions of the Bonds." Capitalized terms used in this summary and not otherwise defined shall have the meaning given to them in the Conditions.

Issuer	Crystal Idea Group Limited.
Guarantor	Shimao Services Holdings Limited (世茂服務控股有限公司).
Guarantee	The Company will unconditionally and irrevocably guarantee (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantee is contained in the Trust Deed. The Guarantee will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Bonds	HK$3,110,000,000 2.25% guaranteed convertible bonds due 2022. The issue of the Bonds was authorized by a resolution of the Board of Directors of the Issuer passed on October 19, 2021.
Issue Price	The Bonds will be issued at 100 per cent. of their principal amount.
Issue Date	November 2, 2021.
Maturity Date	October 31, 2022.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Conversion Period	Subject to and upon compliance with the provisions of Condition 6, the Conversion Right (as defined in Condition 6(A)(i)) attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after December 13, 2021 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date as defined in Condition 8(A) (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**") as further described in Condition 6(A)(i).
Conversion Price	The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$18.22 per Share but will be subject to adjustment in the manner provided in Condition 6(C).
Negative Pledge	Each of the Issuer and the Company will undertake that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries will create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company's or the Issuer's obligations under the Bonds are (i) secured equally and rateably by the same Security Interest, or (ii) at the option of the Issuer or the Company (as applicable) by such other security, guarantee, indemnity or other arrangement (a) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
Redemption at Maturity	Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Issuer will redeem each Bond at 100 per cent. of its principal amount on October 31, 2022.

Redemption for Taxation Reasons

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 18, and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable) redeem all but not some only of the Bonds at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (a) the Issuer (or if the Guarantee was called, the Company) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company) or, in each case, the PRC or in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after October 19, 2021, and (b) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Please see Condition 8(C)(i).

If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, premium (if any) or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. Please see Condition 8(C)(ii).

Redemption at the Option of the Issuer	On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid), at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith). Please see Condition 8(B).
Redemption for Delisting or Change of Control	If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange) or (b) there is a Change of Control (as defined in Condition 8(D)) (each, a "**Relevant Event**"), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in Condition 8(D)) at a redemption price equal to their principal amount (together with any interest accrued to but excluding the date fixed for redemption but unpaid) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18. Please see Condition 8(D).
Form and Denomination of Bonds	The Bonds will be issued in registered form in the specified denomination of HK$2,000,000 each and in integral multiples of HK$1,000,000 in excess thereof. Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, the Clearing Systems.
Clearance	The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Selling Restrictions	There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, the British Virgin Islands and the Cayman Islands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Issuer, the Company, any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of HK$200,000 with a minimum of ten lots. The Company has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any alternative stock exchange (as defined in Condition 6) on which its Shares are listed from time to time.
Trustee	The Bank of New York Mellon, London Branch.
Principal Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Dublin Branch.

Governing Law The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and will be construed in accordance with, English law.

Jurisdiction The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds.

Use of Proceeds We intend to use the gross proceeds from this offering, after deducting the underwriting commission and other estimated expenses payable by us, for potential mergers and acquisitions, business expansion, general working capital and general corporate uses.

Lock-up Neither the Issuer, the Company nor any of their respective Subsidiaries or affiliates over which the Company exercises management or voting control, nor any person acting on behalf of any of them (other than the Manager, as to whom no undertaking is given) will, for a period from the date of the Subscription Agreement up to 90 days after the Closing Date (both dates inclusive), without the prior written consent of the Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities otherwise convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; (ii) the issuance of any Shares under the Company's share award scheme adopted by the Company on June 28, 2021; and (iii) any Shares to be issued pursuant to the placing agreement entered into between the Company and Morgan Stanley & Co. International plc on October 19, 2021.

In addition, each of Mr. Hui Wing Mau (許榮茂), Best Cosmos Limited, Gemfair Investments Limited, Overseas Investment Group International Limited, Shimao Group Holdings Limited and Shiying Finance Limited (each, a "**Controlling Shareholder**") has executed a shareholder lock-up undertaking dated October 19, 2021 (the "**Shareholder Undertaking**"). Each Controlling Shareholder has undertaken that none of the Controlling Shareholder, any other subsidiaries or affiliates over which the Controlling Shareholder exercises management or voting control, nor any person acting on the behalf of the Controlling Shareholder will, for a period from the date of the Shareholder Undertaking up to 90 days after the Closing Date (both dates inclusive), without the prior written consent of the Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.

ISIN XS2401670349.

Common Code 240167034.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary consolidated financial data. The consolidated financial information of the Company as of and for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020 has been derived from our Accountant's Report on the historical financial information for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020. The consolidated financial information of the Company as of and for the year ended December 31, 2020 has been derived from our audited consolidated financial statements for the year ended December 31, 2020. The consolidated financial information of the Company as of and for the six month ended June 30, 2021 has been derived from our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2021. Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain respects from generally accepted accounting principles in other jurisdictions.

The summary financial data below should be read in conjunction with our consolidated financial statements and the related notes included therein. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021
					(unaudited)
	(RMB in thousands)				
Revenue	**1,329,323**	**2,489,086**	**5,025,688**	**1,564,636**	**4,233,757**
Cost of sales	(939,033)	(1,651,005)	(3,447,939)	(1,032,841)	(2,978,412)
Gross profit	**390,290**	**838,081**	**1,577,749**	**531,795**	**1,255,345**
Selling and marketing expenses	(6,416)	(17,823)	(52,444)	(19,774)	(48,220)
Administrative expenses	(192,601)	(303,907)	(562,336)	(202,956)	(416,132)
Provision of impairment losses on financial assets – net	(8,611)	(3,372)	(70,527)	(7,269)	(125,834)
Other income	4,008	17,478	40,873	20,976	29,228
Other gains/(losses) – net	132	(2,606)	(24,662)	(5,648)	42,351
Other operating expenses	(784)	(6,694)	(11,601)	(2,979)	(3,809)
Operating profit	**186,018**	**521,157**	**897,052**	**314,145**	**732,929**
Finance income	76,070	37,935	11,407	2,626	12,100
Finance costs	(66,901)	(51,833)	(14,587)	(13,259)	(10,460)
Finance income/(costs) – net	9,169	(13,898)	(3,180)	(10,633)	1,640
Share of results of associates accounted for using the equity method	–	(1,208)	10,915	117	2,036
Profit before income tax	**195,187**	**506,051**	**904,787**	**303,629**	**736,605**
Income tax expense	(48,991)	(121,520)	(180,469)	(48,958)	(97,525)
Profit for the year/period	**146,196**	**384,531**	**724,318**	**254,671**	**639,080**
Profit attributable to:					
– Equity owners of the Company	146,196	384,531	692,952	245,420	578,156
– Non-controlling interests	–	–	31,366	9,251	60,924

SUMMARY CONSOLIDATED FINANCIAL POSITION DATA

	As of December 31,			As of June 30,
	2018	2019	2020	2021
				(unaudited)
	(RMB in thousands)			
Assets				
Non-current assets				
Property, plant and equipment	10,219	14,029	206,143	293,174
Investment properties	7,091	103,003	19,931	19,617
Right-of-use assets	7,026	15,858	27,212	35,027
Intangible assets	4,513	283,294	1,873,297	2,444,046
Deferred tax assets	27,322	24,619	67,533	100,310
Investments in an associate accounted for using the equity method	–	3,692	34,074	36,110
Financial assets at fair value through other comprehensive income	–	–	356	356
Prepayments	–	–	259,567	64,970
Total non-current assets	**56,171**	**444,495**	**2,488,113**	**2,993,610**
Current assets				
Inventories	–	276,775	267,233	283,729
Trade receivables	477,030	747,305	1,863,164	2,741,246
Receivables arising from debt restructuring	–	–	–	–
Prepayments, deposits and other receivables	2,124,005	1,256,765	454,422	699,205
Cash and cash equivalents	537,714	849,591	5,830,046	5,621,582
Restricted cash	–	–	2,045	100
Financial assets at fair value through profit or loss	–	–	–	23,138
Total current assets	**3,138,749**	**3,130,436**	**8,416,910**	**9,369,000**
Total assets	**3,194,920**	**3,574,931**	**10,905,023**	**12,362,610**
Liabilities				
Non-current liabilities				
Borrowings	218,458	–	4,400	7,508
Lease liabilities	4,488	8,622	7,896	16,074
Deferred tax liabilities	–	14,354	122,162	153,583
Provisions for other liabilities and charges	–	2,998	3,297	3,060
Total non-current liabilities	**222,946**	**25,974**	**137,755**	**180,225**
Current liabilities				
Trade and other payables	1,051,513	1,913,052	2,986,951	3,689,152
Contract liabilities	270,300	445,602	815,334	1,006,370
Dividend payables	–	559,247	–	213,334
Income tax liabilities	64,417	150,576	185,729	209,842
Borrowings	335,378	239,789	25,600	5,700
Lease liabilities	2,855	6,896	12,809	22,158
Total current liabilities	**1,724,463**	**3,315,162**	**4,026,423**	**5,146,556**
Total liabilities	**1,947,409**	**3,341,136**	**4,164,178**	**5,326,781**
Total equity	**1,247,511**	**233,795**	**6,740,845**	**7,035,829**
Total equity and liabilities	**3,194,920**	**3,574,931**	**10,905,023**	**12,362,610**

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

A significant portion of our property management service agreements was related to the management of properties developed by the Shimao Group. However, we do not have control over the Shimao Group's management strategy or the macro-economic factors that affect its business operations. We cannot assure you that the Shimao Group will continue to engage us as their property management service provider or give us priority when selecting their future property management service provider for any properties they develop, particularly because the appointment of property management service provider is subject to a tender process. In addition, recent negative news relating to certain Chinese property companies have had a significant effect on the property sector in China. Such developments may have an adverse impact on property sales in China and the ability of Chinese property companies to obtain financing, including the Shimao Group. We may lose business opportunities if the Shimao Group suffers adverse developments that materially affect its property development business. There is no assurance that we will be able to procure property management service agreements from alternative sources to make up for the shortfall in a timely manner or on favorable terms. Nor can we guarantee that we will be successful in any efforts to diversify our customer base. In addition, there is no assurance that all of our property management service agreements with the Shimao Group will be renewed successfully upon their expiration. Should any of these events occur, our results of operations, financial position and growth prospects may be materially and adversely affected.

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

We have been seeking to expand our business since our inception through organic growth, acquisitions of and strategic investments in other property management companies. In 2019, we acquired two companies, adding 18.2 million sq.m. to our contracted GFA as of December 31, 2019. In 2020, we acquired nine companies, adding 71.0 million sq.m. to our contracted GFA as of December 31, 2020.

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

- changes in China's economic condition in general and the real estate market in particular including any changes in connection with any negative news relating to the defaults of certain Chinese property companies;

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

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

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

In 2019, we acquired 100% equity interest in Hailiang Property Management Co. Ltd. (海亮物業管理有限公司) (“**Hailiang Property Management**”) and a controlling interest in Quanzhou Shimao Sanyuan Property Management Services Co., Ltd. (泉州世茂三遠物業服務有限公司) (“**Quanzhou Sanyuan**”). In 2020, we acquired 100% equity interest in Guangzhou Yuetai Property Services Co., Ltd. (廣州市粵泰物業服務有限公司) (“**Guangzhou Yuetai**”), 51% equity interest of Fusheng Life Services Group Co., Ltd. (福晟生活服務集團有限公司) (“**Fusheng Life Services**”), 67% equity interest of Chengdu Xinyi Property Co., Ltd. (成都信誼物業有限公司) (“**Chengdu Xinyi**”), 100% equity interest of Beijing Guancheng Hotel Management Co., Ltd. (北京冠城酒店物業有限公司) (“**Beijing Guancheng**”), 51% equity interest of Zhejiang Zheda Sinew Property Services Group Co., Ltd. (浙江浙大新宇物業集團有限公司) (“**Zheda Sinew**”), 70% equity interest of Tianjin Hexin Property Management Co., Ltd. (天津和興物業管理有限公司) (“**Tianjin Hexin**”), 80% equity interest of Kangqiao Property Co., Ltd. (康橋物業有限公司) (“**Kangqiao**”); 100% equity interest of Hangzhou Jinhu Property Management Co., Ltd. (杭州近湖物業管理有限公司) (“**Hangzhou Jinhu**”) and 70% equity interest of Xi’an Fangrui Property Management Co., Ltd. (西安方瑞物業管理有限公司) (“**Xi’an Fangrui**”). In the six months ended June 30, 2021, we acquired 67% of the equity interest of Shenzhen Shenxiong Environmental Co., Ltd. (深圳深兄環境有限公司) (“**Shenzhen Shenxiong**”), 100% equity interest of Zhejiang Yefeng Property Services Co., Ltd. (浙江野風物業服務有限公司) (“**Zhejiang Yefeng**”) and completed the acquisition of additional 19% equity interest of Zheda Sinew. See “Business — Property Management Services — Portfolio of Properties under Our Management.” We may acquire or invest in other companies to expand our business scale. Our ability to generate profits and cash flow from these new businesses will depend on our ability to integrate them with our existing business, which may be affected by a variety of factors not within our control, such as the complexity and size of their business operations, limited experience in managing certain types of properties and certain type of business, the risks of operating in new markets, unfamiliarity in corporate cultures, the inability to retain key personnel, as well as additional hidden costs associated with the acquisition and investment and the integration of these new businesses into our operations. If we fail to successfully integrate and manage the new businesses, we may not be able to expand as originally planned prior to the acquisition or investment. In particular, one of the main business lines of Zheda Sinew is catering services. Any rise in the cost of raw materials such as food ingredients may lead to declines in its profit margins and results of operations. Fluctuations in weather, supply and demand and economic conditions could adversely affect the costs, availability and quality of its critical food materials and ingredients. If Zheda Sinew is not able to obtain the requisite quantities of quality ingredients at commercially reasonably prices, its ability to provide the menu items that are vital to its business would be adversely affected. If the costs of ingredients that it uses increase in the future and it cannot pass these cost increases onto its customers, its operating margins may decrease. Moreover, Zheda Sinew offers a wide range of lifestyle services, including on-campus catering services, accommodation services and business trading services. These services are very different from our main property management services, and we cannot assure you that our entry into the lifestyle services will be successful, or at all, which could materially and adversely affect our results of operations and financial condition.

In addition, we may be held liable for historical non-compliances of acquisition targets. We cannot guarantee that the original shareholders of our acquisition targets would fulfill their obligations in connection with or arising from such non-compliances, or that we would not be ultimately responsible, which could materially and adversely affect our results of operations and financial condition.

From a financial perspective, if we cannot effectively integrate and manage the new businesses, we may incur goodwill impairment or fair value loss on investments. For acquisitions where we acquire a controlling interest in the acquiree, we recognize goodwill in the amount of the difference between the fair value of the acquiree on the acquisition date and the consideration we agreed to transfer. If subsequently the estimated recoverable amount of the acquiree drops below its carrying value, we recognize impairment to goodwill. Therefore, if we fail to integrate and manage the acquired business, its future cash generating capabilities could be negatively affected, which could lead to potential goodwill impairment, thus materially and adversely affecting our results of operations and financial condition. For non-wholly owned acquisition targets in which we hold a controlling interest, we recognize investments initially at cost. If the investee’s performance falls below our expectations prior to the investment, it could lead to a material and adverse impact on our results of operations and financial condition.

The key assumptions on which we base to undertake impairment testing of goodwill may not be accurate and we may recognize significant impairment to goodwill for companies acquired in the future.

As of June 30, 2021, goodwill of RMB376.5 million had been allocated to companies acquired. Management performed an impairment assessment on the goodwill arising from the acquisitions of most of these subsidiaries. We recognize impairment to goodwill when the estimated recoverable amount of an acquiree drops below its carrying value.

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

In addition, we may acquire other property management companies and other business in the future. If the estimated recoverable amount of such acquired companies is significantly below its carrying value, we may recognize significant impairment to goodwill for these acquired companies in the future.

Our future acquisitions may not be successful.

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

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

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

We plan to use part of the net proceeds raised from this offering to pursue strategic acquisition and investment opportunities and to further develop strategic alliances and expand our property portfolio. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons beyond our control, the net proceeds may not be effectively used, and we may not be able to expand our business scale through acquisitions.

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

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

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

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

We had FVTPL of nil, nil, nil and RMB23.1 million as of the as of December 31, 2018, 2019, 2020 and June 30, 2021, respectively, primarily comprising wealth management products, the fair value of which may be subject to changes for the relevant period due to the addition or disposal of such assets, and gains or losses for the period recognized in profit or loss. We had financial assets at fair value through other comprehensive income of nil, nil, RMB0.4 million and RMB0.4 million as of the same dates, respectively. Any decreases in the fair value of FVTPL may adversely affect our net profit. In addition, we cannot assure you that we will able to redeem our FVTPL when they become due if the financial institution fails to perform their payment obligation. In addition, we may record fair value losses from financial assets at fair value through other comprehensive income. Any occurrence of the above-mentioned event may adversely affect our financial position and results of operations.

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

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

We incurred losses with respect to certain of our property management service agreements on a lump sum basis.

We generated a substantial portion of our revenue from property management services on a lump sum basis, which accounted for 99.7%, 99.8%, 99.9% and 99.9%, of our revenue from property management services in 2018, 2019 and 2020 and the six months ended June 30, 2021, respectively. On a lump sum basis, we charge property management fees at a predetermined fixed price per sq.m. per month, representing all-inclusive fees for the property management services provided. When total costs and expenses incurred exceed the amount of property management fees we receive, we bear the shortfall and may not charge additional fees from property developers, property owners or residents during the agreement term. Historically, we incurred losses for properties managed on a lump sum basis primarily because (i) for certain properties which we had managed for a long time, the pricing has not been adjusted for many years; and (ii) for certain high-end properties and properties located in remote areas, we assigned additional personnel to ensure service quality. To avoid losses, we can either improve our fee rates when renewing service agreements, or control our costs and expenses through a series of cost-saving initiatives. We are subject to pricing guidances for our property management fees in certain cities of the PRC. In those cities, relevant pricing guidances may limit our abilities to raise our fee rates, which may adversely affect our results of operations and financial condition. See "Regulatory Overview — Legal Supervision over Property Management Services — Fees Charged by Property Management Enterprises" for more details. We cannot guarantee that we will successfully raise our fee rates; nor can we guarantee that the cost-saving initiative will achieve their intended results, which could materially and adversely affect our results of operations and financial condition.

We may experience increases in labor and subcontracting costs.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our staff costs represented 64.7%, 51.1%, 48.3% and 41.7%, respectively, of our total cost of sales. The property management industry is a labor intensive industry. Thus, it is critical for us to control and reduce our labor and subcontracting costs to maintain and improve our profit margins. We face pressure from rising labor and subcontracting costs due to various factors, including but not limited to:

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

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

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

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

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

Historically, we charged higher average property management fees for residential properties developed by the Shimao Group and joint ventures and associates of the Shimao Group compared to those developed by independent third-party property developers. While we plan to continue to work with the Shimao Group and its joint ventures and associates, we also plan to increase our efforts to obtain new engagements for properties developed by independent third-party property developers. For example, in 2019, we acquired a 100% equity interest in Hailiang Property Management as well as a 51% equity interest in Quanzhou Sanyuan, increasing the percentage of properties (in terms of GFA under management) developed by independent third-party developers from 0.8% as of December 31, 2018 to 25.5% as of December 31, 2019. The percentage of properties (in terms of GFA under management) developed by independent third-party developers further increased to 64.8% in 2020 as a result of our acquisitions conducted in 2020, mainly including the acquisitions of Guangzhou Yuetai, Fusheng Life Services, Chengdu Xinyi, Beijing Guancheng, Zheda Sinew, Tianjin Hexin, Kangqiao; Hangzhou Jinhu and Xi'an Fangrui. The percentage of properties (in terms of GFA under management) developed by independent third-party developers further increased to 69.8% in the six months ended June 30, 2021 as a result of our acquisitions conducted in the six months ended June 30, 2021, mainly including the acquisitions of Shenzhen Shenxiong and Yefeng. As we continue to expand our business operations by exploring opportunities with independent third-party property developers and increasing the percentage of revenue from property management services to properties developed by independent third-party developers, if the properties under management by the acquisition targets are located in lower tier cities, and/or if they are not profitable, our results of operations in terms of profitability may be materially adversely affected.

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

Shimao Group Holdings is one of our principal shareholders, holding its interest in us through its wholly-owned subsidiary Best Cosmos. However, Shimao Group Holdings may cease to be our Controlling Shareholder if its equity interest in us declines due to various reasons, including but not limited to (i) Shimao Group Holdings' decision to reduce its investment in our Company due to strategic shifts; (ii) the joining of other investors which dilute Shimao Group's equity interest; If Shimao Group Holdings ceases to be our principal shareholders, its interests may no longer be as closely aligned with ours. Our close business cooperation with the Shimao Group helped us solidify our market position and expand our business nationwide. However, if Shimao Group Holdings is no longer our principal shareholders, we cannot assure you that we will continue to be able to capitalize on the growth and expansion of the Shimao Group, or continue to leverage the commercial resources from the Shimao Group, which could materially adversely affect our business prospects, results of operations and financial condition.

Some of our services were recently launched with limited history.

We started to provide city services in November 2020 and recorded city services as a new line of business for the six months ended June 30, 2021. We have limited experience in operating such business in a competitive market. We have encountered and expect to continue to encounter risks and difficulties frequently experienced in relation to new business offerings, and those risks and difficulties may be heightened in a rapidly evolving market. Some of the risks may affect our ability to:

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

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

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

We plan to offer additional community value-added services to property owners and residents in certain residential properties under our management, such as property sales and rental facilitation services, home furnishing services, ticketing services and operations of community healthcare service. See "Business — Our Business Strategies — Continue to Expand Our Business Scale through Multiple Channels" and "Business — Our Business Strategies — Diversify People-oriented and Property-oriented Value-added Service Offerings." Our expansion plans are based on our assessment of market prospects and customer demand and preferences. We cannot assure you that our assessment is correct or that we can expand as planned.

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

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

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

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

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

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

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

We may encounter difficulties in collecting property management fees from customers especially in communities where the move-in rate is relatively low. We cannot assure you that our measures to collect overdue property management fees will be effective or enable us to improve our future collection rate. Our collection rate of our property management fees for the first half of a year is generally low compared to the second half of a year or a full year because property owners tend to pay such fees in one or more installments during or towards the end of a year. As a result, in general, the collection rate of our property management fees is lower in the first half of a year and continues to increase towards the end of such year.

Our loss allowance provision for trade receivables increased from RMB35.5 million as of December 31, 2018 to RMB41.3 million as of December 31, 2019 and RMB116.2 million as of December 31, 2020, and further to RMB232.2 million as of June 30, 2021. The steady increases were primarily due to the annual increases in our revenue and business volume. We make estimates and related assumptions when determining loss allowance provision for trade receivables. However, such estimates or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past impairment loss on trade receivables becomes insufficient in light of any new information, we may need to increase allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

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

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

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

We subcontract certain property management services, including security, cleaning, greening and gardening, and common area facility repair and maintenance services, to third-party subcontractors. We may not be able to monitor their services as directly and efficiently as with our own services. We have limited control over our subcontractors or their workers. Subcontractors may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may be subject to disputes with our subcontractors, may be sued in relation to services provided by subcontractors or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims.

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

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

We may fail to compete effectively.

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

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

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

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

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

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

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

We have been seeking to expand our business through acquisitions of other property management companies. For example, in 2019, we acquired a 100% equity interest in Hailiang Property Management and a 51% equity interest in Quanzhou Sanyuan. In January 2020, we acquired a 100% equity interest in Guangzhou Yuetai. In March 2020, we acquired a 51% equity interest in Fusheng Life Services. In June 2020, we acquired a 67% equity interest in Chengdu Xinyi. In July 2020, we acquired a 100% equity interest in Beijing Guancheng. In August 2020, we acquired a 51% equity interest in Zheda Sinew. In November 2020, we acquired a 100% equity interest of Hangzhou Jinhu, a 70% equity interest in Tianjin Hexing, and a 80% equity interest in Yantai Kangqiao. In December 2020, we acquired a 70% equity interest in Xian Fangrui. In the six months ended June 30, 2021, we acquired a 67% of the equity interest of Shenzhen Shenxiong, a 100% equity interest of Zhejiang Yefeng and completed the acquisition of additional 19% equity interest of Zheda Sinew.

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

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

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

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

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

As of June 30, 2021, we had entered into a limited number of preliminary property management service agreements without going through the required tender and bidding process under PRC laws and regulations and the compulsory requirement of relevant local authorities, because we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations, and we obtained the relevant property management service agreements through regular business negotiations at arm's length. Pursuant to the Regulations on Property Management (2018 Revision), a residential property developer shall engage property management companies by going through a tender and bidding process and, a residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement. The lack of a required tender and bidding process for the selection of property management companies was primarily attributable to the relevant property developers. Such property management contracts may be determined to be invalid by the administrative authorities or the local judicial authorities, and the relevant property developer may be required to organize a tender and bidding process to select a property management service provider for their developed properties in compliance with the Regulations on Property Management (2018 Revision). In the case that we do not win the tender and bidding, we may not be able to continue our property management services for the relevant properties and, as a result, our revenue and business may be adversely impacted. See "Business — Property Management Services — Property Management Service Agreements."

We recorded net current liabilities.

We recorded net current liabilities of RMB184.7 million as of December 31, 2019. Our net current liabilities as of December 31, 2019 were primarily due to a significant increase in our current liabilities as a result of an increase in trade and other payables caused by the significant advance we received from related parties, an increase in accrued expenses as we expanded our business scale, and the recognition of dividend payables.

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

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

In 2018, 2019, 2020 and the six months ended June 30, 2021, under limited circumstances, we purchased low-risk investments for cash management purposes, which mainly included wealth management products issued by reputable banks. As of June 30, 2021, our financial assets at fair value through profit or loss amounted to RMB23.1 million. We face exposure to fair value change for the financial assets at FVTPL. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our result of operations for future periods. In addition, the valuation of fair value change of financial assets at FVTPL are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets at FVTPL valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

We may record losses on our carpark inventory.

In 2019, we began to purchase and sell carpark spaces at properties that came under our management as a result of our acquisition of Hailing Property Management. These carpark spaces were treated as our inventories instead of investment properties on our consolidated balance sheets.

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

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

As of December 31, 2018, 2019, 2020 and June 30, 2021, we had deferred tax assets of approximately RMB27.3 million, RMB24.6 million, RMB67.5 million and RMB100.3 million, respectively. Based on our accounting policies, deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. These estimations of future taxable profits depend on numerous factors beyond the control of our management, and if such judgments turn out to be incorrect or imprecise, we may need to adjust our tax provisions accordingly. We cannot guarantee recoverability and predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may have a material adverse effect on our financial conditions in the future.

Our current tax benefits and government grants may be discontinued.

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

In 2018, 2019, 2020 and the six months ended June 30, 2021, we recognized government grants in other income of RMB3.0 million, RMB5.0 million, RMB28.2 million and RMB22.3 million, respectively. As government grants are typically awarded at the discretion of the relevant governmental authorities and are one-off in nature, we cannot assure you that we will continue to receive them in the future. We face uncertainty relating to the availability of government grants due to unexpected changes in PRC laws, regulations and governmental policies. Any loss of or reduction in government grants could have an adverse effect on our financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

We are not aware of any complaints from our customers that may have a material adverse impact on our operations and financial position. Nevertheless, we cannot assure you that we will not receive customer complaints which may affect our reputation even if the complaints are frivolous or vexatious.

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

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

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

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

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

Our continued success is highly dependent upon the efforts of our Executive Directors and other key employees, including Mr. Hui Sai Tan, Jason, our executive Director and the chairman of our Board, and Mr. Ye Mingjie, our executive Director and president, who are experienced in property management and related industries. We believe our success and future prospects have been, and will continue to be, dependent on the quality of our management team. Our senior management team has extensive experience in the property management related industries, with an average experience of over 14 years. Moreover, our senior management possesses in-depth knowledge of the industry and share the strategic vision and positive outlook of our Company. For details on the experience of our members of our senior management team, see "Directors and Senior Management." If any of our key employees leave and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

We may fail to effectively protect our intellectual property rights.

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

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

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

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

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

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

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

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

We have been and may continue to be involved in disputes with and subject to claims by property developers, property owners and residents, as well as property management companies to whom we provide services. Disputes may also arise if they are dissatisfied with our services whether reasonably or not. In addition, our customers may take legal action against us if they perceive whether reasonably or not that our services are inconsistent with the standards we agreed to. Furthermore, we have been and may continue to be involved in disputes with, and subject to, claims by other parties involved in our business, including our subcontractors, suppliers and employees, or other third parties who sustain injuries or damages at properties under our management whether or not arising from our fault. As we continue expanding our business through acquisitions, we may be involved in litigations and disputes in connection with or arising from such acquisitions. As of December 31, 2019 and 2020 and June 30, 2021, we made provision of approximately RMB3.0 million, RMB3.3 million and RMB3.1 million, respectively, for pending legal claims against us in the ordinary course of our business. Adverse outcome in lawsuits or similar proceedings may result in monetary damage that could adversely affect our results of operations.

In addition, we are subject to various regulations in relation to consumer protection, price control, fire safety, advertisement and other aspects. We may be subject to administrative penalties or other penalties if we fail to comply with applicable regulations and requirements. We also may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities. For example, we did not fully withhold individual income taxes on behalf of our employees for certain bonus payments in 2018 and 2019 due to our unfamiliarity with the relevant PRC laws and regulations. In 2018 and 2019, the number of employees for whom we did not fully withhold individual income taxes was 133 and nil, respectively. Eventually we paid an RMB2.9 million shortfall and a late fee of RMB0.4 million in 2020, which represents the full and final settlement of our liabilities in connection with the foregoing.

All of these administrative penalties, 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 administrative penalty, dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

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

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

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

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

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

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

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

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

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

As of June 30, 2021, some of our lease agreement had not been filed with the relevant PRC authorities, primarily due to lack of cooperation from the landlords in registering the relevant lease agreements which was beyond our control. To applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with the relevant governmental authorities within 30 days after the execution of the lease agreement and if the filing is not made, the governmental authorities may require that the filing to be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. As the lessors of the related leases need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, we might be subject to fines. See "Business — Properties."

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

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

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

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

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

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

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

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

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

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

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

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

We may be adversely affected by fluctuations in the China real estate markets, global and domestic economy and financial markets.

Since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such developments may have an adverse impact on the ability of Chinese property developers, management companies and potential property purchasers to obtain financing, a decrease in consumer confidence and demand in China real estate and increased market volatility.

In addition, the outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. There are talks of trade tariffs on goods imported from China to the United States and a possibility of a trade war between the United States and China if negotiations fail to resolve trade issues amicably. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union, or Brexit. On January 31, 2020, the United Kingdom ceased to be a member of the European Union. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the United Kingdom, in the European Union and its member states and elsewhere, and could contribute to instability in global financial markets. The effect of such potential events on us or the Bonds is impossible to predict; but they could significantly impact volatility, liquidity and/or the market value of securities, including the Bonds, and could have a material adverse effect on our ability to make payments on the Bonds.

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

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

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

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

On August 5, 2020, we acquired a 51% equity interest in Zheda Sinew. In January 2021, we completed the acquisition of additional 19% equity interest of Zheda Sinew. Zheda Sinew offers catering services to schools and universities, and faces inherent risks of food contamination and liability claims. The food quality depends largely on the quality of the food ingredients and raw materials provided by Zheda Sinew's suppliers and it may not be able to identify all defects in its supplies. Any food contamination at its canteens and on-campus chain supermarkets or during the transportation from its suppliers to its canteens and on-campus chain supermarkets that Zheda Sinew may fail to notice or prevent could adversely affect the quality of the food sold at its canteens and on-campus chain supermarkets. Certain of its employees may not follow its internal guidance on food handling and its quality control procedures and requirements. Any failure in detecting defective food supplies, or observing proper sanitation, cleanliness and other quality control requirements or standards in its operations could adversely affect the quality of the food Zheda Sinew sold at its canteens and on-campus chain supermarkets, which could lead to liability claims, complaints and related negative publicity, reduced the number of customers at its canteens and on-campus chain supermarkets, the imposition of penalties by relevant authorities and compensation awards by courts in the PRC. We cannot assure you that Zheda Sinew will not receive any food contamination claims or defective products from its suppliers in the future. Also, Zheda Sinew may be unable to receive compensation from suppliers for contaminated ingredients used in its dishes according to indemnity provisions in its supply contracts, if any. Any such incidents could materially harm Zheda Sinew's reputation, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

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

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

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Bonds and dividends we pay on the Shares and require holders of the Bonds and Shares to pay taxes on gains realized from the sale of the Bonds and Shares.

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

Furthermore, if we are deemed to be a PRC resident enterprise, we may be obligated to withhold PRC income tax of 10% on payments of interest and other amounts on the Bonds and dividends on the Shares to investors that are non-resident enterprises (or 20% for non-resident individual holders of the Bonds) or Shares or lower rates for holders who qualify for the benefits of a double-taxation treaty with PRC, because the interest, dividends and other distributions may be regarded as being derived from sources within PRC. If we are required to withhold PRC tax from interest payments on the Bonds, we may be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on our financial condition. Any gain realized by non-PRC investors from the transfer of the Bonds or Shares may be regarded as being derived from sources within PRC and accordingly may be subject to a 10% PRC income tax for non-PRC enterprise holders of the Bonds (20% in the case of non-resident individuals) if we are treated as a PRC resident enterprise, subject to the provisions of an applicable treaty.

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

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

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

Some of our subsidiaries are subject to restrictions on the payment of dividends to us.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, to satisfy our obligations, including our obligations under the Bonds. The ability of our subsidiaries to pay dividends is subject to, among other things, their distributable earnings and cash flow conditions, restrictions contained in the articles of association and the loan agreements entered into by our subsidiaries and applicable laws. For example, some of our subsidiaries, including certain of our subsidiaries incorporated and operating in the PRC are restricted from distributing dividends until their existing loans are paid off or they start to generate profit, and the pre-tax profit is enough to pay the next due repayment or from distributing dividends exceeding certain percentage of their net income, or from distributing dividends unless certain financial ratios are satisfied. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities may not be available to us to make payments on the Bonds. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds and the Guarantee.

Particularly, PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such accumulated profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. Dividends paid by our PRC subsidiaries to their non-PRC parent company are generally subject to a 10% withholding tax. As a result of such restrictions, there could be limitations, including timing limitations, on our ability to receive payments from our PRC subsidiaries to meet our payment obligations under the Bonds and the Guarantee and there could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Bonds or the Guarantee.

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

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

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

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

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

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

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

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

A majority of our senior management members reside in the PRC, and substantially all of the assets of those people and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible. On July 14, 2006, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), which became effective on August 1, 2008. Under this arrangement, in case any designated people's court in the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a written jurisdiction agreement, any party may apply to the relevant people's court of China or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of China and the Government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which establishes a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between people's court in the PRC or Hong Kong court. The 2019 Arrangement will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments in civil and commercial matters made by People's Court in the PRC or Hong Kong court on or after the date of the effectiveness of the 2019 Arrangement. Upon the effectiveness of the 2019 Arrangement, except that the 2006 Arrangement is still applied to the written jurisdiction agreement entered into before the effectiveness of the 2019 Arrangement, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC will be subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. Since the 2019 Arrangement has not come into effect, the outcome and effectiveness of any action brought under this arrangement remain uncertain. There can be no assurance that investors can successfully effect service of process against our Directors or executive officers who reside in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE BONDS AND THE SHARES

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars.

The Bonds are denominated in Hong Kong dollars, which are pegged to the U.S. dollar, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further on May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. Although the exchange rate between the Hong Kong dollar and the U.S. dollar has been effectively pegged, there can be no assurance that the Hong Kong dollar will remain pegged to the U.S. dollar, especially in light of the significant international pressure on the Chinese government to permit the free floatation of the Hong Kong dollar or the Renminbi, which could result in an appreciation of the Hong Kong dollar or the Renminbi against the U.S. dollar. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or Hong Kong dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Bonds and the Guarantee.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In connection with our other U.S. dollar-denominated liabilities, we may enter into foreign exchange or interest rate hedging agreements. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

We may be able to redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise".

In the event we are treated as a PRC "**resident enterprise**" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. As described in Condition 8(C), in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or any change in the general application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after May 24, 2021, such as a change that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise", we may, subject to Condition 8(C), redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. Please see Condition 8(C).

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Bonds depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid). Pursuant to the EIT Law, which became effective in January 1, 2008, if we are deemed a "non-resident enterprise", dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the registration of the relevant intercompany loans or to approve the payments under such loans, the PRC subsidiary will be unable to pay us dividends or interest and principal, when due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations under the Bonds.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations, including under the Guarantee, will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt alternative strategies. These may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares.

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of our equity securities after this offering of the Bonds could dilute the interest of our existing shareholders and could substantially decrease the trading price of the Shares. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair our ability to raise capital through the sale of additional equity securities. There is no restriction on our ability to issue Shares or the ability of any of our shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that we will not issue Shares or that our shareholders will not dispose of, encumber or pledge the Shares. We cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

Bondholders will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

There is a risk that the Bonds will be required to be registered with the NDRC.

The National Development and Reform Commission of the PRC (the "**NDRC**") issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt

Filings and Registrations (FAGAIWAIZI [2015] No. 2044) (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》) (the "**NDRC Circular**") on September 14, 2015, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, the enterprise must, prior to issuing such bonds, make filing with the NDRC so as to obtain a registration certificate from the NDRC in respect of the issuance. Such enterprise must also notify certain details of the bonds to the NDRC within 10 business days of the completion of the bond issuance.

The issuance of the Bonds has not been registered with the NDRC pursuant to the NDRC Circular as the NDRC Circular only applies to offshore offerings of debt by PRC enterprises with a tenor of over one year. However, as the NDRC Circular is a relatively new regulation, uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Circular or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Bonds will be subject to the registration and other requirements under the NDRC Circular. In the event that the Bonds are required to be registered with the NDRC and the Company is unable to complete such registration within the prescribed timeframe, the Company may need to refinance the Bonds.

Our results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares.

The trading price of the Shares will be influenced by our operational results (which in turn are subject to the various risks to which our businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which we operate and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

Conversion of the Bonds may dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares.

The conversion of some or all of the Bonds may dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Holders have limited anti-dilution protection.

The Conversion Price (as defined in the Conditions) will be adjusted on the occurrence of certain events, including a subdivision, consolidation or reclassification of Shares, rights issue of Shares or options over Shares, capital distributions, capitalization of profits or reserves or other events as specified in Condition 6. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Bonds will have limited liquidity and the transfer of the Bonds will be restricted.

No public market exists for the Bonds. There is no current intention to list the Bonds other than on the SGX-ST. If any of the Bonds are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Bonds and other factors, including general economic conditions and our financial condition, performance and prospects. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds or the Shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds or the Shares are registered under the Securities Act, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares thereof will not be freely tradable absent registration or an exemption from registration.

The Bonds will contain provisions regarding modification, waivers and substitution, which could affect the rights of Bondholders.

The Trust Deed will contain provisions for convening meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all holders of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, the Trust Deed will provide that (A) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or (B) a resolution passed by way of electronic consents through the Clearing Systems (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall each be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders. The Conditions will also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except for certain reserved matters as set out in Condition 14(A) or in the Trust Deed) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorization or waiver shall be binding on the Bondholders and all future Bondholders.

The Issuer may not have the ability to redeem the Bonds.

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash all or some of their Bonds upon a transaction or event constituting a Change of Control or a delisting within the meaning of paragraph (i) of the definition of "Relevant Event" set out in Condition 8(D), as described in Condition 8(D). The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

The insolvency laws of the British Virgin Islands, Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar.

Because the Issuer and the Company are incorporated under the laws of the British Virgin Islands and the Cayman Islands, respectively, an insolvency proceeding relating to the Issuer or the Company, even if brought in other jurisdictions, would likely involve British Virgin Islands or Cayman Islands (as the case may be) insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. We conduct substantially all of our business operations through our PRC-incorporated subsidiaries in the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyze the risks and uncertainties carefully before investing in the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this offering circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- understand thoroughly the terms of the Bonds; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any such steps and/or actions and/or institute any such proceedings, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed or the Conditions and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Bondholders to take any such steps and/or actions and/or institute any such proceedings directly.

Lack of a public market for the Bonds.

The Bonds are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that we will be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the SGX-ST. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;

- general economic, market and political conditions;

- the financial condition, financial performance and future prospects of the Issuer and the Company;

- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Company; and

- changes in the industry and competition affecting the Group.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Facts and statistics in this offering circular relating to China's economy and the property industry are derived from various official or other publications available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Manager, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and, therefore, we and they make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and generally accepted accounting principles in other jurisdictions.

We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which may be different from those applicable to debt securities listed in certain other countries.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will be subject to continuing listing obligations in respect of the Bonds. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Bonds will initially be represented by the Global Certificate, and therefore, Bondholders must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially be represented by the Global Certificate and held through Euroclear and Clearstream. Interests in the Bonds represented by the Global Certificate will trade in book-entry form only, and the Bonds in definitive registered form, or definitive registered bonds, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book- entry interests will not be considered owners or holders of the Bonds. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Certificate representing the Bonds. Payments of principal, interest and other amounts owing on or in respect of the Global Certificate representing the Bonds will be made to the Principal Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the Global Certificate representing the Bonds and credited by such participants to indirect participants. After payment to the nominee of the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Bonds under the Trust Deed.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Bonds. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default (as defined in Condition 10), unless and until definitive registered bonds are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds.

USE OF PROCEEDS

The gross proceeds from this offering will be HK$3,110,000,000. We intend to use the gross proceeds from this offering, after deducting the underwriting commission and other estimated expenses payable by us, for potential mergers and acquisitions, business expansion, general working capital and general corporate uses.

EXCHANGE RATE INFORMATION

CHINA

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
	Period End	Average(1)	High	Low
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5108	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October (through October 15, 2021)	6.4340	6.4407	6.4485	6.4262

Source: Federal Reserve H.10 Statistical Release

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

HONG KONG

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
	Period End	Average[(1)]	High	Low
	(HK$ per US$1.00)			
2016	7.7505	7.7620	7.8270	7.7534
2017	7.8128	7.7949	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7808
2020	7.7534	7.7562	7.7951	7.7498
2021				
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October (through October 15, 2021)	7.7785	7.7827	7.7871	7.7780

Source: Federal Reserve H.10 Statistical Release

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of June 30, 2021, and as adjusted to give effect to the issuance of the Bonds now being issued before deducting the underwriting commission and other estimated expenses of this offering. The following table should be read in conjunction with the summary consolidated financial data, the consolidated financial statements and related notes included elsewhere in this offering circular. The following table does not reflect any change to total capitalization in connection with the Equity Placement discussed under "Recent Developments — Concurrent Equity Placement." Except as otherwise disclosed in this offering circular, there has been no material change in our capitalization since June 30, 2021.

	As of June 30, 2021[4]			
	Actual		As Adjusted	
	(RMB)	(US$)	(RMB)	(US$)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(in millions)			
Cash and cash equivalents[1]	5,621.6	870.7	8,207.3	1,271.2
Short-term borrowings				
Bank borrowings	5.7	0.9	5.7	0.9
Bonds to be issued[2]	–	–	2,585.7	400.5
Long-term borrowings				
Bank borrowings	7.5	1.2	7.5	1.2
Total equity attributable to equity holders of the Company	6,654.3	1,030.6	6,654.3	1,030.6
Total capitalization[3]	6,661.8	1,031.8	6,661.8	1,031.8

Notes:

(1) Cash and cash equivalents exclude restricted bank deposits of RMB0.1 million (US$15.5 thousand).

(2) In accordance with Hong Kong Accounting Standards 32 "Financial Instruments: Presentation", a convertible bond that can be converted to equity shares at the option of the holder which is accounted for as compound financial instruments contains both a liability component and an equity component. For purpose of the capitalization table and illustration only the principal amounts of Bonds (before deducting the underwriting commission and other estimated expenses in relation to the issuance of the Bonds) will be presented as a liability and no allocation to the equity component will be made.

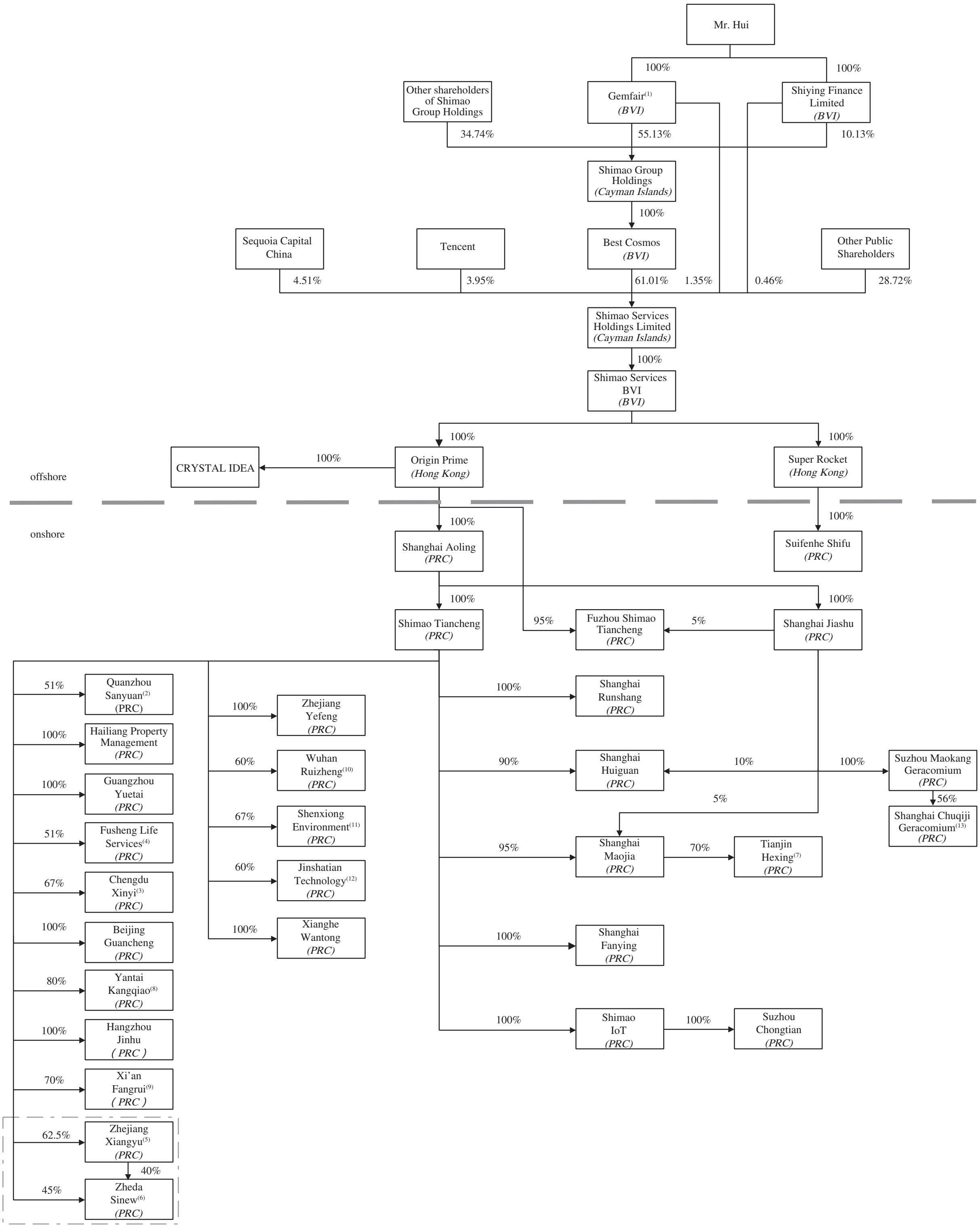
(3) Total capitalization equals long-term borrowings plus total equity attributable to equity holders of the Company.

(4) The capitalization table is not adjusted to reflect changes to our bank borrowings subsequent to June 30, 2021.

We may incur additional indebtedness through bank borrowings or issuance of securities or otherwise in the ordinary course of business, including the issuance of additional debt securities.

CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Group as of the date of this offering circular.



Notes:

1. Pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, Overseas Investment is entitled to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings as long as Mr. Hui or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings. Overseas Investment is wholly owned by Mr. Hui. Such assignment of voting rights had been arranged due to estate planning reasons, as Overseas Investment was the then trustee of a unit trust, all the units of which had been held by the trustee of a discretionary family trust established by Mr. Hui for the benefit of his family members.

2. The remaining equity interest is held as to 24.5% by He Yijia, 19.6% by He Yanyan, each an Independent Third Party save for his/her interest therein, and 4.9% by He Huizhen, an Independent Third Party.

3. The remaining equity interest is held as to 21% by Chengdu Jiehua Technology Co., Ltd. (成都潔華科技有限公司), an Independent Third Party save for its interest therein, 6% by Chengdu Junxinhe Corporate Management Centre (Limited Partnership) (成都君信合企業管理中心(有限合夥)) and 6% by Chengdu Chengxinming Corporate Management Centre (Limited Partnership) (成都誠信明企業管理中心(有限合夥)), each an Independent Third Party.

4. The remaining equity interest is held as to 40% by Zheng Weixi, an Independent Third Party save for his interest there in and 9% by Guangzhou Qianlong, an Independent Third Party.

5. The remaining 37.5% was held by 21 Independent Third Parties and one other Independent Third Party save for its interest therein as of June 30, 2021.

6. The remaining 30% was held as to 15% by Zhejiang Xiangyu and 34% by Zhejiang University Holdings.

7. The remaining 30% was held by two Independent Third Parties.

8. The remaining 20% was held by Yantai Kangyong Investment Co., Ltd.(煙台康永投資有限公司).

9. The remaining 30% was held by Xi'an Fangrui Investment Holding Group Co., Ltd.(西安方瑞投資控股集團有限公司).

10. The remaining 40% was held by Wuhan Longze Tianyu Technology Co., Ltd.(武漢龍澤天宇科技有限公司).

11. The remaining 33% was held by Shenzhen Jiaxiong Investment Development Co., Ltd.(深圳佳兄投資發展有限公司).

12. The remaining 40% was held by three Independent Third Parties.

13. The remaining 44% was held by two Independent Third Parties.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer is a BVI business company with limited liability incorporated under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands on October 5, 2021. The Issuer's registration number is 2077734. Its registered office is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is an indirect wholly owned subsidiary of the Company.

BUSINESS ACTIVITY

The Issuer is an indirect wholly-owned subsidiary of the Company. The Issuer will not carry on any business activity whatsoever other than in connection with the issue of the Bonds or other bonds and any other activities incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds and other bonds to any other subsidiary of the Company).

FINANCIAL STATEMENTS

Under the British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep records and underlying documentation of the Company in such form as are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

DIRECTORS AND OFFICERS

The director of the issuer is Hui Sai Tan, Jason. The director of the Issuer does not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

SHARE CAPITAL

The Issuer is authorized under its memorandum of association to issue a maximum of 50,000 shares with US$1.00 par value each of a single class and one (1) share has been issued and held by Origin Prime Property Services Limited. The register of directors of the Issuer is maintained at its registered office in the British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this offering circular, the issuer does not have any debt outstanding other than the Bonds offered hereby.

OVERVIEW

We are a leading comprehensive property management and community living service provider in the PRC. We were ranked 12th among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019, and 3rd among the Top 20 Property Management Companies in the PRC in terms of revenue growth rate from 2018 to 2019. We were ranked 7th among of the "Top 100 Companies in the Property Service Industry in the PRC" (中國物業服務業百強企業), recognized as one of the "Top 10 Listed Property Service Companies in the PRC" (中國物業服務企業上市公司10強) and ranked 8th among the "Top 10 Property Service Enterprises in the PRC in Terms of Overall Strength" (中國物業服務企業綜合實力10強) in 2021, respectively. Driven by our strong capabilities in market expansion, our aggregate GFA under management increased from 45.0 million sq.m. as of December 31, 2018 to 68.2 million sq.m. as of December 31, 2019, and 146.1 million sq.m. as of December 31, 2020, and further to 175.0 million sq.m. as of June 30, 2021. Our aggregate contracted GFA increased from 60.4 million sq.m. as of December 31, 2018 to 100.9 million sq.m. as of December 31, 2019, and 201.1 million sq.m. as of December 31, 2020, and further to 239.2 million sq.m. as of June 30, 2021. We were recognized as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019.

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

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

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

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

- **City services.** Our city services include (i) integrated environment sanitation services; (ii) classic garbage treatment; and (iii) road facilities installation for urban and rural areas.

We witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,329.3 million in 2018 to RMB2,489.1 million in 2019, and further to RMB5,025.7 million in 2020, representing a CAGR of 94.4%. Our profit increased from RMB146.2 million in 2018 to RMB384.5 million in 2019, and further to RMB724.3 million in 2020, representing a CAGR of 122.6%. Our revenue increased by 170.6% from RMB1,564.6 million in the six months ended June 30, 2020 to RMB4,233.8 million in the six months ended June 30, 2021 while our profit increased by 150.9% from RMB254.7 million in the six months ended June 30, 2020 to RMB639.1 million in the six months ended June 30, 2021. The following table sets forth a breakdown of our total revenue by business line for the periods indicated, both in absolute amount and as a percentage of our total revenue.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount (unaudited)	%
	(RMB in thousands, except for percentages)									
Property management services	848,583	63.9	1,199,398	48.2	2,712,395	54.0	819,707	52.4	2,321,876	54.8
Community value-added services	94,665	7.1	648,558	26.0	1,600,623	31.8	417,292	26.7	1,393,391	32.9
Value-added services to non-property owners	386,075	29.0	641,130	25.8	712,670	14.2	327,637	20.9	384,312	9.1
City services	–	–	–	–	–	–	–	–	134,178	3.2
Total	**1,329,323**	**100.0**	**2,489,086**	**100.0**	**5,025,688**	**100.0**	**1,564,636**	**100.0**	**4,233,757**	**100.0**

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our community value-added services experienced significant growth. Revenue derived from community value-added services as a percentage of our total revenue increased from 7.1% in 2018 to 26.0% in 2019, and further to 31.8% in 2020. Revenue from community value-added services as a percentage of our total revenue increased from 26.7% in the six months ended June 30, 2020 to 32.9% in the six months ended June 30, 2021. In particular, in 2019, we introduced our marketing and promotional services to third-party home furnishing service providers through our online More+ platform and offline marketing and promotional activities, adding RMB71.4 million, to our revenue in 2019 . We also introduced smart community solutions in 2019, adding RMB51.5 million and RMB135.0 million, respectively, to our revenue in 2019 and the six months ended June 30, 2020. Our revenue from carpark sales related services increased significantly from RMB25.6 million in 2018 to RMB359.5 million in 2019, primarily driven by an increase in the number of properties in which we offer carpark sales related services and a significant increase in the number of carpark spaces we sold or helped sell due to our acquisition of Hailiang Property Management. We plan to devote more resources to grow our community value-added services and introduce a variety of other community value-added services aiming at improving the living experience of property owners and residents, such as property sales and rental facilitation services, home furnishing services, community education services and community space operations services. We believe community value-added services will drive our future growth and help establish our market position as a leading value-added service provider.

OUR COMPETITIVE STRENGTHS

Leading Comprehensive Property Management and Community Living Service Provider

We are a leading comprehensive property management and community living service provider in the PRC. Driven by our strong capabilities in market expansion, we experienced significant growth in our GFA under management and contracted GFA in 2018, 2019 and 2020 and the six months ended June 30, 2021. We also witnessed a significant improvement in our financial performance in terms of revenue and profit. Our revenue increased from RMB1,329.3 million in 2018 to RMB2,489.1 million in 2019, and further to RMB5,025.7 million in 2020, representing a CAGR of 94.4%. Our profit increased from RMB146.2 million in 2018 to RMB384.5 million in 2019, and further to RMB724.3 million in 2020, representing a CAGR of 122.6%. Our revenue increased by 170.6% from RMB1,564.6 million in the six months ended June 30, 2020 to RMB4,233.8 million in the six months ended June 30, 2021 while our profit increased significantly from RMB254.7 million in the six months ended June 30, 2020 to RMB639.1 million in the six months ended June 30, 2021. We believe our rapid business growth and quality services have earned us a number of awards. We were recognized as one of the "Leading Growth Enterprises among the Top 100 Property Management Companies in the PRC" (中國物業服務百強成長性領先企業) in 2019 due to our rapid expansion in terms of GFA under management, revenue and profit. Our "Shimao Services" brand was recognized as a "Leading Brand in the PRC Property Management Industry in Specialized Operations" (中國物業服務專業化運營領先品牌企業) in 2019. We were ranked 7th among of the "Top 100 Companies in the Property Service Industry in the PRC" (中國物業服務業百強企業), recognized as one of the "Top 10 Listed Property Service Companies in the PRC" (中國物業服務企業上市公司10強) and ranked 8th among the "Top 10 Property Service Enterprises in the PRC in Terms of Overall Strength" (中國物業服務企業綜合實力10強) in 2021, respectively.

We believe we have established strong capabilities in market expansion through organic growth as well as acquisition of third-party property management companies. We have a long-term and stable business cooperation with the Shimao Group, which is a leading property developer in the PRC. Leveraging our brand image, operational capabilities and established business relationships, we enhanced our efforts to obtain property management service agreements in 2019 for properties developed by independent third-party property developers. In terms of expansion through acquisitions, we generally focus on targets whose geographical presence and market positioning are synergistic with ours. In 2019, we acquired two companies, adding 18.2 million sq.m. to our contracted GFA as of December 31, 2019. In 2020, we acquired nine companies, adding 71.0 million sq.m. to our contracted GFA as of December 31, 2020. We are not responsible for any residual liabilities or potential penalties arising from non-compliances and/or disputes with respect to the acquired companies which occurred before our acquisition because, except for the acquisition agreement of Fusheng Life Services, all of our acquisition agreements provided that the selling shareholders are liable for such non-compliances and disputes. Our acquisition agreements also provided that we may seek indemnity from the selling shareholders if we are held liable for such non-compliance and/or disputes. With respect to the acquisition agreement of Fusheng Life Services, while the acquisition agreement did not provide such terms, the relevant non-compliance and disputes do not have materially adverse impact on our operations and financial condition.

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

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

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

The Shimao Group is our parent company. We started to provide property management service to properties developed by the Shimao Group in 2005. Our long-term and stable cooperation with the Shimao Group has been driving our development since our inception and laid the foundation for our continuous growth. Our cooperation with the Shimao Group has helped us gain in-depth understanding of the Shimao Group's business needs, enabling us to successfully win tender bids for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group, and continuously enhance our service quality to better serve the Shimao Group as well as owners and residents of properties developed by the Shimao Group and joint ventures and associates of the Shimao Group. Our long-standing business cooperation with the Shimao Group has also helped us solidify our market position and expand our business nationwide. According to its annual report, in 2018, 2019 and 2020, the Shimao Group completed the construction of properties with an aggregate GFA of 8.9 million sq.m., 9.5 million sq.m. and 9.9 million sq.m., respectively, and during the same years, the revenue of the Shimao Group was RMB85,512.7 million, RMB111,517.0 million and RMB135,352.8 million, respectively. According to its interim report, the Shimao Group completed the construction of properties with an aggregate GFA of 7.2 million sq.m. in the six months ended June 30, 2021. The revenue of Shimao Group was RMB73,401.3 million in the six months ended June 30, 2021. Our business has grown in concert with the expansion of the Shimao Group.

In terms of acquisitions, our relationship with the Shimao Group also contributed resources to our acquisition opportunities of property management companies that complement our business operations and expand our scale. In June 2019 and January 2020, the Shimao Group entered into business collaboration agreements with the then parent companies of Guangzhou Yuetai and Fusheng Life Services, respectively. Each party to the collaboration agrees to use its own competitive advantages to support each other's business operations in areas such as, among others, (i) property development; (ii) construction; (iii) property management; (iv) urban redevelopment; and (v) trademark licensing. We believe that such collaborations between the Shimao Group and the then parent companies of Guangzhou Yuetai and Fusheng Life Services paved the way for us to increase the number and GFA of properties under our management. In 2019, we acquired two companies, adding 18.2 million sq.m. to our contracted GFA as of December 31, 2019. In 2020, we acquired nine companies, adding 71.0 million sq.m. to our contracted GFA as of December 31, 2020.

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

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

Strong Operational Capability, High Operational Efficiency and Advanced Technological Support

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

Full-cycle Management Policies

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

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

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

- *Acquisitions*. We have also adopted management policies to effectively and efficiently integrate acquired companies with our overall business operations. For example, we applied our full-cycle management policies, to our newly acquired Hailiang Property Management in 2019, which resulted in an increase in average revenue per employee for Hailiang Property Management by more than 60% from 2018 to 2019, and an increase in gross profit margin of Hailiang Property Management from 8.3% in 2018 to 25.9% in 2019, according to unaudited management accounts of Hailiang Property Management and management estimate. To improve the operating efficiencies and gross profit margins of acquired companies, we have adopted the following steps in 2018, 2019 and 2020 and the six months ended June 30, 2021: (i) promoting community value-added services by acquired companies because such services typically generate higher gross profit margins; (ii) applying our Grid Unit Management mechanisms and Internal Marketization policy as described below to acquired companies; (iii) equipping acquired companies with our advanced management tools; and (iv) requiring acquired companies to use suppliers with which we have established long-term relationships, which contributes to lower purchasing costs by the acquired companies. We believe that due to the proximity of certain properties of the acquired companies to our other properties under management, we are able to apply our management resources, mechanisms, policies, standards and tools without incurring significant costs, contributing to their higher operational efficiencies and better integrations into our Group.

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

Grid Unit Management Mechanism and Internal Marketization Policy

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

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

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

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

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

Through the implementation of these mechanisms, we have successfully improved our operational efficiency.

Differentiated Service Standards

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

Advanced Management Tools Powered by Technologies

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

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

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

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

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

Our full-cycle management policies, Grid Unit Management mechanism and Internal Marketization policy, and advanced management tools have effectively optimized our operational efficiency. The application of such policies, mechanism, and tools to our newly acquired companies also contribute to our ability to integrate them into our Group and increase their operational efficiency and gross profit margins. In 2020, our revenue per employee reached approximately RMB206,529.5. Our gross profit and net profit per employee reached approximately RMB64,837.2 and approximately RMB29,765.7 in the same year, respectively.

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

Quality Portfolio of Properties under Management

We have a quality portfolio of properties under management. In terms of geographic location, we have established presence in and deeply penetrated into multiple regions in the PRC. A substantial portion of our properties under management as of June 30, 2021 were located in the Yangtze River Delta Region, one of the most economically developed and fastest-growing regions in the PRC. We have also deeply penetrated into the Yangtze River Delta Region, Central and Western China, Southern China and Bohai Economic Rim by increasing the concentration of properties under our management in each region, which we believe enhanced our competitive position and brand image in markets where we compete.

We believe the property management industry has more growth potentials in new tier-one and tier-two cities, and our continued focus in those cities is expected to lead to our sustainable growth.

We believe the large sizes of properties under our management have led to economies of scale, which helped reduce costs and increase operational efficiency and profitability. In addition, the large size of properties under our management has also led to concentration of property owners and residents, giving rise to enhanced needs for a variety of community value-added services, which we believe enables us to achieve sustainable growth of our business operations and revenue.

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

We believe our quality property portfolio has contributed to improvement in our gross profit margin and reputable brand image in 2018, 2019 and 2020 and the six months ended June 30, 2021, which paves the way for our sustainable future growth.

Continuous Innovation in Creating an Ecosystem of Value-added Services

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

Diversified Value-added Services

In addition to traditional value-added services, we provide a variety of diversified value-added services leveraging the relationships we have established with our customers through quality property management and traditional value-added services. For example, we offer home furnishing services covering both property owners who had just received delivery of properties as well as those who seek to redecorate their homes. In June 2020, we acquired a 51% equity interest in Shimao Macalline through which we plan to enrich the scope and enhance the quality of our home furnishing services. We also began to offer smart community solutions in 2019, the name of which was changed to smart scene solutions in 2021, featuring management solutions and smart home solutions.

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

Online-offline Integration

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

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

Experienced and Professional Management Team and an Effective Human Resource System

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

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

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

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

OUR BUSINESS STRATEGIES

Continue to Expand Our Business Scale through Multiple Channels

Expansion in Property Types under Management

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

Expansion in Key Geographic Regions

We intend to continue our nationwide expansion, primarily focusing on the Yangtze River Delta Region, Southern China, Central and Western China and the Bohai Economic Rim. We also intend to intensify our bidding efforts to increase the density of properties under management, which in turn intend to help raise our brand awareness within these regions. Further, we intend to expand into other densely populated new tier-one and tier-two cities across China with high per capita disposable income, such as Harbin, Changchun, Shijiazhuang and Dongguan. We expect that there will be sufficient potential targets available in the property management market in China. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans.

Expansion in Concert with the Shimao Group

Leveraging our long-term and stable cooperation with the Shimao Group and capitalizing on the Shimao Group's strategic business and geographical expansion, we aim to obtain more property management service agreements from the Shimao Group through bidding and tender processes. As of December 31, 2020 the Shimao Group had a total land reserve of approximately 81.8 million sq.m. (including those attributable to other shareholders of jointly developed properties), penetrating in more than 100 major cities across the country. Having maintained a long-term and stable cooperation with the Shimao Group, we believe we are well-positioned to continue to benefit from the large land reserve of the Shimao Group, which we believe will continue to drive our growth going forward. We also aim to capitalize on acquisition opportunities brought by the Shimao Group, and acquire property management companies affiliated with the property development companies which the Shimao Group plans to acquire.

Expansion through Acquisitions

Leveraging our reputable brand, high-value property portfolio and quality services, we also plan to pursue new business opportunities by, among others, acquiring property management companies and businesses that are supplementary or complementary to our existing business from third parties and affiliates. We have established professional market development teams at both the headquarters and regional company levels, and plan to further refine the organizational structure of our business development team to encourage cooperation and improve the skills and professionalism of business development team members, which we believe will likely optimize our tender success rate for future property management service agreements.

We plan to focus on companies with complementary geographical presence and similar market positioning to maximize potential synergies with our existing business operations. We believe our acquisition and integration of property management companies and businesses will enrich our service offerings and enable us to offer services that cover a greater portion of the property management industry value chain.

Expansion in City Services

We intend to further expand our city services, aiming at improving the living environment of local residents and improving city management efficiency. Specifically, we intend to focus on (i) municipal operations services such as municipal greening and landscape design services, city lightning design services and infrastructure maintenance services to improve residents' living experience; (ii) municipal common asset management by leveraging our experience in offering community asset management services; and (iii) municipal upgrades by capitalizing on the urban redevelopment plans of local governments in the PRC.

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

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

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

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

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

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

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

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

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

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

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

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

In terms of property-oriented value-added services, we intend to introduce and expand services such as maintenance and repair of old or specialized equipment. We intend to adopt equity investments or joint ventures similar to Shimao Macalline to carry out our property-oriented value-added services. For example, we are working with an elevator manufacturing company to potentially collaborate in offering elevator repair and maintenance services. We believe suitable business collaboration strategies will enable us to fully leverage the industry experience, technical skills, supply channels and brand images of our partners.

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

Improve Service Quality to Enhance Customer Satisfaction and Loyalty

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

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

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

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

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

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

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

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

Improve Our Management Policies and Mechanisms and Human Resource Management

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

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

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

As a part of our business strategies, we plan to create approximately 400 managerial positions at regional, city and district levels. We had filled 354 of these positions by June 30, 2021. We will further improve and formulate special training programs for our employees at all levels to strengthen their skills and service capabilities.

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

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

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

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

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

Capitalize on and Integrate the Resources of Our Strategic Investors

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

- *System upgrade.* We intend to collaborate with Sequoia Capital China and Tencent to upgrade our information and digitalization systems through IoT, cloud computing and big data technologies in order to improve our management and operational efficiency.

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

PROPERTY MANAGEMENT SERVICES

We have been providing property management services since 2005. As of June 30, 2021, our aggregate contracted GFA reached 239.2 million sq.m. covering 137 cities across 29 provinces in China. As of the same date, we managed 661 properties with an aggregate GFA under management of 175.0 million sq.m. Our revenue from property management services amounted to RMB848.6 million, RMB1,199.4 million, RMB2,712.4 million, RMB819.7 million and RMB2,321.9 million in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively, which accounted for 63.9%, 48.2%, 54.0%, 52.4% and 54.8% of our total revenue for the same periods, respectively.

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

	As of December 31,			As of June 30,
	2018	2019	2020	2021
Number of properties under management(1)	93	184	535	661
Number of properties we were contracted to manage(2)	163	354	772	950
GFA under management *(sq.m. in millions)*	45.0	68.2	146.1	175.0
Contracted GFA *(sq.m. in millions)*	60.4	100.9	201.1	239.2
Undelivered GFA *(sq.m. in millions)*(3)	15.4	32.7	100.2	64.2

Notes:

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

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

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

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

Scope of Services

We primarily provide the following types of property management services.

- *Security services.* We provide quality security services to ensure that the properties under our management are safe and in good order. In particular, we dispatch security staff to routinely patrol the properties, set up surveillance over common areas, verify identities of visitors and visiting vehicles, and handle emergencies. We use a combination of internal staff and external subcontractors to provide security services.

- *Cleaning, greening and gardening services*. We provide general cleaning, pest control, greening and gardening services to the properties under our management through our subsidiaries and third-party subcontractors.

- *Common area facility repair and maintenance services*. We are generally responsible for the maintenance of (i) common area facilities and construction structures such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm systems; (iii) security facilities such as entrance gates, fences and surveillance cameras; and (iv) utility facilities such as electricity generators, power distribution equipment, water pump rooms, water supply and drainage systems. We use a combination of internal staff and external subcontractors to provide repair and maintenance services.

To save our costs of providing services, we may elect to subcontract services apart from key management responsibilities, such as security, cleaning, greening and gardening, and repair and maintenance services.

Our Geographic Presence

Over the years, we have grown our presence nationwide with an aggregate contracted GFA of 239.2 million sq.m., covering 137 cities across 29 provinces in China as of June 30, 2021. In particular, we managed 661 properties with an aggregate GFA under management of 175.0 million sq.m. as of June 30, 2021.

Portfolio of Properties under Our Management

We primarily offer property management services to properties developed by the Shimao Group or joint ventures and associates of the Shimao Group. We primarily manage residential properties. We also manage other types of properties such as government and public facilities, elderly-care and healthcare facilities and airport lounges.

In 2019, we acquired two companies, adding 18.2 million sq.m. to our contracted GFA as of December 31, 2019. In 2020, we acquired nine companies, adding 71.0 million sq.m. to our contracted GFA as of December 31, 2020. In addition to increasing our number of properties and GFA under management and strengthening our economies of scale, we also acquired Fusheng Life Services to build a strong market presence in Fujian Province where a majority of properties managed by Fusheng Life Services were located.We intend to evaluate other acquisition and investment opportunities in the future, and plan to further increase our GFA under management, contracted GFA and revenue from property management services through acquisitions of and strategic investments in suitable targets.

Property Management Fees

We primarily charge property management fees on a lump sum basis where we act as the principal provider of property management services, and recognize the entire amount received or receivable from property developers, property owners and residents as our revenue over the service period, and all related costs as cost of sales over the service period. Our revenue from property management fees charged on a lump sum basis accounted for approximately 99.7%, 99.8%, 99.9%, 99.8% and 99.9% of our revenue from property management services in 2018, 2019, 2020 and the six months ended June 30, 2020 and 2021, respectively. The lump sum basis is also the dominant revenue model in the property management industry in the PRC.

We take into account a number of factors in determining whether to charge property management fees on a lump sum basis or a commission basis, including local regulations, requirements of property developers or property owners' associations, local market conditions, and the nature and requirements of individual properties, on a case by case basis. We assess our prospective customers and evaluate key factors such as the estimated costs of managing the properties, historical fee collection rates, projected profitability, as well as the prior management fee rate basis of the properties.

Lump Sum Basis

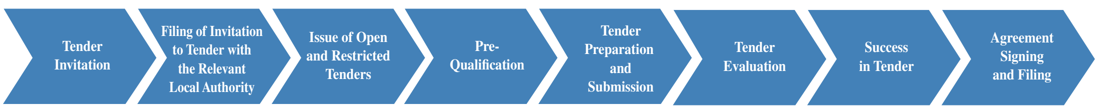
Under the lump sum basis, we charge a predetermined property management fee per sq.m. of GFA under management on a regular basis which represents an all-inclusive fee for all property management services provided by us and our subcontractors. We are entitled to retain the full amount of property management fees received from property developers, property owners and residents. We also bear property management service costs, which we recognize as our cost of sales. If the property management fees we charge during the term of a property management service agreements are not sufficient to cover all the costs incurred, we may not request property developers, property owners or residents to pay us the shortfall.

Commission Basis

In 2018, 2019, 2020 and the six months ended June 30, 2021, we derived revenue from a limited number of property management service agreements on a commission basis. Revenue from property management services derived on a commission basis represented 0.3%, 0.2%, 0.1% and 0.1% of our revenue from property management services in 2018, 2019, 2020 and the six months ended June 30, 2021, respectively. We recognize a predetermined property management commission fee, generally representing 8% to 10% of the property management fees, as revenue, while the remainder serves as working capital to cover the property management costs and expenses incurred by the property. We essentially act as an agent, helping recruit, organize and coordinate various property management services.

Property Management Service Agreements

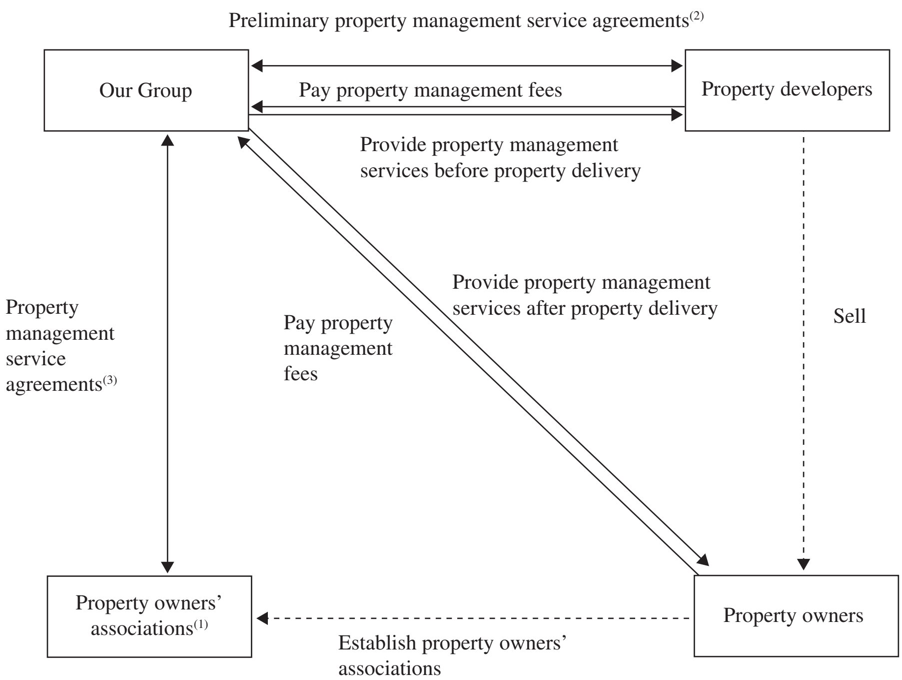
We generally obtain preliminary property management service agreements by participating in tenders, a process where property developers evaluate and select from multiple property management companies. Tender invitations are usually issued by property developers for properties under development before sales start, or from property owners' associations for properties that wish to replace their existing property management service provider. The following flow chart illustrates each stage of a typical tender process.



We provide property management services to a majority of residential properties developed by the Shimao Group or joint ventures and associates of the Shimao Group. We also provide property management services to properties solely developed by independent third-party property developers. We procure most of our property management service agreements through standard public tender procedures regulated by applicable PRC laws and regulations, including property management service agreements with respect to properties developed by the Shimao Group and its joint ventures and associates. We adopt the following strategies in bidding for new projects: (i) we collect basic information such as property size, type, target customer type, target property sales price, construction blueprints, among others; (ii) we obtain information on local regulations on property management pricing, utility fee collections, elevator fees, among other potential fees; (iii) we research the fees charged in surrounding properties and analyze their delivery times, property scales, types, and property management fees; and (iv) we prepare a proposed pricing plan which we submit to our operations management center for review and approval. In 2018, 2019, 2020 and the six months ended June 30, 2021, our tender success rate for properties developed by the Shimao Group and joint ventures and associates of the Shimao Group was 100.0%. In 2020, we enhanced our efforts to obtain property management service agreements over properties solely developed by independent third-party property developers, and achieved a tender success rate for properties solely developed by independent third-party property developers of 53.4%. In the six months ended June 30, 2021, we submitted a total of 803 tender bids to independent third-party property developers, and successfully obtained 249 property management service agreements therefrom, adding contracted GFA of 26.1 million sq.m. to our portfolio, and achieving a success rate for properties solely developed by independent third-party property developers of 31.0%.

Historically, we were selected to provide management services for certain properties without going through the required tender and bidding process, because we were not the responsible party for organizing such tender and bidding process according to the relevant PRC laws and regulations, and we obtained the relevant property management service agreements through regular business negotiations at arm's length. Under the Regulations on Property Management (2018 Revision), the tender and bidding process is generally mandatory before a property developer engages a property management service provider except for limited circumstances not applicable to us for these properties. See "Regulatory Overview — Legal Supervision over Property Management Services — Appointment of Property Management Enterprises" for further details. We confirm that the lack of a tender and bidding process with respect to these agreements was primarily attributable to the relevant property developers. No administrative penalty has been imposed on us with respect to these agreements for the lack of tender and bidding process and we are not the responsible party for such tender and bidding process according to the relevant PRC laws and regulations. Such property management service agreements may be determined to be invalid by the administrative authorities or the local judicial authorities, and the relevant property developers may be required to organize tender and bidding processes to select property management service providers for their developed properties in compliance with the Regulations on Property Management. See "Risk Factors — Risks Relating to Our Business and Industry — We entered into some of our property management agreements without going through the required tender and bidding process."

The following diagram illustrates our relationships with various parties under our property management agreements.



Notes:

(1) A property owners' association is authorized under PRC laws to act on behalf of the property owners.

(2) A preliminary property management service agreement is a type of property management service agreement that we enter into with a property developer before the property is delivered to property owners, and is legally binding on all future property owners in accordance with the relevant PRC laws and regulations. In the event that no property owners' association is established, we may terminate the preliminary property management service agreement with property developers if the property developers materially breach the agreements according to the relevant preliminary property management service agreements or PRC laws.

(3) A property management service agreement entered into between a property owners' association and us is legally binding on all property owners in accordance with the relevant PRC laws and regulations.

Key Terms of Agreements with Property Developers

Our property management service agreements with property developers typically include the following key terms.

- *Scope of services*. A typical agreement with a property developer sets out the scope of services, which typically includes the design of property management policies and protocols, facility management, security, cleaning, greening and gardening, maintaining common area traffic order and road conditions, and home furnishing management. We also occasionally offer household repair and maintenance, housekeeping and property inspection services.

- *Performance standards*. The agreement sets forth specific standards and frequency for our main services, as well as the staffing requirements for each service.

- *Property management fees*. The agreement sets forth the amount of property management fees and the GFA covered, as well as whether the fee is payable on a lump sum or commission basis. The property developer is responsible for paying the property management fees for unsold property units, which typically begin to accrue upon the execution of the property management service agreement and delivery of the relevant unit to a property purchaser. We also charge a late fee for overdue property management fees, which is typically a percentage of the overdue amount. For properties that have carparks, we also set out our fee rate for each carpark space each period.

- *Payment terms*. Property management fees are typically due in advance on a monthly, quarterly, semi-annual or annual basis.

- *Property developer's rights and obligations*. The property developer is entitled to (i) supervise our services according to the standards included in the agreement; and (ii) review and approve property management service plans and management policies. The property developer is typically responsible for (i) offering us the necessary office space to carry out our services; (ii) cooperating with our work; (iii) informing property owners and residents of their obligations to pay property management fees and follow property management policies; (iv) handling certain repair and maintenance obligations; and (v) offering records, blueprints and other documents and materials as necessary.

- *Our rights and obligations*. We are entitled to receive property management fees according to the relevant provisions in the agreement. We are responsible for (i) providing the services included in the agreement; (ii) cooperating with the supervision by property developers; (iii) monitoring property use; (iv) publicly disclosing collection and spending of property management fees; and (v) offering relevant records and materials as necessary.

- *Term of service*. The agreement typically expires after the property owners' association is established and a new property management service agreement is entered into to replace the existing one with the property developer. For agreements with fixed terms that expire prior to the formation of property owners' associations, the property developer is responsible for renewing the agreements with us or selecting a new property management company.

- *Dispute resolution*. Parties are typically required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

After receiving delivery of the properties from property developers, property owners may form and operate property owners' associations. However, a general meeting of the property owners of a property may dismiss a property management company with affirmative votes of property owners who own more than half of the total GFA under management of the property and who account for more than half of the total number of property owners regardless of whether property owners' associations are formed. For properties where we have entered into property management service agreements with property developers without fixed terms, property owners and residents are obligated to pay property management fees to us until the property owners' associations enter into new property management service agreements with the property management companies selected by the general meetings of the property owners and the new agreements become effective.

The property owners' associations are independent from us. To secure and renew property management service agreements, we strive to provide quality services at competitive prices.

Key Terms of Agreements with Property Owners

Our property management service agreements with property owners' associations and property owners typically include the following key terms.

- *Scope of services*. The agreement sets forth our scope of services, which typically includes property management services to common areas and facilities, such as security, cleaning, greening and gardening managing common area traffic and parking, repairing and maintaining public facilities, managing the carparks, setting up community activities, and recordkeeping. We may outsource certain services to qualified subcontractors.

- *Performance standards*. The agreement sets forth specific standards, staffing requirements and frequency for our main services.

- *Property management fees*. The agreement sets forth the amount, basis (lump sum or commission) and calculation method of property management fees. The amount of property management fees for each period is dependent on the GFA occupied by property owners and residents, as well as property types. The agreement also includes a fee schedule for additional services beyond the scope of services mentioned above, such as private carpark space management services, which property owners may select based on their needs. We may impose surcharges on property owners or residents who fail to pay property management fees on time.

- Property management fees are typically due in advance on a monthly, quarterly, semi-annual or annual basis.

- *Rights and obligations of property owners' associations.* According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interests in matters concerning property management. The property owners' association's decisions are binding on all property owners. As a result, we have legal claims against property owners for accrued and outstanding property management fees. The property owners' association has the right to (i) renew agreements with us or terminate us for cause; (ii) supervise the use of public funds and the management of common areas and public facilities; and (iii) review our annual budget and property management plans. Under the supervision of property owners, property owners' associations are responsible for (i) ensuring timely payment of property management fees and contributions to specialized repair funds; (ii) cooperating with our property management services; (iii) keeping necessary records; and (iv) offering us office space to carry out our work.

- *Our rights and obligations*. We are entitled to timely collection of property management fees as provided in the agreement. We are in turn responsible for offering services provided in the agreement pursuant to the relevant service standards. We are also responsible for recordkeeping, managing use of properties by occupants, and announcing major information such as collection and spending of fees.

- *Terms and termination*. The agreement term is typically three to five years from the date of signing. If property owners' association decides not to renew the agreement, it is typically responsible for delivering two- to three-month notices. We may be responsible for transitioning the property management work to our successor. The property owners' association and we both have the right to terminate the agreement prior to the expiration of the agreement term for causes listed in the agreement. Such causes typically include our failure to offer satisfactory services pursuant to the service standards included in the agreements, or property owners' association's failure to cooperate with our work which led to our economic losses.

- *Dispute resolution*. Parties are required to resolve any contractual dispute through negotiations first, failing which the dispute is to be resolved through court proceedings.

When evaluating tender bids, property owners' associations typically consider factors such as a property management company's track record in customer satisfaction, condition of the properties under management, business scale and reputation, and capabilities to meet property owners' changing needs, among other factors.

Key Terms of Property Management Service Agreements for Non-residential Properties

We enter into property management service agreements with customers such as property owners and property developers for the management of non-residential properties. Our property management service agreements for non-residential properties typically include key terms such as scope of services, performance standards, property management fees, the parties' respective rights and obligations, terms of service and dispute resolutions.

Payment terms vary depending on the type of properties and our negotiation with our clients, and generally include payments that are due on a monthly, quarterly, semi-annual and annual basis. In addition, the property management service agreements of four properties did not provide for specific payment terms.

Our Pricing Policy

We generally price our services based on a number of factors, including (i) the types and locations of the properties; (ii) the scope and quality of our services; (iii) our estimated costs and expenses; (iv) our target profit margins; (v) the profiles of property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the pricing of comparable properties. Under the property management service agreements, we may raise property management fees upon renewal of the agreements after negotiations with property owners and residents.

The relevant price administration department and construction administration department of the State Council are jointly responsible for supervising property management fees and issuing relevant guidance. See "Regulatory Overview — Legal Supervision over Property Management Services — Fees Charged by Property Management Enterprises."

Payment and Credit Terms

Property management fees are generally due in advance on a monthly, bi-monthly, quarterly, semi-annual or annual basis in accordance with the agreement provisions. For property management fees charged under a lump sum basis, property owners and residents pay us a fixed amount, and we retain the surplus and bear the losses after paying necessary operating costs and expenses. For property management fees charged under a commission basis, any surplus in working capital at the end of the year is carried over to the next year, and any shortfalls in working capital are to be recovered from property owners and residents, with each property owner and resident's share of the shortfall generally proportional to the property owner and resident's share of the total revenue-bearing GFA.

We issue demand notes to property owners and/or property developers prior to payment due dates, and typically receive payments for our property management services after the issuance of the demand note, which is consistent with the property management industry norm in the PRC.

We primarily accept payments for property management fees through online transfers, credit cards, our Mao Home mobile application or third-party platforms such as WeChat Pay and AliPay. We adopt different collection approaches, such as making phone calls, sending text messages, paying in-person visits, issuing legal collection letters, and filing lawsuits.

COMMUNITY VALUE-ADDED SERVICES

We offer a series of community value-added services to property owners and residents to make their lives more convenient and to foster a sense of community and belonging. Customers of our community value-added services primarily include property owners and residents, third-party providers of home furnishing services, and property developers. These services primarily include (i) community asset management services; (ii) carpark sales related services; (iii) home improvement services; (iv) smart community solutions; and (v) other services. The following table sets forth a breakdown of our revenue from community value-added services during the periods indicated, both in absolute amount and as a percentage of revenue from community value-added services.

	Year ended December 31,						Six months ended June 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
									(unaudited)	
	(RMB in thousands, except for percentages)									
Community asset management service	31,041.97	33	111,029.39	18	217,863.63	14	67,952.38	16	113,912.50	8
Smart community solutions	–	0	51,538.92	8	451,278.12	28	134,968.70	32	594,640.03	43
Carpark asset operation service	63,326.95	67	409,318.19	63	454,100.30	28	198,051.59	47	221,312.53	16
Home decoration service	295.96	0	74,168.76	11	147,557.62	9	11,028.49	3	45,088.91	3
New retail service	–	0	2,502.48	0	99,139.06	6	5,290.65	1	196,172.74	14
Campus value-added service	–	0	–	0	230,684.27	14	–	0	222,265.22	16
Total	**94,664.88**	**100**	**648,557.73**	**100**	**1,600,623.00**	**100**	**417,291.81**	**100**	**1,393,391.93**	**100**

Community Asset Management Services

We assist property owners in leasing common spaces to third parties in exchange for a predetermined percentage of the rental fees as our commissions. We (i) assist property owners in leasing common spaces and public facilities to third parties in exchange for a predetermined percentage of the rental fees as our commissions; and (ii) provide repair and maintenance services with respect to such common spaces and public facilities and rental services with respect to certain community facilities in exchange for a fixed service fee as our commissions.

Carpark Sales Related Services

Our carpark sales related services include carpark sales agency services and carpark sales services. Under carpark sales agency services, we assist property developers and property owners in selling and purchasing carpark spaces in designated carparks of properties under our management. We charge a percentage of the sales proceeds as our commission, which depends on the location of the carpark spaces, the amount of effort we spend in facilitating the transactions, and our sales performance in the previous period, if any. We typically enter into sales agency agreements with property developers which authorize us to facilitate sales of carpark spaces to property owners. In 2019, in relation to our acquisition of Hailiang Property Management, we began purchasing carpark spaces and reselling them to property owners. We recognize the sales proceeds as our revenue and cost of purchasing the carpark spaces as cost of sales. We intend to serve primarily as an agent facilitating purchase and sales of carpark spaces in exchange for commissions.

We expanded into carpark sales agency services primarily because we began to expand our community value-added services as a strategy to grow our overall business scale. We believe that offering carpark sales agency services enables us to establish closer relationships with our customers, and is synergistic with our management of carparks under our property management service line. We believe our customers, including the Shimao Group, engaged us in selling the carparks instead of selling by themselves, primarily because (i) these property developer customers typically terminate their business operations after substantially delivering the properties to property owners while a large number of carpark spaces remains unsold; and (ii) we, as the property management service provider, are well positioned to provide such services leveraging our relationship and familiarity with property owners.

In 2018, 2019, 2020 and the six months ended June 30, 2021, we facilitated the sales of 680, 8,473, 5,376 and 2,280 carpark spaces, respectively, generating revenue of RMB25.6 million, RMB241.7 million, RMB139.9 million, and RMB81.9 million, respectively. In 2019, 2020 and the six months ended June 30, 2021, our revenue from carpark sales was RMB117.8 million, RMB200.7 million and RMB66.1 million, respectively.

Home Improvement Services

In 2019, we began offering marketing and promotional services to third-party home furnishing service providers through both our More+ platform where we display their information and service offerings, and offline marketing and promotional activities in sales offices under our management. We are in the process of integrating our More+ platform into our Mao Home mobile application. We charge participating service providers a percentage of their service fees as commissions. We also offer home furnishing services to property owners and residents, and generate service revenue on a gross basis.

Smart Community Solutions

In the second half of 2019, we introduced our smart community solutions where we sell smart software and hardware to property owners, property developers and other property management companies. Our smart community solutions primarily include the following.

- *Management solutions.* We provide technological solutions and the underlying intelligent software and hardware to property owners, property developers and other property management companies. Our technological solutions comprise a smart carpark management system, smart visitor management system, smart traffic control system and smart security control system.

- *Smart home solutions.* We provide home automation solutions leveraging IoT technologies to improve the home living experiences of property owners and residents. Our smart home solutions encompass various aspects of daily living, including remote-control lighting systems, facial-recognition door locks, weather-sensing windows and voice-control personal assistance devices.

We also offer enterprise software maintenance services to other property management companies and charge service fees.

In 2020 and the six months ended June 30, 2021, our revenue from smart community solutions was RMB451.3 million and RMB594.6 million, respectively. We believe our smart community solutions will be our growth driver in the foreseeable future, and we intend to devote more financial and management resources to further develop and expand this business line.

Other Services

We offer certain household services such as housekeeping and home electronics repair and maintenance services. We also generate revenue from the price difference between utility fees we received and paid to utilities service providers on behalf of third-party service providers offering services in properties under our management on a net basis.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

We offer a series of value-added services to non-property owners, which primarily include property developers. These services include (i) sales office management services; (ii) preliminary planning and design consultancy services; and (iii) repair and maintenance services. Customers of our value-added services to non-property owners primarily include property developers such as the Shimao Group.

Sales Office Management Services

We offer property management services to sales offices and display units of property developers, such as security and cleaning services. We do not participate in the sales transactions of our customers. Our services are designed to ensure the security and smooth operations of sales offices and display units.

We typically charge property developers a fixed service fee based on a variety of factors, such as the GFA of sales offices and display units, service scopes, service standards and the number of service staff required. Our monthly fees typically vary from approximately RMB300,000 to RMB500,000, depending on the size of sales offices and display units and scope of services requested.

Preliminary Planning and Design Consultancy Services

We offer various preliminary planning and design consultancy services which address property developers' needs at different stages of their business operations. At the construction planning stage, we review developers' construction blueprints and offer recommendations from a property management perspective, such as advice on energy conservation, fire safety and general security. We also inspect key milestones of construction processes to ensure compliance with original design and relevant construction regulations. After construction completion and before delivery, we inspect units within the property to ensure compliance with applicable quality standards on fire safety, general security and the minimum GFA requirements, among others.

We primarily charge a uniform fee of approximately RMB4.0 per sq.m. of property to be delivered for our preliminary planning and design consultancy services.

Repair and Maintenance Services

We offer repair and maintenance services to property developers during the post-delivery warranty periods, which typically last two years. During the warranty periods, property developers engage property management companies, such as ourselves, to fulfill their obligations under the warranty. We typically charge RMB14.0 to RMB40.0 per sq.m. every two years, which takes into considerations such as type of property, whether the properties were furnished, necessary labor and material costs and a reasonable return.

CITY SERVICES

Our city services include (i) integrated environment sanitation services; (ii) classic garbage treatment; and (iii) road facilities installation for urban and rural areas.

In the six months ended June 30, 2021, we acquired Shenzhen Shenxiong, to cater to the Greater Bay Area, one of the most developed regions in the PRC. Shenzhen Shenxiong is a Shenzhen-based company providing integrated environmental sanitation services for urban and rural areas. Its projects under management won many accolades. Among such projects is the Longcheng Street Project, which has retained its first place in the Shenzhen Environmental Assessment Index Ranking (深圳環評指數榜) for 13 consecutive times. The firm's business includes urban environmental sanitation, classified garbage treatment, road facilities installation, landscape engineering and smart blocks.

The acquisition enabled Shimao Services to quickly develop its comprehensive capabilities in city services and enter the core market, establishing its business management foundation and talent reserves for nationwide promotion. With the advantageous position of Shenzhen Shenxiong in the city services and sanitation business, the Group can expand its market share, quickly roll out relevant development strategies and grow bigger and stronger with its city services business.

MANAGEMENT DIGITALIZATION, SERVICE PROFESSIONALIZATION, PROCEDURE STANDARDIZATION AND OPERATION AUTOMATION

To strengthen our competitiveness, reduce our reliance on manual labor and reduce costs, we focus on management digitalization, service professionalization, procedure standardization and operation automation, which we believe have improved and will continue to improve our operational efficiency and our ability to offer consistent and quality services, helping us achieve a scalable and cost-effective business model.

Management Digitalization

Our informational service platform (信息業務平台) consists of a property-full-cycle management module (項目全週期管理模塊), a surveillance platform (監控平台), and a customer management platform (客户管理平台), and enables us to visualize and centralize the management of our properties nationwide at our headquarters. Our property-full-cycle management module and surveillance platform retain all relevant data and can present basic information, property management fee collection progress, customer service feedbacks and equipment maintenance status of a property at our headquarters. Our customer management platform facilitates our property management services by allowing customers to make property management fee payments, repair and maintenance service requests and complaints, as well as provides diversified value-added services such as housekeeping, home furnishing, community education, among others. Our enterprise resource planning system, or the ERP system, contains customized features for property management companies, consisting of (i) a finance module which standardized our various finance related processes such as bookkeeping, payroll, inventories and fixed asset management, and financial reporting; (ii) a procurement module which combines the management of materials, vendors, purchasing and inventories; (iii) a budgeting module that prepares, manages and monitors our budgets based on our overall growth strategies; and (iv) a human resource module that manages our organizational structure, employee profiles, work time and compensations, covering the full cycle from employee onboarding to departure. Our fee collection system controls the fee collection processes and manages notes received during our ordinary course of business, recognizes revenue based on relevant accounting policies, and analyzes financial data from multiple dimensions. Our carpark management system specializes in managing carpark related contracts, assets, customers information and pricing information, and presents related work reports for our further decision-making.

We also have a work order system which allows our on-site staff to obtain and allows us to assign work orders based on each employee's availability. Our work order system plays a critical role in supporting our Grid Unit Management mechanism by informing our staff of their work performance in real time, which incentivizes them to improve their performances and productivity.

Service Professionalization

We have also designed and implemented a series of measures to boost productivity and reduce operational costs. We implemented the Internal Marketization (內部市場化) policy to increase accountability of our onsite team. Under the Internal Marketization policy, we have implemented a Grid Unit Management (網格化管理) mechanism where we review the performance of our operations in greater details. We divide our properties into approximately 1,800 grid units consisting of residential building grid units and common area grid units. We evaluate the financial and operational performance as well as customer satisfaction level of each grid unit, and create incentive schemes which are directly linked to the compensation level of the responsible personnel within each grid unit. Under our Internal Marketization policy, the relationship between each grid unit and our Group is more akin to the relationships between service providers and customers who enter into contracts specifying performance obligations, evaluation standards and rewards for satisfactory performances. We believe that such mechanisms enhance the accountability of responsible personnel of each grid unit and better incentivize our employees to deliver outstanding performances compared to traditional supervisory relationships. Our Internal Marketization policy and Grid Unit Management mechanism also enable us to identify in greater details which grid units are contributing to our growth and which ones are holding back our overall operational and financial performance, which provides valuable information for our management to more efficiently and effectively direct management and financial resources.

Procedure Standardization

We have formulated a series of guidelines and rules laying out detailed guidance on key standards and procedures for property management service operations, service procedures supervision and project evaluation, so as to ensure consistent and quality property management services. Our full-cycle management of newly delivered properties covers key processes from property construction and delivery to ramp-up and subsequent services. We have created four levels of more than 90 key control points, and our headquarters directly monitors level one key control points to ensure targeted, standardized and professional services across different properties. Our control points cover various pre-delivery steps including property sales, construction site open-house, and contracting with property developers. After property delivery, our key control points primarily focus on improving the environment of the various properties under management to ensure customer satisfaction.

We have established a "60-day Renewal Plan" where our key control points ensure smooth transitions in properties where we were engaged to replace existing property management companies, and bring noticeable changes to such communities by offering in-depth and customized property management services designed to improve the living experience of property owners in these communities.

Operation Automation

Our Mao Butler (茂管家) mobile application tracks our employees work processes and performances and makes our operations management more efficient. Our carpark management system specializes in managing carpark related contracts, assets, customers information and pricing information, and presents related work reports for our further decision-making. Our data middle office collects operational data from various business systems and provides pre-set data processing tools which enable our employees to extract meaningful analysis of raw data and gain an understanding of the performance of the grid unit for which they work. The data middle office also enables our headquarters to better monitor the various performance indicators of each grid unit, and triggers alerts when certain data reaches predetermines limits, allowing management to swiftly respond. Our IoT platform monitors and inspects the operating status of our equipment, which reduces the amount of labor required and ensures the smooth operations of our equipment.

Mao Home Mobile Application

Our Mao Home mobile application serves as our online service platform offering users value-added services such as one-stop resident living services, community security services as well as enabling customers to request our various offline property management services and community value-added services, which we believe brings convenience to our customers and improves their satisfaction due to an increased accessibility to our services. For example, customers can make property management and utility fee payments, as well as request property management services such as cleaning, repair and entry pass application and renewal. Mao Home also operates an e-commerce platform where users, including those who are not owners or residents of properties under our management, can purchase various household goods provided by us.

We plan to enrich the features and functionalities of our Mao Home mobile application to connect users with more online and offline property management and value-added services, such as property sales and rental facilitation services, home furnishing services, ticketing services, community healthcare services, community education services, and community space operations services. We also plan to introduce features such as one-click work order request, one-click customer services hotline and real-time tracking of work order progress, which allows our customers to have instant access to and meaningful interaction with our service personnel.

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) issued by the State Council which came into effect on September 25, 2000 and was revised on January 8, 2011, internet information services refer to the provision of information to web users through the internet, which can be divided into commercial internet information services and non-commercial internet services. Commercial internet information services refer to paid services of providing information to or creating web pages for web users through the internet. Non-commercial internet information services refer to free services of providing public, commonly shared information to web users through the internet. Entities engaging in providing commercial internet information services shall apply for a license for value-added telecommunication services of internet information services. As for the operations of non-commercial internet information services, only filings with the relevant authority of the PRC Government are required.

The business conducted by us is regarded as "non-commercial internet information services" because we use our Mao Home mobile application as a tool to facilitate the provision of our services and we do not sell products or services of the third-party suppliers and generate any revenue directly from such online platform in the form of paid internet information services. In addition, the filings of non-commercial internet information services have been completed for our Mao Home mobile application.

We have adopted various internal control measures to ensure data security and privacy protection in relation to our internal operational data, as well as external data, such as customer data obtained through our online service platform. We have explained the terms and conditions to customers and have also gained their prior consent before collecting their data. We treat all customer data in our possession as highly confidential. Our database is secured at multiple layers to prevent unauthorized access. We utilize a system of firewalls and also maintain a perimeter network to separate our external-facing services from our internal systems. All unnecessary access to our database is prohibited and selected information is displayed in anonymity to protect the private information. In addition, we carry out maintenance and firewall upgrades to ensure information stored is adequately protected. We have strict internal policies on our employees' access to customer data depending on their positions and seniority. We conduct reviews of our back-up systems to ensure that they function properly and are well maintained. We have also implemented a variety of protocols and procedures, such as system checks, virus prevention measures, password policies, server access logging, network access authentication, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorized access to our network.

Contingency Plans and Access Management

We have implemented a formal information recovery policy which provides for detailed steps to undertake after experiencing damages to our computer systems. Pursuant to the policy, we are required to purchase new servers and software, as well as undergo a series of installation and testing procedures. We are also required to retrieve the latest recoverable version of data and information and verify its validity before continuing with recovery measures. In terms of daily system management, we have established policies on access management, data maintenance, internet security, among others, to ensure access to our physical server rooms as well as various computer systems is properly authorized. We have also created a series of mechanisms to monitor activities and record on platform access and set a series of parameters which can only be changed by core management personnel.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategies, conducting market research, coordinating our sales and marketing activities to acquire new customers and maintain and strengthen our relationships with existing customers. Our headquarters manages our overall sales and marketing strategies, while our regional subsidiaries and branches oversee the implementation of our sales and marketing activities within their respective regions.

In addition to maintaining long-term and stable cooperation with the Shimao Group, we also endeavor to expand our cooperation with independent third-party property developers by providing customized, diversified and quality services. We implemented various incentive measures to encourage our employees to obtain property management service agreements over properties developed by third-party developers through investigation and analysis of and communication with property developers, leveraging our advantages in our brands, capital and operational expertise.

We also routinely organize community activities at properties under our management in order to create a greater sense of community, collect property owner feedback on our services, and improve their satisfactions with our services. We believe such events help improve customer loyalty and increase the retention rate of property management service agreements in properties that are already under our management.

CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property owners, residents, third-party providers of home furnishing services and property developers. The following table sets forth the types of our major customers for each of our three business lines.

Business line	Major customers
Property management services	Property owners, residents, property owners' associations, property developers and other property management companies
Community value-added services	Property owners, residents, third-party providers of home furnishing services and property developers
Value-added services to non-property owners	Property developers
City services	Street offices in cities, municipal administrations, bureaus of environmental hygiene, gardening companies and environmental companies

SUPPLIERS

The following table sets forth the types of our major suppliers for our three business lines.

Business line	Major suppliers
Property management services	Subcontractors providing security, cleaning, greening and gardening, and common area facility repair and maintenance services
Community value-added services	Vendors providing resident services and property developers providing carpark spaces
Value-added services to non-property owners	Subcontractors providing security, cleaning, greening and gardening, and common area facility repair and maintenance services
City services	Environmentally-friendly automobile manufacturers, repairers, accessories and insurers; suppliers of environmental protection equipment and cleaning supplies; suppliers of oil, electricity and water; suppliers of work clothing and accessories

SUBCONTRACTING

We outsource certain labor-intensive services and specialized services, primarily including security, cleaning, greening and gardening, and repair and maintenance services, to subcontractors, which enables us to reduce our operating and labor costs, improve service quality and dedicate more resources to management, other value-added services and city services. We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, and enhance the overall profitability of our operations.

Selection and Management of Subcontractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. We constantly monitor and evaluate the subcontractors on their ability to meet our requirements. To ensure the overall quality of our subcontractors, we maintain a list of subcontractors based on our series of assessment standards, including, among others, the amount of registered capital, length of existence, size of overall operations, industry credentials and past cooperation with us. After initial evaluation of subcontractors, we also regularly review the performance of subcontractors and assign grades to subcontractors.

Key Terms of Our Subcontracting Agreement

A typical subcontracting agreement entered into between subcontractors and us generally includes the following key terms:

- *Term*. A subcontracting agreement typically has a term of approximately one year and may be renewed upon mutual consent. If the subcontractor's performance meets the agreed standards, we may consider re-engaging such subcontractors.

- *Our responsibilities*. We are typically responsible for providing on-site personnel dispatched by the subcontractor with necessary working space, tools and materials.

- *Obligations of the subcontractor*. The subcontractor is typically responsible for providing services in accordance with the scope, frequency and standards prescribed in the relevant subcontracting agreement and in compliance with all applicable laws and regulations. In the event of sub-standard performance, subcontractor is required to take necessary rectification measures within the period required by us, failing which we have the right to claim damages, hire alternative subcontractors to provide the contracted services and subtract any expenses incurred by us from the contract price agreed with the nonperforming or underperforming subcontractor, or terminate the contract. The subcontractor is required to manage its personnel providing the contracted services and there is no employment relationship between us and the personnel of the subcontractor.

- *Risk allocation*. The subcontractor is responsible for any damages to property or personal injuries caused by the fault of the subcontractor in the course of providing the contracted services. We typically require the subcontractor to indemnify us for any damages that it causes to the properties of the residents and us. The subcontractor is also required to pay all social insurance and housing provident funds contributions for its personnel in accordance with PRC laws and regulations and bear the liabilities and responsibilities in the event of any non-compliance.

- *Procurement of raw materials*. Raw materials shall be procured by the subcontractor. The procurement costs are usually included in the subcontracting fee.

- *Subcontracting fee*. Subcontracting fee is typically payable monthly or quarterly, including costs incurred in connection with the procurement of raw materials, labor costs, equipment maintenance costs, tax expenses and other miscellaneous costs incurred by the subcontractor.

- *Termination*. We monitor and assess the performance of the subcontractor on a regular basis and can terminate the subcontracting agreement in the event of repeated sub-standard performance.

QUALITY CONTROL

We have a proven track record in prioritizing quality in our services, and we believe quality control is crucial to the long-term success of our business. We have a professional quality control team which primarily focuses on maintaining service standards, standardizing service procedures and supervising service quality throughout our operational processes.

Quality Control over Property Management Services

In 2017, we successfully renewed the certification according to ISO9001:2015 standards. We also obtained ISO14001:2015 environmental management certification and OHSAS18001:2007 international occupational health and safety management system certification in recognition of our service quality. We implement a "three-in-one" quality control system by aligning quality, environment protection and occupational health, which provides an all-round quality control guidance to our daily operations and minimize disruption to our operations and related operation costs.

In order to ensure service and consumer satisfaction, we engaged third-party surveyor to conduct property management service quality reviews at substantially all properties under our management on an annual basis. In addition, we also conduct internal reviews on consumer satisfaction at all properties under our management on a monthly basis. The quality check and consumer satisfaction results factor in the performance review of project companies and regional companies.

Quality Control over Subcontractors

We typically include in the agreements with subcontractors detailed quality standards for the services to be provided. We regularly monitor and evaluate the performance of the subcontractors and may require the subcontractors to take necessary rectification measures when their services do not meet the agreed standards. We also conduct annual surveys among property owners and residents regarding the quality of services provided by our subcontractors. We have the contractual right to adjust the subcontracting fees and decide whether to continue our subcontracting contract depending on the outcomes of such surveys. See "— Subcontracting — Selection and Management of Subcontractors."

Quality Control over Third-party Vendors

We implement a various measures and policies to ensure the quality of the products and services offered by third-party vendors, such as screening candidate vendors by examining their qualifications and conducting on-site inspection of their business premises, before entering into cooperation agreements with them. We also conduct annual assessment on our vendors in respect of transaction volume, service quality and after-sales services. We also have the right to replace a third-party vendor in the event of substandard performance.

Feedback and Complaint Management

During the ordinary course of our business, we receive feedback, suggestions and complaints (such as report of loss of properties and request for repair of public facilities) from property owners and residents of the properties we manage from time to time regarding our services. We have established internal procedures to record, process and respond to the feedback, suggestions and complaints and conduct follow-up reviews of the results of our responses. We require that all requests and complaints from our customers be responded to within 24 hours, with a specific timeline to solve the problems. Requests and complaints that do not get addressed within the specified timeline will be escalated in our management system and will be ultimately addressed. We will revisit our customers within 24 hours after their problems get resolved, and thus ensure that the results are satisfactory to our customers and their confidence in our services is restored. In order to provide better customer experience and enhance our customer service, we offer a service hotline for residents living in the residential properties we manage, which has been up and running since 2019. Through the hotline, our customers can inquire about our services, provide us with their complaints and feedback as well as order products that are advertised on our service platform, and we can follow up and respond in time to provide timely and efficient solutions to the problems of our clients.

INTELLECTUAL PROPERTY

We consider our intellectual property rights as critical to our success. We primarily rely on laws and regulations on trademarks and trade secrets and our employees' and third parties' contractual commitments to confidentiality and non-competition to protect our intellectual property rights. As of June 30, 2021, we had 43 patents, 40 copyrights, 177 trademarks and 9 domain names registered in China. We have entered into a trademark licensing agreement with Hailiang Group Co., Ltd., or the Licensing Agreement, for the use of ten trademarks. The Licensing Agreement was not filed with the competent authorities. The lack of filing of the Licensing Agreement does not impact its effectiveness as between us and Hailiang Group Co., Ltd.

As of June 30, 2021, we were not aware of any infringement which could have a material adverse effect on our business operations by our Group against any intellectual property rights of any third party or by any third party against any intellectual property rights of our Group, or any disputes with third parties with respect to intellectual property rights.

COMPETITION

The property management industry in China is highly competitive and fragmented with numerous market participants. We believe that we are able to continue competing with other industry players due to our competitive strengths. We were ranked 12th among the "Top 100 Property Management Companies in the PRC" (中國物業服務百強企業) in terms of overall strength in 2019. Moreover, new market entrants are faced with entry barriers such as brand value, capital requirements, quality of management and availability of talent and technical expertise, all of which we believe we have and will continue to overcome. For more information on the industry and the markets that we operate in, see "Industry Overview" and "Risk Factors — Risks Relating to Our Business and Industry — We may fail to compete effectively."

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the ISO14001:2015 and OHSAS18001:2007 standards certified by the China Quality Certification Center, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues. We also assign security personnel and provide 24-hour safely and security patrol at each of properties under our management to help promote the safety and security of the property owners and residents.

We hire employees based on their merits and it is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. We have complied with PRC laws in relation to workplace safety in all material respects and have not had any incidents which have materially and adversely affected our operations.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we had not been subject to any material administrative penalties due to violation of environmental laws in China.

EMPLOYEES

We believe that the expertise, experience and professional development of our employees contribute to our growth. Our human resources department manages, trains and hires employees.

As of June 30, 2021, we had a total of 28,597 full-time employees. The following table sets forth the number and breakdown of our full-time employees by function as of June 30, 2021.

	Number of employees	% of total
On-site staff[(1)]	18,254	63.8
Quality control	4,628	16.2
Value-added management	3,930	13.7
Human administration, finance, operations, risk management and other personnel	1,500	5.2
Market development	285	1.0
Total	**28,597**	**100.0**

Note:

(1) On-site staff refer to our staff who directly provide our various services at the properties under our management.

According to the relevant PRC laws and regulations, we make contributions to social insurance fund, including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and housing provident fund for the benefit of our employees in China. Historically, our Company and some of its subsidiaries in China did not make in full contribution to the social insurance fund and housing provident fund as required under PRC laws. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to adverse impact for our failure to contribute to social insurance fund and housing provident fund for some of our employees."

In 2018, 2019 and 2020 and the six months ended June 30, 2021, our employees did not negotiate their terms of employment through any labor union or by way of collective bargaining agreements nor did we experience any material labor disputes or shortages that may have a material adverse effect on our business, financial position and results of operations.

We endeavor to hire competent and qualified employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We provide systematic and extensive training programs to our employees to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. Our Pathfinder Program (探路者計劃) focuses on general knowledge of the property management industry and our corporate culture, and targets entry-level employees to be promoted to project managers. Our Challenger Program (挑戰者計劃) focuses on operation management, practical knowledge in operations management, relevant polices and industry trends, and targets project managers to be promoted to regional managers. Our Trailblazer Program (開拓者計劃) focuses on advanced, managerial training with emphasis on cultivation of business development capabilities, and targets regional managers to be promoted to high-level managers. Our Navigator Program (領航者計劃) focuses on strategic planning, structural thinking and public speaking capabilities, which we believe are essential for successful high-level managers.

INSURANCE

We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injuries suffered by third parties arising out of or related to our business operations; and (ii) property insurance for damages to both movable and immovable properties owned by us or in our custody. We require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with agreements between subcontractors and us, the subcontractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We believe that our insurance coverage is in line with the industry practice in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For more details, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter."

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. Save as the certificates, licenses and permits that were being renewed as of June 30, 2021, we obtained all material certificates, licenses and permits from relevant regulatory authorities for our operations including in particular the filings of "non-commercial internet information services" required by our Mao Home mobile application, the relevant permits required for the sales of food products on our Mao Home mobile application, and the filings required by the real estate agency services of Shanghai Runshang. We are required to renew such certificates, licenses and permits from time to time. As to the certificates, licenses and permits that were being renewed as of June 30, 2021, we do not expect any difficulties in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations.

PROPERTIES

As of June 30, 2021, we owned two properties in China with an aggregate GFA of approximately 30,561 sq.m., and, for the purpose of streamlining our property holdings, had entered into agreements to dispose of two of these properties, both investment properties, as it was considered that holding such investment properties for the generation of rental income was not in line with our core business. We have obtained the building title certificates for all the properties we own. In addition, Chengdu Xinyi and Zheda Sinew had entered into property sales contracts in relation to 14 properties with a total GFA of approximately 7,554 sq.m. We are still in the process of applying for the relevant property certificate in relation to these 14 properties.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, internal and external reporting mechanism, remedial measures and contingency management have been codified in our policies. For details of the major risks identified by our management, see "Risk Factors — Risks Relating to Our Business and Industry." In addition, we face various financial risks, including interest rate, price, credit and liquidity risks that arise during our ordinary course of business.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted or will adopt, among others, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. See "Directors and Senior Management — Board Committees — Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;

- the appointment of Mr. Cai Wenwei as our chief financial officer and Ms. Chan Ka Yan as our company secretary to ensure the compliance of our operation with relevant laws and regulations. For their biographical details, see "Directors and Senior Management";

- the appointment of First Shanghai Capital Limited as our compliance advisor upon the listing of the Shares on the Hong Kong Stock Exchange to advise us on compliance with the requirements of the Hong Kong Stock Exchange; and

- the engagement of external legal advisors to advise us on compliance with the requirements of the Hong Kong Stock Exchange and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

Finally, we have adopted various internal regulations against corrupt and fraudulent activities, which includes measures against receiving bribes and kickbacks, and misuse of company assets. Major measures and procedures to implement such regulations include:

- authorizing our audit department to assume responsibility for daily execution of our anti-corruption and anti-fraud measures, including handling complaints, ensuring protection for the whistleblower and conducting internal investigations;

- providing anti-corruption compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and including relevant policies and express prohibitions against non-compliance in staff handbooks; and

- undertaking rectification measures with respect to any identified corrupt or fraudulent activities, evaluating the identified corrupt or fraudulent activities and proposing and establishing preventative measures to avoid future non-compliance.

We are of the view that such controls and measures are sufficient and effective to avoid the occurrence of corruption, bribery, or other improper conduct of our employees. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we were not subject to any government investigation or litigation with respect to claims or allegations of monetary and non-monetary bribery activities.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We have been involved in legal proceedings or disputes from time to time in the ordinary course of business, such as contract disputes with our customers, suppliers or disputes with other third parties at properties under our management. As of the date of this offering circular, there are no litigation or arbitration proceedings or administrative proceedings pending against us which would have a material adverse effect on our business, financial position or results of operations.

MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. We have entered into a service contract with each of our executive Directors and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

The table below set out certain information in respect of our Directors.

Name	Age	Position
Executive Directors		
Mr. Hui Sai Tan, Jason (許世壇)	44	Vice chairman, president and executive director of Shimao Group Holdings and director of Shanghai Shimao
Mr. Ye Mingjie (葉明杰)	43	Certain non-executive roles in the Shimao Group and non-executive director of Shimao Group Holdings
Mr. Cao Shiyang (曹士揚) (formerly known as Cao Shiyang (曹世楊)	47	None
Mr. Cai Wenwei (蔡文為)	46	None
Non-executive Directors		
Ms. Tang Fei (湯沸)	50	Executive director of Shimao Group Holdings, vice president of the Shimao Group and supervisor of Shanghai Shimao
Mr. Sun Yan (孫岩)	41	Controller of the internal audit and assistant president of the Shimao Group and supervisor of Shanghai Shimao
Independent non-executive Directors		
Mr. Gu Yunchang (顧雲昌) (formerly known as Gu Yongchuang (顧勇闖))	77	None
Ms. Kan Lai Kuen, Alice (簡麗娟)	67	Independent non-executive director of Shimao Group Holdings
Ms. Zhou Xinyi (周心怡) (formerly known as Zhou Xiaorong (周小榮))	58	None

Note: denotes the time from which the relevant Director first became involved in matters relating to the business of our Group while under the employment of the Shimao Group or our Group (where applicable).

Executive Directors

Mr. Hui Sai Tan, Jason (許世壇), aged 44, has been the Chairman and an Executive Director of Shimao Services Holdings Limited (the "Company", together with its subsidiaries, the "**Group**") since June 1, 2020 and is primarily responsible for the overall strategic planning and business management of the Group. Mr. Jason Hui obtained a Master of Science Degree in Real Estate from the University of Greenwich, the United Kingdom in 2001 and a Master's Degree in Business Administration from the University of South Australia in 2004. He has more than 22 years of experience in property development and management. He is a member of Shanghai Committee of the Chinese People's Political Consultative Conference and the president of New Home Association, Hong Kong. Mr. Jason Hui is currently an executive director, the vice chairman and president of Shimao Group Holdings Limited ("Shimao Group Holdings", together with its subsidiaries, the "**Shimao Group**"), the ultimate holding company of the Company listed on The Stock Exchange of Hong Kong Limited (the "**HKEx**"). Mr. Jason Hui is also a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and Shanghai Shimao Co., Ltd. ("Shanghai Shimao", a subsidiary of Shimao Group Holdings listed on the Shanghai Stock Exchange). Mr. Jason Hui is the son of Mr. Hui Wing Mau, the ultimate controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on the HKEx) of the Company, and the brother of Ms. Hui Mei Mei, Carol, the vice chairman of Shanghai Shimao.

Mr. Ye Mingjie (葉明杰), aged 43, was appointed as an Executive Director of the Company on June 1, 2020 and is primarily responsible for the overall strategic planning and operations of the Group. Mr. Ye joined the Group in July 2009 and was appointed as the President of the Company in April 2020. Mr. Ye is currently a non-executive director of Shimao Group Holdings. Mr. Ye joined the Shimao Group in February 2004 and successively served as an assistant president of the Shimao Group as well as the head of the engineering management center of the Shimao Group and was promoted to the position of vice president of the Shimao Group in January 2018, where he was responsible for overseeing the engineering management of the Shimao Group and the business operations of the Group. Mr. Ye graduated from Tongji University (同濟大學) in the PRC and specialized in engineering management. Mr. Ye has over 15 years of experience in the property management and related industry. Mr. Ye was appointed as an expert of the Assessment Committee of the Commercial Office Grade Evaluation Criteria (商務寫字樓等級評價標準評審委員會) by China Real Estate Association (中國房地產業協會) for the years from June 2019 to June 2023 and was elected as an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會) on March 30, 2021.

Mr. Cao Shiyang (曹士揚), formerly known as Cao Shiyang (曹世楊), aged 47, was appointed an Executive Director of the Company on June 1, 2020 and has been the vice president of the Group since January 2020. Mr. Cao is primarily responsible for the overall operations and management of the Group in the Yangtze River Delta Region. Mr. Cao joined the Group in July 2009 and served as an assistant president and the general manager for Shanghai and Jiangsu regions of the Group from January 2018 to December 2019. Mr. Cao has over 14 years of experience in the property management industry. Mr. Cao successively served various positions in the Group from July 2009 to December 2019, including project leader, the head of business management department and regional leader in Suzhou, Jiangsu Province. Prior to joining the Group, Mr. Cao had worked at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司) from October 1995 to May 2003 and at Nanjing Vanke Property Management Co., Ltd. (南京萬科物業管理有限公司) from May 2003 to July 2009 respectively, both of which are wholly-owned subsidiaries of China Vanke Co., Ltd. (萬科企業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange and the HKEx respectively, where he served in various positions including the head of business management department and project leader. Mr. Cao obtained a Diploma in Industrial and Civil Architecture from Beijing Jingqiao University (北京京橋大學) through correspondence learning program in the PRC in July 2008 and a Bachelor's Degree in Engineering Management (economic management) from People's Liberation Army Army Officer Academy (中國人民

解放軍陸軍軍官學院) in the PRC in June 2013. Mr. Cao is pursuing an EMBA selected courses program in Nanjing University (南京大學) in the PRC.

Mr. Cai Wenwei (蔡文為), aged 46, was appointed as an Executive Director of the Company on September 18, 2020. Mr. Cai has been serving as an assistant president and the chief financial officer of the Group since February 2020 and is responsible for accounting management, tax planning and internal control management of the Group. Mr. Cai has over 22 years of experience in accounting and financial management. Mr. Cai joined the Group in February 2020, prior to that, he had served as an auditor at Ernst & Young and a senior manager at KPMG. Mr. Cai worked in Weldtech Technology (Shanghai) Co., Ltd (濠信節能科技(上海)有限公司) from July 2011 to October 2015, with his last position as the chief financial officer. Mr. Cai was an executive director of The Hong Kong Building and Loan Agency Limited (香港建屋貸款有限公司) from September 2014 to October 2015 and served as the chief financial officer of S-Enjoy Service Group Co., Ltd. (新城悅服務集團有限公司) (formerly known as Xinchengyue Holdings Limited (新城悅控股有限公司) from July 2016 to April 2019, both companies of which are listed on the main board of the HKEx. From October 2015 to June 2016 and from April 2019 to January 2020, he worked at Seazen Group Limited (新城發展控股有限公司) (formerly known as Future Land Development Holdings Limited (新城發展控股有限公司)), a company listed on the main board of the HKEx, in its Shanghai branch. Mr. Cai obtained a Bachelor's Degree in International Finance from International Business School of Shanghai University (上海大學國際商學院) in the PRC in July 1997 and a Master's Degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2020. He was admitted as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2000 and is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Ms. Tang Fei (湯沸), aged 50, was appointed as a Non-executive Director of the Company on June 1, 2020 and is primarily responsible for providing guidance for the overall development of the Group. Ms. Tang is currently an executive director of Shimao Group Holdings, vice president of the Shimao Group and a director of Best Cosmos Limited, a wholly-owned subsidiary of Shimao Group Holdings and a substantial shareholder of the Company within the meaning of Part XV of the SFO. Ms. Tang holds a Master's Degree in Business Administration from the University of South Australia and has over 27 years' experience in financial management and internal audit. Prior to joining the Group and the Shimao Group, Ms. Tang worked in the internal audit department of Bank of China, Head office from 1992 to 1998. She also worked in the audit department and treasury department of Bank of China (Hong Kong) Limited from 1999 to 2004. Ms. Tang is a Senior International Finance Manager of the International Financial Management Association and an associate member of The Association of International Accountants (the "**AIA**"). She was also awarded as one of the Top 10 International Accountants of AIA in China in 2018.

Mr. Sun Yan (孫岩), aged 41, was appointed as a Non-executive Director of the Company on June 1, 2020 and is primarily responsible for providing guidance for the overall development of the Group. Mr. Sun joined the Group in April 2011. He also joined the Shimao Group in January 2011 and has been serving as an assistant president and the leader of the internal audit and information management center of the Shimao Group. Mr. Sun also serves as a supervisor in various subsidiaries of the Shimao Group. Mr. Sun has been a supervisor of Shanghai Shimao since April 2012 and is responsible for supervising the overall management of Shanghai Shimao. Prior to joining the Shimao Group, he worked in the audit department at PricewaterhouseCoopers Zhong Tian LLP in 2008 and has been an independent director of Shanghai Phichem Material Co., Ltd. (上海飛凱光電材料股份有限公司), a company listed on the Shenzhen Stock Exchange, since March 2017. Mr. Sun obtained a Bachelor's Degree in International Accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 2002 and a Master's Degree in Business Administration from Shanghai Jiaotong University (上海交通大學) in the PRC in December 2018. Mr. Sun was admitted as a certified public accountant granted by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in March 2011 and was appointed as a deputy president of the Association of Guangdong Enterprise Institute for Internal Controls (廣東企業內部控制協會) in September 2018.

Independent non-executive Directors

Ms. Kan Lai Kuen, Alice (簡麗娟), aged 67, has been an Independent Non-executive Director of the Company since October 13, 2020 and has more than 30 years' experience in corporate finance. Ms. Kan is the managing director and the controlling shareholder of Asia Investment Management Limited. She is a licensed responsible officer accredited by the Securities and Futures Commission of Hong Kong. Ms. Kan currently serves as an independent non-executive director on the boards of the following companies which are listed on the HKEx: Shimao Group Holdings Limited, Regal Hotels International Holdings Limited, Cosmopolitan International Holdings Limited and Jolimark Holdings Limited. Ms. Kan was formerly an independent non-executive director of Mason Group Holdings Limited from 2017 to 2019 and China Energine International (Holdings) Limited from 2008 to 2020, both of which are listed on the HKEx. She was also an independent director of AVIC International Maritime Holdings Limited, a company which was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited and was privatised and delisted on March 4, 2020, from 2011 to 2020. Ms. Kan is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors, the Association of Chartered Certified Accountants and the Australian Society of Certified Practising Accountants. Ms. Kan held various senior positions in international and local banks and financial institutions.

Mr. Gu Yunchang (顧雲昌), formerly known as Gu Yongchuang (顧勇闖), aged 77, was appointed as an Independent Non-executive Director of the Company on October 13, 2020 and is responsible for providing independent advice on the operations and management of the Group. Mr. Gu acted as the general secretary of China Real Estate Associate (中國房地產業協會) in 1998, the vice chairman of China Real Estate and Housing Association (中國房地產及住宅研究會) in 2005 and the vice chairman of the fifth Council Committee of China Real Estate Research Association (中國房地產研究會) in 2009. He formerly held various positions of the Ministry of Urban and Rural Construction and Environmental Protection of the PRC (中華人民共和國城鄉建設環境保護部), including the deputy division head of the General Office of Urban Housing Bureau (城市住宅局綜合處) in 1982 and division head of the General Office of Housing Bureau (住宅局綜合處) in 1985 respectively, and the deputy director of the Policy Research Centre of Ministry of Construction of the PRC (中華人民共和國建設部政策研究中心) from 1988 to 1998. Mr. Gu is currently an independent non-executive director of CIFI Holdings (Group) Co., Ltd., Sunshine 100 China Holdings Ltd. and Jiayuan International Group Limited, all companies of which are listed on the main board of the HKEx. In addition, Mr. Gu served as an independent director of Grandjoy Holdings Group Co., Ltd. (大悦城控股集團股份有限公司) (formerly known as COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) from April 2012 to June 2018 and an independent director of Zhejiang Yasha Decoration Co., Ltd. (浙江亞廈裝飾股份有限公司) from May 2013 to May 2019, both companies of which are listed on the Shenzhen Stock Exchange. Mr. Gu graduated from Tongji University (同濟大學) in the PRC and specialised in Urban Planning in July 1966. In the 1980s, he participated in the policy research and formulation of city and village residential construction techniques in China, leading the project "2000 China", and won the First Class National Science Technology Advance Award in China in April 1988 and December 1989 respectively.

Ms. Zhou Xinyi (周心怡), formerly known as Zhou Xiaorong (周小榮), aged 58, was appointed an Independent Non-executive Director of the Company on October 13, 2020 and is responsible for providing independent advice on the operations and management of the Group. Ms. Zhou is the chairman and president of The Qianhai Chamberlain Institute (Shenzhen) Co., Ltd. (前海勤博教育科技(深圳)有限公司). Ms. Zhou served as the dean of Shenzhen Property Management and Advanced Training College Co., Ltd. (深圳房地產和物業管理進修學院有限公司) from August 1996 to October 2017 and a deputy general manager of Shenzhen Shentou Education Co., Ltd. (深圳市深投教育有限公司), an educational institution engaged in providing educational and vocational training services, from March 2017 to January 2018. Ms. Zhou is an honorary vice president of the Fifth Council Committee of China Property Management Association (中國物業管理協會). Ms. Zhou obtained a Bachelor's Degree in English Languages and Literature from Nanjing University (南京大學) in the PRC in July 1984 and a Master's Degree in Educational Psychology from Stanford University in the United States in June 1989.

SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day operations and management of the business of our Group.

COMPANY SECRETARY

Ms. Chan Ka Yan (陳家欣) is a full-time employee of the Company with professional qualifications and extensive experience to discharge the functions of Company Secretary of the Company. The Company Secretary plays an important role in supporting the Board by ensuring efficient information flow within the Board and that Board procedures, and all applicable law, rules and regulations are followed. The Company Secretary reports to the Board through the Chairman whilst all Directors have access to the advice and services of the Company Secretary.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of three members, all of which being Independent Non-executive Directors, namely, Ms. Kan Lai Kuen, Alice (as the chairman of the Audit Committee), Mr. Gu Yunchang and Ms. Zhou Xinyi.

The primary duties of the Audit Committee are to assist the Board to review the financial reporting process, internal control and risk management systems of the Company, nominate and monitor external auditor and provide advice and comments to the Directors.

Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the Audit Committee meetings will be sent to all members of the Audit Committee for their comment and records, within a reasonable time after each meeting.

The Audit Committee meets the external auditor at least twice a year to discuss any significant items during the audits and considers any matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor. The Audit Committee reviews the interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The unaudited interim condensed consolidated results of the Group for the six months ended June 30, 2021 have been reviewed by the Audit Committee and the auditor of the Company.

Remuneration Committee

The remuneration committee of the Company (the "**Remuneration Committee**") consists of three members, all of which being Independent Non-executive Directors, namely, Ms. Zhou Xinyi (as the chairman of the Remuneration Committee), Ms. Kan Lai Kuen, Alice and Mr. Gu Yunchang.

The primary functions of the Remuneration Committee include, but not limited to evaluate the performance and make recommendations to the Board on the remuneration package of the Directors and senior management and to evaluate as well as make recommendations on the Company's share award scheme, retirement scheme and the performance assessment system and bonus and commission policies.

Nomination Committee

The nomination committee of the Company (the "**Nomination Committee**") consists of three members, all of which being Independent Non-executive Directors, namely, Mr. Gu Yunchang (as the chairman of the Nomination Committee), Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi.

The primary function of the Nomination Committee is to identify and nominate suitable candidates, for the Board's consideration and recommendation to stand for election by shareholders at annual general meeting, or when necessary, make recommendations to the Board to fill Board vacancies when they arise.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) paid to our Directors for each of the three years ended December 31, 2018, 2019 and 2020 and the six months ended June 30, 2021 was approximately RMB2.7 million, RMB3.8 million, RMB5.6 million and RMB3.0 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2019 and the six months ended June 30, 2020.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and 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.

SHARE AWARD SCHEME

Our Board of Directors adopted a Share Award Scheme of our Company (the "**Share Award Scheme**") on June 28, 2021 (the "**Adoption Date**"). The purpose of the Share Award Scheme is to recognize the contributions by certain selected employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme shall be valid and effective for a term of ten years commencing on June 28, 2021. The maximum number of shares which can be awarded under the Share Award Scheme is 3% (i.e. 70,919,190 shares) of the total number of issued share of our Company as at the Adoption Date.

During the six months ended June 30, 2021, no share award was granted to any employees of the Group under the Share Award Scheme.

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

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

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

The Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2019年版)》) (the "**Catalogue**") was jointly promulgated by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on December 27, 2020, and came into effect on January 27, 2021. The "Industry Guidelines on Encouraged Foreign Investment" in the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) released on June 28, 2017 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (2017 Revision) (《中西部地區外商投資優勢產業目錄(2017年修訂》) released on February 17, 2017, were repealed simultaneously.

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

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

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

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

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Since January 1, 2021, the Civil Code of the People's Republic of China (中華人民共和國民法典) (the "**Civil Code**") and the Provisions on Property Management (《物業管理條例》) have laid down the basic legal framework for the property management industry in China.

Qualification of Property Management Enterprises

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

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

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

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

Appointment of Property Management Enterprises

According to the Civil Code, property owners can either manage the buildings and ancillary facilities by themselves or engage a property management company or custodians. As regards the property management company or any other custodians hired by the developer, property owners are entitled to alter it 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 Civil Code, a quorum for the general meeting of the property owners to engage or dismiss a property service 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 or dismiss a property service 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 (i) the raising of funds for maintaining the building and the auxiliary facilities thereof; (ii) rebuilding the building or any of its auxiliary facilities; (iii) changing the usage of common space or conducting operating activities in common space, the approvals require the affirmative votes of property owners who hold more than 75% of the total GFA of the exclusive area and who represent more than 75% of the total number of property owners. 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.

Property owners' association, on behalf of the property owners, can sign the property service contract with the property service enterprise engaged at the general meeting. Before the engagement of a property service enterprise by property owners and a general meeting of the property owners, a written preliminary service contract shall be entered into between the property developer and the selected and engaged property service enterprise. The preliminary property service contract may stipulate the contract duration. However, if the property service contract signed by the property owners' association and the property service enterprise comes into force within the term of preliminary property service contract, the preliminary property service contract shall automatically terminate.

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

According to Interpretation of the Supreme People's Court on Several Issues concerning the Application of Law in Hearing Cases of Property Service Disputes (最高人民法院關於審理物業服務糾紛案件適用法律若干問題的解釋), which was promulgated by Supreme People's Court on May 15, 2009, came into effect on October 1, 2009, amended on December 29, 2020 and came into effect on January 1, 2021, stipulates the principles applied by the court when hearing disputes on specific matters between property owners and property management providers. The court shall support when property owner raises a plea on the ground of illicit charges because the property service provider, in breach of the property management contract or in violation of laws, regulations or departmental rules, extends the scope of charging, raises the charging rate, or makes repeated charging on its own accord. The court shall also support the property owner's request for the property service provider to refund the fees charged in violation of regulations and laws.

Fees Charged by Property Management Enterprises

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

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

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

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

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

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

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

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

In 2018, 2019 and 2020 and the six months ended June 30, 2021 and up to June 30, 2021, we confirm that the property management fees charged by us complied with the relevant PRC laws and regulations in all material aspects in relation to such government price controls.

Regulations on Parking Service Fees

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

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

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

Property Management Service Outsourcing

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

Fire Protection

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

Regulation on Operation of School Canteen

Pursuant to the Food Safety Law of the PRC (the "Food Safety Law",《中華人民共和國食品安全法》), which was promulgated by the Standing Committee on February 28, 2009, and last amended on April 29, 2021, the state shall adopt a licensing system for food production and trade. Any person engaging in the production or sale of food or the catering services shall obtain a permit in accordance with the law. However, for sale of pre-packaged foods, filing with the relevant competent authority is required instead of obtaining a permit. The Administrative Measures for Food Business Operation Licensing (the "Food Licensing Measures",《食品經營許可管理辦法》), which was promulgated by China Food and Drug Administration (now integrated into the State Administration for Market Regulation) on August 31, 2015, came into force on October 1, 2015 and amended on November 17, 2017, specifies the detailed measures for food distribution licensing management. According to the Food Licensing Measures, food business operation licensing shall be subject to the principle of one license for one place, which means a food trader that engages in food business operation activities shall obtain a food business operation license for each business premise. If an entity applies to establish a canteen, the applicant shall be the subject indicated in its business licenses or other registration certificate. The local food and drug administrations at and above the county level shall oversee and inspect the licensing matters of food business operators in accordance with the responsibilities prescribed by laws and regulations.

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

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

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

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

SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

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

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

LEGAL SUPERVISIONS OVER LABOR PROTECTION IN THE PRC

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

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

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

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

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

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

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984, came into effect on April 1, 1985, and was amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, the State Intellectual Property Office is responsible for managing patent work of the whole nation. The patent management departments of the people's governments of each province, autonomous region and municipality directly under the central government are responsible for the patent management in their respective administrative areas. Chinese patent system adopts the principle of "prior application", i.e. where two or more applicants file applications for patent for the identical invention-creation respectively, the patent right shall be granted to the applicant whose application was filed first. If one wishes his invention or utility models to be granted patent right, the invention or utility model should possess novelty, inventiveness and practical applicability. The validity period of a patent for invention is 20 years, while the validity period of utility models and design is 10 years. Others may exploit the patent after obtaining the permission or proper authorization from the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

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

Domain Name

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

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

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

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

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

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

Value-added Tax

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

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

City Maintenance and Construction Tax and Educational Surcharges

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

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

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

REGULATIONS RELATING TO FOREIGN EXCHANGE

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

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

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

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of June 30, 2021 by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the SFO:

Name	Nature of interests	Number of shares or underlying shares held	Approximate percentage of issued share capital
Best Cosmos Limited ("Best Cosmos")	Note 1	1,557,352,000	65.879%
Shimao Group Holdings	Note 1	1,557,352,000	65.879%
Overseas Investment Group International Limited ("Overseas Investment")	Note 2	1,557,352,000	65.879%
Gemfair Investments Limited ("Gemfair")	Note 3	1,589,286,159	67.229%
Mr. Hui Wing Mau	Note 4	1,600,142,501	67.689%

Notes:

1. These interests disclosed comprise (i) 1,550,486,179 shares held by Best Cosmos (a company which is directly wholly-owned by Shimao Group Holdings, which is owned as to approximately 55.06% by Gemfair, a company which is directly wholly-owned by Mr. Hui Wing Mau); and (ii) 6,865,821 shares held by Best Cosmos as the trustee to hold such awarded shares upon trust until they are vested under the 2021 Shimao Group Share Award Scheme.

2. These interests disclosed represent the right of Overseas Investment to vote on behalf of Gemfair as a shareholder at general meetings of Shimao Group Holdings, pursuant to a deed dated June 12, 2006 between Gemfair and Overseas Investment, as long as Mr. Hui Wing Mau or his associates (directly or indirectly) holds not less than a 30% interest in Shimao Group Holdings.

3. These interests comprise (i) 31,934,159 shares held directly by Gemfair; (ii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iii) 6,865,821 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

4. These interests comprise (i) 10,856,342 shares held directly by Shiying Finance Limited, a company which is directly wholly-owned by Mr. Hui Wing Mau; (ii) 31,934,159 shares held by Gemfair; (iii) 1,550,486,179 shares held by Gemfair's controlled corporations; and (iv) 6,865,821 shares held by Best Cosmos as the trustee under the 2021 Shimao Group Share Award Scheme.

Save as disclosed above, no other interests and short position in the shares and underlying shares of the Company were recorded in the register.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions in the years ended December 31, 2018, 2019 and 2020, and the six months ended June 30, 2020 and 2021, between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated. The following table summarizes our related party transactions for the years indicated:

(a) Names and relationships with related parties

Our Company is controlled by Shimao Group Holdings Limited (incorporated in the Cayman Islands which owns 65.59% of our Company's shares). We consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

	Year ended December 31,			Six months ended June 30,	
	2018	**2019**	**2020**	**2020**	**2021** (unaudited)
			RMB'000		
(b) Transactions with related parties					
(i) Continuing transactions					
Services provided to related parties	473,059	806,755	993,981	462,227	479,591
– Shimao group	364,997	640,110	795,035	375,577	395,512
– Joint ventures and associates of Shimao Group	108,062	166,645	198,946	86,650	84,079
Services received from related parties					
– Shimao Group	–	27,018	174	174	–
Rental expenses					
– Shimao Group	371	3,042	6,713	2,608	3,698
(ii) Discontinued transactions					
Services received from related parties					
– Shimao Group	4,836	6,217	1,072	1,072	–
Carpark spaces purchased from related parties					
– Shimao Group	–	39,788	–	–	–
Interest expenses on loans from related parties					
– Associates of Shimao Group	–	14,840	–	–	–
Interest income on loans to related parties					
– Shimao Group	66,658	33,569	–	–	–
Purchase of investment properties					
– Joint venture of Shimao Group	–	99,000	–	–	–
Sales of investment properties					
– Shimao Group	–	–	130,610	–	–
Distribution and deemed distribution					
– Shimao Group	–	607,877	10,465	10,465	–
Cash advance from related parties					
– Shimao Group	419,897	315,000	–	–	–
Repayment of Cash advance from related parties					
– Shimao Group	30,000	793,571	97,172	97,172	–
Advance to related parties					
– Shimao Group	1,549,811	859,700	366,819	362,140	–
Receipt of advance to and interest from related parties					
– Shimao Group	443,418	1,758,480	1,472,917	–	–
Receipts of advance to related parties					
– Shimao Group	–	–	–	1,251,547	–

	Year ended December 31,			Six months ended June 30,	
	2018	2019	2020	2020	2021 (unaudited)
			RMB'000		
(c) Key management compensation					
Salaries and other short-term employee benefits	2,180	2,468	3,758	–	–
(d) Balances with related parties – trade					
Receivables from related parties	363,539	512,004	371,089	371,089	488,509
Trade Receivables					
– Shimao Group	354,658	484,341	322,686	322,686	408,041
– Joint ventures and associates of Shimao Group	8,881	27,663	48,403	48,403	80,468
Prepayments, deposits and other receivables		–	176,135	176,135	156,087
– Shimao Group	–	–	167,011	167,011	132,800
– Joint ventures and associates of Shimao Group	–	–	9,124	9,124	23,287
Total receivables from related parties	363,539	512,004	547,224	547,224	644,596
Payables to related parties					
Contract liabilities		–	18,142	18,142	52,363
– Shimao Group	–	–	13,589	13,589	42,038
– Joint ventures and associates of Shimao Group	–	–	4,553	4,553	10,325
Trade and other payables	20,417	91,138	246,248	246,248	116,979
– Shimao Group	19,241	80,400	215,449	215,449	54,402
– Joint ventures and associates of Shimao Group	1,176	10,738	30,799	30,799	62,577
Total payables to related parties	20,417	91,138	264,390	264,390	169,342
(e) Balances with related parties – non-trade					
Receivables from related parties	2,012,549	1,106,098	–	–	–
Prepayments, deposits and other receivables					
– Shimao Group	1,988,053	1,093,739	–	–	–
– Joint ventures and associates of Shimao Group	24,496	12,359	–	–	–
Total receivables from related parties	2,012,549	1,106,098	–	–	–
Payables to related parties	575,743	937,172	–	–	–
Trade and other payables					
– Shimao Group	569,004	936,589	–	–	–
– Joint ventures and associates of Shimao Group	6,739	583	–	–	–
Dividend payables					
– Shimao Group	–	559,247	–	–	–
Total payables to related parties	575,743	1,496,419	–	–	–

(f) Guarantees provided by related parties

As of December 31, 2019, our ABS was guaranteed by Shanghai Shimao Jianshe Co., Ltd, a subsidiary of Shimao Group Holdings. As of December 31, 2020, such guarantee was released as the Group repaid all the remaining balance of ABS.

TERMS AND CONDITIONS OF THE BONDS

The following (subject to modification and other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each individual registered bond certificates evidencing the Bonds:

The issue of HK$3,110,000,000 in aggregate principal amount of 2.25 per cent. Guaranteed Convertible Bonds due 2022 (the "**Bonds**", which term shall include, unless the context requires otherwise any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Crystal Idea Group Limited (the "**Issuer**") were authorised by resolutions of the board of directors of the Issuer passed on October 19, 2021. The Bonds will be guaranteed by Shimao Services Holdings Limited 世茂服務控股有限公司 (the "**Company**"). The guarantee of the Bonds by the Company and the right of conversion into Shares (as defined in Condition 6(A)(v)) were authorised by resolutions of the board of directors of the Company passed on October 19, 2021. In addition, the right of conversion into Shares was approved by resolutions of the shareholders of the Company on May 26, 2021.

The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or around November 2, 2021 (the "**Issue Date**") made between the Issuer, the Company and The Bank of New York Mellon, London Branch as trustee for itself and the Bondholders (as defined below) (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee under the Trust Deed) and are subject to the paying and conversion agency agreement dated on or around November 2, 2021 (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Company, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent and principal conversion agent (in such capacities, collectively the "**Principal Agent**", which expression shall include any successor Principal Agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and transfer agent (the "**Transfer Agent**", which expression shall include any successor or additional transfer agent appointed from time to time in connection with the Bonds) and the other paying agents, conversion agents and transfer agents appointed under it (each a "**Paying Agent**", a "**Conversion Agent**" or a "**Transfer Agent**", as applicable, and together with the Registrar, the Transfer Agent and the Principal Agent, the "**Agents**") relating to the Bonds. For the avoidance of doubt, any reference to a "**Paying Agent**" or a "**Conversion Agent**" in each case includes the Principal Agent. The statements in these terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection by the Bondholders at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) at the principal place of business of the Trustee (being as at the Issue Date at One Canada Square, London E14 5AL, United Kingdom) following prior written request and proof of identity and holding to the satisfaction of the Trustee. The Bondholders are entitled to the benefit of, and are bound by, and are deemed to have notice of, the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

The appointment of the Trustee and the Agents is subject to internal approvals by the entities named as such in these Conditions.

1. Status and Guarantee

A. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

B. Guarantee

The Company has unconditionally and irrevocably guaranteed (the "**Guarantee**") the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Company's obligations in respect of the Guarantee are contained in the Trust Deed, and the Guarantee constitutes direct, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Company. The payment obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

2. Form, Denomination and Title

A. Form and Denomination

The Bonds are issued in registered form in the specified denomination of HK$2,000,000 each and in integral multiples of HK$1,000,000 in excess thereof. A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). When the Bonds are represented by a Global Certificate, the Conditions are modified by certain provisions contained in the Global Certificate. See the section of the Offering Circular entitled "*The Global Certificate*".

B. Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be deemed to be and be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered.

3. Transfers of Bonds; Issue of Certificates

A. Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

B. Transfer

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder, or his attorney duly authorised in writing, to the specified office of the Registrar or the specified office of any of the Transfer Agents during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays). No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer of Bonds will, within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company's expense) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted in accordance with Condition 6, a new Certificate in respect of the Bonds not so transferred or converted will, within seven business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder and at the Company's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" shall mean a day other than a Saturday or Sunday or a public holiday on which commercial banks generally are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Transfer Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

D. Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any of the Agents may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer, (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Issuer, the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

E. Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) any date for payment of principal pursuant to the Conditions; (ii) during the period of seven days ending on (and including) any date for redemption pursuant to Condition 8(B) or Condition 8(C); (iii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to such Bond; (iv) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) has been deposited in respect of such Bond; (v) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(A)) or (vi) during such other periods during which the Issuer may be required to close its stock transfer books under any applicable law (each such period, a "**Closed Period**").

F. Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Company's expense) by the Registrar to any Bondholder following request in writing and proof of holding and identity to the satisfaction of the Registrar.

4. Negative Pledge

Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed it will not, and will procure that none of their respective Subsidiaries will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness unless, at the same time or prior thereto, the Company's or the Issuer's obligations under the Bonds are (i) secured equally and rateably by the same Security Interest, or (ii) at the option of the Issuer or the Company (as applicable) by such other security, guarantee, indemnity or other arrangement (a) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

(A) any reference to "**Security Interest**" is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person;

(B) any reference to "**Relevant Indebtedness**" is to any future or present indebtedness issued outside the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any transferable bank loan facility; and

(C) "**PRC**" means the People's Republic of China which, for the purposes of these Conditions only, does not include the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

5. Interest

The Bonds bear interest from and including November 2, 2021 at the rate of 2.25 per cent. per annum payable in arrear on May 2, 2022 and the Maturity Date (each an "**Interest Payment Date**").

Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv) (*Interest Accrual*)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below), or if none, the Issue Date (subject in any case as provided in Condition 6(B)(iv) (*Interest Accrual*)) or (b) where such Bond is redeemed or repaid pursuant to Condition 8 (*Redemption, Purchase and Cancellation*) or Condition 10 (*Events of Default*), from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In such event, such unpaid principal shall bear interest at the rate of 2.00 per cent. per annum (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (ii) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and the period beginning on and including the first Interest Payment Date and ending on but excluding the Maturity Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per HK$1,000,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of (A) the rate of interest specified above, (B) the Calculation Amount, and (C) the relevant day-count fraction being a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6. Conversion

A. Conversion Right

(i) *Conversion Period*: Subject as hereinafter provided, each Bondholder has the right to convert the Bonds held by it into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond held by it into Shares is called the "**Conversion Right**". Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after December 13, 2021 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**"), provided that the principal amount of such Bond shall be at least HK$2,000,000. The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by such holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after October 19, 2021 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i) as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK$100.00. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 6(B)(iii).

(iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$18.22 per Share but will be subject to adjustment in the manner provided in Condition 6(C).

(iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in full in respect of any Bond which shall have been called for redemption, (b) any Bond has become due and payable prior to the Maturity Date in accordance with Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 18 and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(v) *Meaning of "Shares":* As used in these Conditions, the expression "**Shares**" means ordinary shares of par value HK$0.01 each in the share capital of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

B. Conversion Procedure

(i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit (at his own expense) at the specified office of any Conversion Agent during usual business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday other than public holidays) on any business day (at the place where the Certificate evidencing such Bond is deposited for conversion) a notice of conversion (a "**Conversion Notice**") in duplicate in the form (for the time being current) obtainable from the specified office of each Conversion Agent, together with the relevant Certificate in respect of such Bond and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity and/or security under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable unless the Company and the Issuer consent in writing to its withdrawal or the Issuer fails to deliver Shares in accordance with these Conditions. "**Stock Exchange Business**

Day" means any day (other than a Saturday, Sunday or public holiday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(C)), as the case may be, is open for trading of securities.

(ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration duties (in this Condition 6(B)(ii), "**Taxes**") arising on conversion (other than any Taxes payable in the Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction in connection with the creation, issue, offering or sale of the Bonds or the execution or delivery of the Trust Deed and the Agency Agreement and, if relevant, in the place of the Alternative Stock Exchange by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (such Taxes payable in the Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction as aforesaid being "**Issuer Taxes**") and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion but shall not be responsible for any Issuer Taxes or any other expenses arising on the issue of Shares on conversion of Bonds (which Issuer Taxes and other expenses as aforesaid shall be paid by the Issuer, failing whom the Company). Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder or, as the case may be, the Issuer is liable to pay any Taxes or Issuer Taxes including capital, stamp, issue, registration or similar taxes and duties or for calculating or verifying the calculation of the amounts payable (if any) under or in connection with this Condition 6(B)(ii) and none of them shall be responsible or liable for any failure by the Issuer or any Bondholder to pay such Taxes, Issuer Taxes, expenses or other amounts.

(iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date in respect of any Bond, the Company will in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited or paid as required by Conditions 6(B)(i) and 6(B)(ii) above, register the person or persons designated for such purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "**CCASS**") effective from time to time, take all necessary actions to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such share certificate or certificates registered in the name of such person or persons available for collection at the office of the Company's share registrar in Hong Kong (currently Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong) as may from time to time be notified to Bondholders in accordance with Condition 18 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such share certificate or certificates are sent) such share certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. In all cases a single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective under Condition 6(C), upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)) of such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the relevant Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B) prior to the time such retroactive adjustment shall have become effective), the Issuer (failing whom the Company) will pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the "**Equivalent Amount**") equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such Bondholder would have been entitled had he on that record date been such a shareholder of record and will make such payment to such Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Equivalent Amount payable under this Condition 6(B) and will not be responsible or liable to any Bondholder or any other person for any loss arising from any failure by it to do so.

(iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) (*Redemption at the Option of the Issuer*) or Condition 8(C) (*Redemption for Taxation Reasons*) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a Hong Kong dollar account maintained by the payee in accordance with instructions given by the relevant Bondholder in the Conversion Notice.

C. Adjustments to Conversion Price

The Conversion Price will be subject to adjustment in the following events:

(1) *Consolidation, Subdivision, Redesignation or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

(2) *Capitalisation of Profits or Reserves:*

(i) If and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend (as defined below)) and which would not have constituted a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

(3) *Capital Distributions:* If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and

B is the Fair Market Value (as defined below) of such Capital Distribution per Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the purpose of the above in this Condition 6(C)(3), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined in Hong Kong dollars as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Company.

(4) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

(5) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be

adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above in this Condition 6(C)(5), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

(6) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

(7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity, shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities

(8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the maximum number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(9) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above in this Condition 6(C)(9), Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

(10) *Other Events*: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Company shall, at its own expense, consult an Independent Financial Advisor selected by it to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination. Notwithstanding the foregoing, the per Share value of any such modification shall not exceed the per Share value of the dilution in the Shareholders' interest in the Company's equity caused by such events or circumstances.

In this Condition 6(C), where the events or circumstances giving rise to any adjustment pursuant to any of the above adjustments under this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, such other internationally recognised stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Capital Distribution**" means:

(i) the aggregate distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and

(ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Company for any financial period (whenever paid and however described), *provided that* a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company) shall not constitute a Capital Distribution unless the weighted average price or consideration per Share (before expenses) on any one day in respect of such purchases or redemptions exceeds the Current Market Price of a Share by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b), the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of (i) 105 per cent. of such Current Market Price and (ii) the number of Shares so purchased or redeemed;

"**Closing Price**" of the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day;

"**Current Market Price**" means, in respect of a Share on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the ten consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said ten Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said ten Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of any commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Share shall be the amount of such cash Capital Distribution per Share, (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor, except that no such determination shall be required for The New York Stock Exchange, the Nasdaq Global Market, the London Stock Exchange, the Singapore Exchange Securities Trading Limited or The Stock Exchange of Hong Kong Limited), in which case the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of ten trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than Hong Kong dollars shall be translated into Hong Kong dollars at the Prevailing Rate (if available) on such date. In addition, in the case of proviso (i) and proviso (ii) above of this definition, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit;

"**Independent Financial Advisor**" means a reputable independent financial advisor or financial institution with appropriate expertise selected by the Issuer (and all fees, costs and expenses of the appointment of the Independent Financial Adviser shall be for the account of the Issuer, failing whom, the Company) and notified in writing to the Trustee. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial

Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by the Independent Financial Adviser;

"**Prevailing Rate**" means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined, provided that in the case of any cash Capital Distribution publicly announced by the Company in Renminbi in respect of the Shares, the "Prevailing Rate" shall mean the Renminbi to Hong Kong dollar exchange rate publicly announced by the Company applicable to such cash Capital Distribution;

"**Relevant Cash Dividend**" means any cash dividend specifically declared by the Company;

"**Relevant Page**" means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information;

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2));

any reference to a "**Subsidiary**" of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Cayman Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person; and

"**Trading Day**" means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for the business of dealing in securities, provided that for the purposes of any calculation where a Closing Price is required, if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 18 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on the conversion of any Bond, Shares would be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Conditions 6(C) should be made, and following consultation between the Issuer, the Company and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Company, the Bondholders and the Trustee, save in the case of manifest error. Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

No adjustment will be made to the Conversion Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees (including directors) of the Company or any of its Subsidiaries pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange) provided that such issues do not amount to, or entitle such persons to receive shares in excess of 1 per cent. of the average number of issued and outstanding shares during the 12 months period up to the grant of such Shares, options or other securities.

Any references herein to the date on which a consideration is "fixed" shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders "**as a class**" or "**by way of rights**" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation or determination (or any verification thereof) in connection with the Conversion Price, and none of them will be responsible or liable to the Bondholders or any other person for any loss arising from any failure by it to do so or for any delay by the Company or any Independent Financial Advisor in making any calculation or determination or any erroneous calculation or determination in connection with the Conversion Price, and each of them shall be entitled to rely conclusively (without investigation or inquiry) and without liability to any Bondholder or any other person on any report or certificate of or from an Authorised Signatory of the Company or the Issuer or, as the case may be, by any person on behalf of any Independent Financial Advisor in connection therewith.

D. ***Adjustment upon Change of Control***

If a Change of Control (as defined in Condition 8(D)) shall have occurred, the Company shall give notice of that fact to the Bondholders (the "**Change of Control Notice**") in accordance with Condition 18 within 14 days after it becomes aware of such Change of Control (with a copy to the Trustee and the Principal Agent). Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

$$NCP = \frac{OCP}{1+(CP \times \frac{c}{t})}$$

where:

NCP is the new Conversion Price after adjustment;

OCP is the Conversion Price in effect before such adjustment on the relevant Conversion Date;

CP is 20.00 per cent. expressed as a fraction;

c is the number of days from and including the date the Change of Control occurs to but excluding the Maturity Date; and

t is the number of days from and including the Issue Date to but excluding the Maturity Date,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Closed Period.

E. ***Undertakings***

Each of the Issuer and the Company undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution:

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Company and will forthwith give notice to the Bondholders in accordance with Condition 18 below and to the Trustee and the Agents in writing of the listing or delisting of the Shares (as a class) by any such stock exchange;

(ii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds;

(iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund, except where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(C) relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made;

(iv) it will use its best endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited and if the Company is unable to maintain such listing, to use its best endeavours to obtain and maintain a listing on another internationally recognised stock exchange and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Bonds by any such stock exchange;

(v) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and

(vi) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Company, provided always that the Company shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

F. Notice of Change in Conversion Price

The Issuer and the Company shall give notice to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth reasonable details of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. For the avoidance of doubt, nothing in this Condition 6(F) shall require the Company to disclose any information which it is not legally permissible to disclose.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

7. Payments

A. Principal, interest and premium

Payment of principal, premium (if any), interest due other than on an Interest Payment Date and any other amount due in respect of any Bond will be made by transfer to the registered account of the Bondholder. Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

B. Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment (the "**Record Date**"), and a Bondholder's registered address means its address appearing on the Register at that time.

C. Fiscal Laws

All payments are subject in all cases to (i) any applicable laws, regulations and directives and in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

D. Payment Initiation

Payment instructions (for value on the due date or, if that is not a business day (as defined below in Condition 7(F)), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

E. ***Delay in Payment***

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day or if the Bondholder is late in surrendering its Certificate (if required to do so).

F. ***Business Day***

In this Condition 7, unless otherwise defined, "**business day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks generally are open for business in Hong Kong, London and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

G. ***Partial Payment***

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

H. ***Rounding***

When making payments to Bondholders, fractions of one Hong Kong cent will be rounded to the nearest Hong Kong cent (half a Hong Kong cent being rounded upwards).

8. Redemption, Purchase and Cancellation

A. ***Maturity***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100.0 per cent. of its principal amount together with accrued and unpaid interest thereon on October 31, 2022 (the "**Maturity Date**"). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 10).

B. ***Redemption at the Option of the Issuer***

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent in writing (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption), at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith).

C. Redemption for Taxation Reasons

(i) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing (which notice shall be irrevocable), redeem all but not some only of the Bonds at their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption) as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (a) the Issuer (or if the Guarantee was called, the Company) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company) or, in each case, the PRC or, in any such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after October 19, 2021, and (b) such obligation cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 8(C)(i), the Issuer shall deliver to the Trustee (A) a certificate signed by two Authorised Signatories of the Issuer (or by two Authorised Signatories of the Company, as the case may be) stating that the obligation referred to in (a) above of this Condition 8(C)(i) cannot be avoided by the Issuer (or the Company, as the case may be) taking reasonable measures available to it and (B) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment referred to in (a) above of this Condition 8(C)(i) has occurred (irrespective of whether such amendment or change is then effective), and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof, in which event the same shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at a redemption price equal to their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption) as at such date.

(ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, premium (if any) or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**") together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date.

D. Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to their principal amount (together with any interest accrued but unpaid to but excluding the date fixed for redemption) as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Relevant Event Redemption Notice**") together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following the occurrence of a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18 (which notice shall also be given at the same time to the Trustee and the Principal Agent). The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable unless the Issuer consents to its withdrawal and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

Neither the Trustee nor any of the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred or may occur and none of them will be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 18 and to the Trustee and the Principal Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event and, if the Relevant Event occurs during the Conversion Period, shall also contain a statement informing Bondholders of their entitlement to exercise their Conversion Right as provided in these Conditions.

A "**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 30 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or

(ii) when there is a Change of Control.

For the purposes of this Condition 8(D):

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

a "***Change of Control***" means the occurrence of one or more of the following events:

(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(ii) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(iii) the Permitted Holders are the beneficial owners of less than 35% of the total voting power of the Voting Stock of the Company;

(iv) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(v) individuals who on the Issue Date constituted the board of directors of the Company, together with any new directors whose nomination for election by the shareholders of the Company was approved by a vote of at least a majority of the directors then still in office who were either directors on the Issue Date or whose nomination was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office;

(vi) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(vii) the Company ceasing to be the direct or indirect beneficial owners of 100 per cent. of the total voting power of the Voting Stock of the Issuer;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity;

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Maturity Date, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Maturity Date, or (3) convertible into or exchangeable for Capital Stock referred to in paragraphs (1) or (2) of this definition or indebtedness having a scheduled maturity prior to the Maturity Date;

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof;

"**Permitted Holders**" means any or all of the following:

(i) the W.M. Hui Family Trust, any trustee for the W.M. Hui Family Trust, or Mr. Hui Wing Mau (whether directly or indirectly);

(ii) any Affiliate (other than an Affiliate as defined in paragraph (2) or (3) of the definition of Affiliate) of any Person specified in paragraph (i) above; and

(iii) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80 per cent. or more by Persons specified above;

"**Preferred Stock**" means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends; and

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

E. Purchases

The Issuer, the Company or any of their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise. Any Bonds so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the holders of the Bonds and shall be deemed not to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 10, Condition 13 and Condition 14(A).

F. Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer, the Company or any of their respective Subsidiaries, will be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

G. Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be given in accordance with Condition 18 and will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable redemption amount and the amount of accrued interest payable (if any), (v) the date for redemption, (vi) the manner in which redemption will be effected, and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (which shall include any notice given by the Issuer pursuant to Condition 8(B) or Condition 8(C) and any Relevant Event Redemption Notice or Put Exercise Notice given by a Bondholder pursuant to Condition 8(D)), the first of such notices to be given shall prevail.

9. Taxation

All payments made by or on behalf of the Issuer or, as the case may be, the Company, under or in respect of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and shall be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands, the British Virgin Islands, Hong Kong, the PRC or, in any such case, any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Company, will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

(i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of a payment by the Issuer) (or in the case of payments made by the Company, the Cayman Islands or Hong Kong) or, the PRC, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or

(ii) (in the case of a payment of principal or premium) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, "**relevant date**" means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal and premium shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, assessments, government charges, withholding or other payment referred to in this Condition 9 in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Company, any Bondholder or any other person to pay such tax, duty, charges, assessments, government charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal and premium or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charges, assessments, government charges, withholding or other payment imposed by or in any jurisdiction.

10. Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer and the Company that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount, together with any accrued but unpaid interest (if any) to (but excluding) the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(i) a default is made in the payment of any principal, premium or interest due in respect of the Bonds and, in the case of interest, such default continues for more than three days;

(ii) any failure by the Company to deliver the Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for more than three days;

(iii) the Issuer or the Company does not perform or comply with one or more of its other obligations in the Bonds, the Guarantee or the Trust Deed, which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Company by the Trustee;

(iv) the Issuer, the Company or any Principal Subsidiary (as defined below in this Condition 10) is (or is, or could be, deemed by law or a court of applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Company or any Principal Subsidiary;

(v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds U.S.$40 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;

(vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or turnover of the Issuer, the Company or any Principal Subsidiary and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;

(vii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Company or any Principal Subsidiary (except for a members' voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer, the Company or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any such Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or any Principal Subsidiary;

(viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer, the Company or any Principal Subsidiary (as the case may be) and is not discharged within 30 days;

(ix) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Company or any Principal Subsidiary;

(x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer and the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable against the Issuer or the Company and (c) to make the Bonds, the Trust Deed and the Agency Agreement admissible in evidence in the courts of the Cayman Islands, the British Virgin Islands, Hong Kong or England is not taken, fulfilled or done;

(xi) it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of its obligations under any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement;

(xii) the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Company;

(xiii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(iv), 10(vi), 10(vii), 10(viii) or 10(ix),

(the events in Conditions 10(i) to 10(xiii) (both inclusive) each being an "**Event of Default**").

For the purposes of these Conditions:

"**Principal Subsidiary**" means any Subsidiary of the Company:

(a) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 5 per cent. of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Company and its Subsidiaries;

(b) whose profit before income tax ("**pre-tax profit**") or (in the case of a Subsidiary which has subsidiaries) consolidated pre-tax profit as shown by its latest audited profit and loss account exceeds 5 per cent. of the consolidated pre-tax profit as shown by the then latest published audited consolidated profit and loss account of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated companies (including jointly controlled entities);

(c) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Company and its Subsidiaries) as shown by its latest audited balance sheet exceeds 5 per cent. of the gross consolidated assets of the Company and its Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Company and its Subsidiaries; or

(d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary of the Company, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary of the Company.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary of the Company in respect of any of the events referred to in Conditions 10(i) to 10(xiii) (both inclusive) if its gross revenues, pre-tax profit or gross assets (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) when aggregated with the gross revenues, gross pre-tax profit or gross assets of each other Subsidiary of the Company which is not itself a Principal Subsidiary (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) with respect to which any of the events referred to Conditions 10(i) to 10(xiii) (both inclusive) has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets of the Company and its Subsidiaries.

A certificate in English signed by any Authorised Signatory of the Company that, in the opinion of the Company, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the immediately preceding paragraph, treated as, at any particular time, a Principal Subsidiary of the Company shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Trustee shall be entitled to rely conclusively on such certificate without any further investigation and without liability to any Bondholder or any other person. References to the audited profit and loss account and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such certificate. References to "gross revenues", "pre-tax profit", "gross assets", consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements of the Company audited by an internationally recognised firm of accountants.

11. Consolidation, Amalgamation or Merger

Each of the Issuer and the Company will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

(i) the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company shall be a corporation organised and validly existing under the laws of its place of incorporation, and shall, by a deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may in its discretion require, executed and delivered in form and content acceptable to the Trustee in its discretion, expressly assume all of the obligations of the Issuer or the Company, as the case may be, in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal, premium and/or interest on the Bonds;

(ii) the terms of the supplemental Trust Deed referred to in Condition 11(i) above will provide that (a) the holder of each Bond then outstanding will have the right (during the Conversion Period) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (and such supplemental Trust Deed will provide for adjustments on terms as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C)), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of Issuer or the Company, as the case may be, or of the successor entity not being incorporated in the Cayman Islands, the British Virgin Islands or Hong Kong and the provisions of Condition 9 shall also be supplemented or modified as the Trustee in its discretion deems appropriate; and

(iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

If any two directors of the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company, as the case may be, certify that it will be solvent immediately after assuming all obligations of the Issuer or the Company, as the case may be, pursuant to this Condition 11, the Trustee need not have regard to such entity's financial condition, profits or prospects or compare them with those of the Issuer or the Company, as the case may be.

The above provisions of this Condition 11 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

12. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium) and five years (in the case of interest) from the relevant date (as defined in Condition 9) in respect thereof.

13. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer and/or the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed but it will not be bound to take any such actions and/or steps and/or institute such proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer and/or the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

14. Meetings of Bondholders, Modification and Waiver

A. Meetings

The Trust Deed contains provisions for convening meetings of Bondholders (including meetings held by way of video or audio conference call) to consider any matter affecting their interests, including, without limitation, the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or interest on the Bonds or the Equivalent Amount payable in respect of the Bonds or change the method of calculation of interest, (iii) to change the denomination or currency of payment of the Bonds, (iv) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Company) or cancel the Conversion Rights, (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing or (vi) to modify or cancel the Guarantee (except as permitted under these Conditions and the Trust Deed), in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting (for a lack of quorum) not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that (A) a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or (B) a resolution passed by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall each be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

B. Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above or in the Trust Deed) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, and (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and all future Bondholders and, unless the Trustee agrees otherwise, any such modifications, waivers and authorisations will be notified by the Issuer or the Company to the Bondholders in accordance with Condition 18 as soon as practicable thereafter.

In the event of the passing of an Extraordinary Resolution of the Bondholders in accordance with Condition 14(A) or a modification, waiver or authorisation in accordance with Condition 14(B), the Issuer or the Company will procure that the Bondholders be notified in accordance with Condition 18.

C. Interests of Bondholders

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for, the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and Condition 11 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

D. Certificates/Reports/etc.

The Trustee may rely without liability to Bondholders, the Issuer, the Company or any other person on any report, confirmation, information or certificate from or any opinion or advice of any legal advisers, accountants, auditors, valuers, auctioneers, surveyors, brokers financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, opinion or advice and, in such event, such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer, the Company and the Bondholders.

15. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as the Issuer and/or the relevant Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds or the same in all respects save for the amount, the date of the first payment of interest thereon, the issue date, the issue price and/or the first date on which Conversion Rights may be exercised and so that such further issue shall be consolidated and form a single series with the Bonds. Such further bonds to be consolidated and form a single series with the Bonds shall be constituted by a deed supplemental to the Trust Deed.

17. Currency Indemnity

A. Currency of Account and Payment

Hong Kong dollars (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer or the Company under or in connection with the Bonds, the Trust Deed and the Guarantee, including damages, save as otherwise provided in the Trust Deed.

B. Extent of Discharge

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or the Company or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer or the Company to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

C. Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Trust Deed or the Guarantee, each of the Issuer and the Company on a joint and several basis will indemnify the recipient on demand against any loss sustained by it as a result. In any event, each of the Issuer and the Company on a joint and several basis will indemnify the recipient on demand against the cost of making any such purchase.

D. Indemnity Separate

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

18. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions, and such notice shall be deemed to be received by the Bondholders on the date of delivery of such notice to Euroclear or Clearstream or such Alternative Clearing System.

19. Agents

The names of the initial Principal Agent and the initial Registrar and their respective specified offices are set out below. The Issuer and the Company reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Issuer and the Company will at all times maintain (i) a Principal Agent and (ii) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer or the Company to the Bondholders.

20. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including without limitation, provisions relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling it to be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer or the Company and any entity related (directly or indirectly) to the Issuer or the Company (including any of their affiliates) without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Company or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee is not responsible or liable for any loss or liability incurred by the Issuer, the Company, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarification of any directions or in the event that no such directions or clarification are received.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company or any other person appointed by the Issuer or the Company in relation to the Bonds and/or the Shares of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default (as defined in the Trust Deed) or a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred, and shall not be liable to the Bondholders, the Issuer, the Company or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Company and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

21. Contracts (Rights of Third Parties) Act 1999

Without prejudice to the rights of the Bondholders pursuant to and as contemplated in Condition 13, no person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

22. Governing Law and Submission to Jurisdiction

A. Governing Law

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

B. Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and/or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

C. Agent for Service of Process

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably agreed to receive service of process in any Proceedings in Hong Kong in connection with any of the Bonds and the Trust Deed at the Company's principal place of business address in Hong Kong, being as at the Issue Date at Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Issuer or, as the case may be, the Company). If for any reason the Company ceases to be able to act as agent for service of process as aforesaid or ceases to have an address in Hong Kong, each of the Issuer and the Company irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and to deliver to the Trustee a copy of the substitute process agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

D. Waiver of Immunity

Each of the Issuer and the Company has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this offering circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System (as defined below)), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Payment

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Calculation of Interest

So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Bondholder's Redemption

The Bondholder's redemption option in Condition 8(D) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Redemption at the Option of the Issuer

The option of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Conditions.

Exchange of Bonds Represented by Global Certificates

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and the Company and approved in writing by the Trustee, the Principal Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.

Cayman Islands

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(a) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concession Act.

The undertaking is for a period of 20 years from February 1, 2018.

The Cayman Islands currently levies 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 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 is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double tax treaties.

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. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

British Virgin Islands

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

The PRC

Taxation on Interest and dividend

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management bodies" of the Issuer are within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income from sources both within and outside PRC.

The EIT Law, its implementation regulations impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-source income paid to a "non-resident enterprise" that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds and, in the event the Company is considered a PRC resident by the PRC tax authorities, dividends payable to non-resident enterprise holders of Shares may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on August 31, 2018 and its implementation regulations which was amended on December 18, 2018, if the Issuer or the Company is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds and dividends payable to non-resident individual holders of Shares may be treated as income derived from sources within China and be subject to a 20% individual income tax; accordingly, if the Issuer or the Company is treated as a PRC tax resident enterprise, the Issuer or the Company would be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds and payment of dividends to non-resident individual holders of Shares. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds or Shares. It is also unclear whether non-resident holder would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that the issuer or the Company is treated as a PRC resident enterprise.

As of the date of this offering circular, the Issuer and the Company have not been given notice or informed by the PRC tax authorities that they are considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident holders of the Bonds or Shares will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or Shares or any repayment of principal and payment of interest or dividends made thereon. However, there is no assurance that the Issuer and the Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realized by a "non-resident enterprise" that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20% on income derived from sources within the PRC realized by non-resident individuals. If the Issuer or the Company is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realized by holders of the Bonds or Shares are treated as income derived from sources within China, such gains will be subject to PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty.

Value-added Tax (VAT)

On March 23, 2016, the MOF and the SAT issued the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**") which stipulates that the business tax will be completely replaced with VAT from May 1, 2016 onwards. Therefore, income derived from the provision of financial services, which previously incurred business tax, will now be subject to VAT. According to Circular 36, entities and individuals providing services within the PRC are subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services potentially subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds may be treated as the holders of the Bonds providing financial services in the form of loans to the Issuer for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise by the PRC tax authorities, and the holders of the Bonds is regarded as providing financial services within the PRC, the amount of interest payable by the Issuer to any non-resident holders of the Bonds may subject to withholding VAT at the rate of 6% plus related surcharges.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond to the extent that the register of holders of the Bonds is maintained outside Mainland China. The Issuer intends to maintain the register of holders of the Bonds outside Mainland China.

DESCRIPTION OF THE SHARES

*Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Memorandum and Articles of Association (the "**Articles**") and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Articles.*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on December 3, 2019 under the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Act**") and, therefore, operates subject to Cayman Islands law.

Classes of shares

The share capital of the Company consists of ordinary shares.

Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Transfer of shares

Subject to the Cayman Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the requirement of the Hong Kong Stock Exchange, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premiums) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since October 30, 2020. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			
	High	**Low**	**End of Period**	**Total Volume**
		(HK$)		**('000)**
2020				
Fourth Quarter	11.42	16.60	11.96	358,291
2021				
First Quarter	11.94	17.86	17.14	330,656
Second Quarter	17.04	27.55	26.85	390,987
Third Quarter	13.06	27.45	16.10	419,411

Source: Bloomberg

DIVIDENDS

Subject to the Cayman Companies Act and the Articles of Association of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the board of directors of the Company. The board of directors of the Company may from time to time pay such interim dividends to the shareholders of the Company out of distributable funds (including share premium account) as may appear to the board of directors to be justified by the financial position of the Company. No dividend shall be paid otherwise than out of the profits of the Company or out of the share premium account or other fund or account authorized for this purpose in accordance with the Cayman Companies Act. No dividends shall carry interest.

The Company did not declare any dividend for the six months ended June 30, 2021.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement dated October 19, 2021 (the "**Subscription Agreement**") with the Manager, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, and the Company has agreed to guarantee, and the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Issuer and the Company have agreed in the Subscription Agreement that neither the Issuer, the Company nor any of their respective subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them (other than the Manager, as to whom no undertaking is given) will, for a period from the date of the Subscription Agreement up to 90 days after the Closing Date (both dates inclusive), without the prior written consent of the Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for (i) the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds; (ii) the issuance of any Shares under the Company's share award scheme adopted by the Company on June 28, 2021; and (iii) any Shares to be issued pursuant to the placing agreement entered into between, among others, the Company and Morgan Stanley & Co. International plc on October 19, 2021.

In addition, each of Mr. Hui Wing Mau (許榮茂), Best Cosmos Limited, Gemfair Investments Limited, Overseas Investment Group International Limited, Shimao Group Holdings Limited and Shiying Finance Limited (each, a "**Controlling Shareholder**") has executed a shareholder lock-up undertaking dated October 19, 2021 (the "**Shareholder Undertaking**"). Each Controlling Shareholder has undertaken that none of the Controlling Shareholder, any other subsidiaries or affiliates over which the Controlling Shareholder exercises management or voting control, nor any person acting on the behalf of the Controlling Shareholder will, for a period from the date of the shareholder lock-up undertaking up to 90 days after the Closing Date (both dates inclusive), without the prior written consent of the Manager (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing.

The Subscription Agreement provides that each of the Issuer and the Company will jointly and severally indemnify the Manager against certain liabilities, including in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations to subscribe and pay for the Bonds of the Manager are subject to certain conditions precedent, and the Manager is entitled to terminate it in certain circumstances prior to payment of the subscription monies of the Bonds being made to the Issuer.

The Manager and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Manager and its respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer, the Company and the Group for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Manager and its respective affiliates, or affiliates of the Issuer or the Company, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Company (including the Shares), and therefore, they may offer or sell the Bonds or other securities (including the Shares) otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Manager and/or its respective affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

In the ordinary course of their various business activities, the Manager and its respective affiliates make or hold or enter into a broad array of investments (including bank or syndicated loans, asset swaps, credit derivatives or other derivative transactions relating to the Bonds and/or the Shares) and actively trade debt and equity securities (or related derivative securities) and financial instruments for their own account and for the accounts of their customers, or provide financing to the Issuer, the Company and/or the Group at the same time of the offering or in secondary market transactions, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company, including the Bonds and the Shares. The Manager does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Manager and/or its affiliates may have a lending relationship with the Issuer and/or the Company and routinely hedge their credit exposure to the Issuer and/or the Company consistent with their customary risk management policies. The Manager and its affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Company's securities, including potentially the Shares and/or the Bonds. Any such short positions could adversely affect future trading prices of the Shares and/or the Bonds. The Manager and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Shares, the Bonds or other financial instruments of the Issuer or the Company, and may recommend to their clients that they acquire long and/or short positions in the Shares, the Bonds or other financial instruments.

General

The Bonds are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this offering circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds, the Guarantee and the New Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Manager has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds except in accordance with Rule 903 of Regulation S under the Securities Act, and neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, the Guarantee or the New Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S. The Manager has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantee, except with its affiliates or with the prior written consent of the Issuer.

Prohibition of Sales to EEA Retail Investors

The Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area or the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or

(ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

The Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in the (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA.

United Kingdom

The Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

The Manager has represented, warranted and agreed that: (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Cayman Islands

The Manager has represented, warranted and agreed that the offer to sell the Bonds is private and not intended for the public and, further that it has not made and will not make any invitation to the public in the Cayman Islands or to residents of the Cayman Islands to offer or sell the Bonds.

British Virgin Islands

The Bonds may not be offered in the British Virgin Islands unless the Issuer or the person offering the Bonds on its behalf is licensed to carry on business in the British Virgin Islands. The Issuer is not licensed to carry on business in the British Virgin Islands. The Bonds may be offered to British Virgin Islands business companies (from outside the British Virgin Islands) without restriction. A British Virgin Islands business company is a company formed under or otherwise governed by the BVI Business Companies Act (British Virgin Islands).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, the Bonds have not been, directly or indirectly, offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws and regulations of Japan.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, the Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA—the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

The Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and the Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

INDEPENDENT AUDITOR

The consolidated financial information of the Company as of and for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020 has been derived from our Accountant's Report on the historical financial information for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, which is included elsewhere in this offering circular. The consolidated financial information of the Company as of and for the year ended December 31, 2020 has been derived from our consolidated financial statements for the year ended December 31, 2020, which have been audited by PricewaterhouseCoopers, independent accountants, and are included elsewhere in this offering circular. The consolidated financial information of the Company as of and for the six month ended June 30, 2021 has been derived from our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2021, which have been reviewed by PricewaterhouseCoopers, independent auditor, 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, and are included elsewhere in this offering circular.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds and the Guarantee. The entering into the Trust Deed governing the Bonds and the issue of the Bonds have been authorized by a resolution of the Issuer's board of directors dated October 19, 2021. The entering into the Trust Deed governing the Bonds and the giving of the Guarantee by the Company have been authorized by a resolution of the Company's board of directors dated October 19, 2021.

Litigation

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Bonds or the Guarantee.

No material adverse change

Except as may be otherwise disclosed in this offering circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2021 that is material in the context of the issue of the Bonds or the granting of the Guarantee.

Documents available

Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of http://www.hkexnews.hk. Copies of the memorandum and articles of association of the Issuer and the Company, the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the Company's principal office in Hong Kong (being Unit 3820, 38th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong) during normal business hours. Copies of the Trust Deed and the Agency Agreement will be made available for inspection by the Bondholders at the principal place of business of the Trustee, being at the date of this offering circular at One Canada Square, London E14 5AL, United Kingdom, at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) following prior written request and proof of identity and holding to the satisfaction of the Trustee, so long as any of the Bonds is outstanding.

Clearing system and settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream with the ISIN of XS2393234567 and Common Code of 239323456.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 549300MT7FCHBGD38Z23.

Listing of the Bonds

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Issuer, the Company, any subsidiary or associated company of the Issuer and the Company, the Bonds or the Shares. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of HK$200,000 with a minimum of ten lots.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Bonds in their definitive form, we will appoint and maintain a paying agent in Singapore where such definitive Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Bonds in their definitive form, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Unaudited Interim Condensed Consolidated Financial Statements as of and for the six months ended June 30, 2021[(1)]

Audited Consolidated Financial Statements as of and for the year ended December 31, 2020[(2)]

Accountant's Report on historical financial information as of and for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020[(3)]

Notes:

(1) Our unaudited consolidated interim condensed financial information as of and for the six months ended June 30, 2021 is a reproduction from our interim report for the six months ended June 30, 2021 and page references to pages set forth in such interim report. Our unaudited consolidated interim condensed financial information has not been prepared for the inclusion in this offering circular.

(2) Our audited consolidated financial information as of and for the year ended December 31, 2020 is a reproduction from our annual report for the year ended December 31, 2020 and page references to pages set forth in such annual report. Our audited consolidated financial information has not been prepared for the inclusion in this offering circular.

(3) The attached accountant's report on our historical financial information as of and for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 is a reproduction of Appendix I to the prospectus for our initial public offering dated October 20, 2020 and page references to pages set forth in such prospectus.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF SHIMAO SERVICES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 64 which comprises the interim condensed consolidated statement of comprehensive income of Shimao Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the six-month period ended 30 June 2021, the interim condensed consolidated balance sheet as at 30 June 2021, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Assets			
Non-current assets			
Property, plant and equipment	16	**293,174**	206,143
Right-of-use assets	26	**35,027**	27,212
Investment properties	16	**19,617**	19,931
Intangible assets	17	**2,444,046**	1,873,297
Deferred tax assets	27	**100,310**	67,533
Investment in associates accounted for using the equity method	15	**36,110**	34,074
Financial assets at fair value through other comprehensive income		**356**	356
Prepayments	20	**64,970**	259,567
Total non-current assets		**2,993,610**	2,488,113
Current assets			
Inventories	18	**283,729**	267,233
Trade receivables	19	**2,741,246**	1,863,164
Financial assets at fair value through profit or loss		**23,138**	–
Prepayments, deposits and other receivables	20	**699,205**	454,422
Restricted cash	21	**100**	2,045
Cash and cash equivalents	21	**5,621,582**	5,830,046
Total current assets		**9,369,000**	8,416,910
Total assets		**12,362,610**	10,905,023
Equity			
Equity attributable to equity holders of the Company			
Share capital	22	**20,499**	20,499
Reserves		**6,633,843**	6,427,488
		6,654,342	6,447,987
Non-controlling interests		**381,487**	292,858
Total equity		**7,035,829**	6,740,845

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2021

	Note	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Liabilities			
Non-current liabilities			
Borrowings	24	**7,508**	4,400
Lease liabilities	26	**16,074**	7,896
Deferred tax liabilities	27	**153,583**	122,162
Provisions for other liabilities and charges	23	**3,060**	3,297
Total non-current liabilities		**180,225**	137,755
Current liabilities			
Trade and other payables	25	**3,689,152**	2,986,951
Contract liabilities		**1,006,370**	815,334
Dividends payables	28	**213,334**	–
Income tax liabilities		**209,842**	185,729
Borrowings	24	**5,700**	25,600
Lease liabilities	26	**22,158**	12,809
Total current liabilities		**5,146,556**	4,026,423
Total liabilities		**5,326,781**	4,164,178
Total equity and liabilities		**12,362,610**	10,905,023

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited RMB'000	2020 Audited RMB'000
Revenue	7	**4,233,757**	1,564,636
Cost of sales and services	7,8	**(2,978,412)**	(1,032,841)
Gross profit		**1,255,345**	531,795
Selling and marketing expenses	8	**(48,220)**	(19,774)
Administrative expenses	8	**(416,132)**	(202,956)
Provision of impairment losses on financial assets – net		**(125,834)**	(7,269)
Other income	9	**29,228**	20,976
Other gains/(losses) – net	10	**42,351**	(5,648)
Other operating expenses	11	**(3,809)**	(2,979)
Operating profit		**732,929**	314,145
Finance income		**12,100**	2,626
Finance costs		**(10,460)**	(13,259)
Finance income/(costs) – net	12	**1,640**	(10,633)
Share of results of associates accounted for using the equity method	15	**2,036**	117
Profit before income tax		**736,605**	303,629
Income tax expense	13	**(97,525)**	(48,958)
Profit for the period		**639,080**	254,671
Profit attributable to:			
– Equity holders of the Company		**578,156**	245,420
– Non-controlling interests		**60,924**	9,251
		639,080	254,671
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(33,396)**	–
Total other comprehensive income for the period, net of tax		**(33,396)**	–
Total comprehensive income for the period		**605,684**	254,671
Total comprehensive income attributable to:			
– Equity holders of the Company		**544,760**	245,420
– Non-controlling interests		**60,924**	9,251
		605,684	254,671
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share (RMB)	14	**0.24**	0.12

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Share Capital RMB'000 (Note 21)	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2021		20,499	7,063,990	113,073	(1,581,284)	831,709	6,447,987	292,858	6,740,845
For the six months ended 30 June 2021									
Comprehensive income									
Profit for the period		–	–	–	–	578,156	578,156	60,924	639,080
Other comprehensive income									
Items that may be reclassified to profit or loss									
Translation reserves		–	–	–	(33,396)	–	(33,396)	–	(33,396)
Total comprehensive income		–	–	–	(33,396)	578,156	544,760	60,924	605,684
Transactions with owners in their capacity as owners									
Dividends and distributions	28	–	–	–	–	(213,334)	(213,334)	–	(213,334)
Disposal of a subsidiary	30(b)	–	–	–	–	–	–	(12,091)	(12,091)
Acquisition of non-controlling interests	30(c)	–	–	–	(132,391)	–	(132,391)	(102,374)	(234,765)
Acquisition of subsidiaries	30(a)	–	–	–	–	–	–	128,670	128,670
Capital injection from non-controlling interests		–	–	–	–	–	–	13,500	13,500
Equity-settled share-based payment – Value of employee services	22	–	–	–	7,320	–	7,320	–	7,320
Total Transactions with owners		–	–	–	(125,071)	(213,334)	(338,405)	27,705	(310,700)
Balance at 30 June 2021		20,499	7,063,990	113,073	(1,739,751)	1,196,531	6,654,342	381,487	7,035,829

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2021

	Audited								
	Attributable to equity holders of the Company								
	Share Capital RMB'000 (Note 22)	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Retained Earnings RMB'000	Convertible Redeemable RMB'000	Total RMB'000	Non-Controlling Interests RMB'000	Total Equity RMB'000
Balance at 1 January 2020	–	–	73,131	(28,500)	189,164	–	233,795	–	233,795
For the six months ended 30 June 2020									
Comprehensive income									
Profit for the period	–	–	–	–	245,420	–	245,420	9,251	254,671
Transactions with owners in their capacity as owners									
Deemed distribution arising from reorganization	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization	–	212,275	–	(212,275)	–	–	–	–	–
Waive of payable to related party	–	–	–	1,358	–	–	1,358	–	1,358
Issuance of ordinary shares	1	–	–	–	–	–	1	–	1
Issuance of and re-designation into convertible redeemable preferred shares	–	–	–	(864,500)	–	1,729,000	864,500	–	864,500
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	–	–	–	–	(720)	–	(720)	–	(720)
Dividends declared by Super Rocket Limited	–	–	–	–	(9,745)	–	(9,745)	–	(9,745)
Acquisition of subsidiaries	–	–	–	–	–	–	–	(53,863)	(53,863)
Total Transactions with owners	1	212,275	–	(1,086,927)	(10,465)	1,729,000	843,884	(53,863)	790,021
Balance at 30 June 2020	1	212,275	73,131	(1,115,427)	424,119	1,729,000	1,323,099	(44,612)	1,278,487

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited RMB'000	Six months ended 30 June 2020 Audited RMB'000
Cash flows from operating activities			
Cash generated from operations		**346,352**	432,999
Interest received on bank deposits		**13,475**	2,626
Income tax paid		**(110,215)**	(20,114)
Net cash generated from operating activities		**249,612**	415,511
Cash flows (used in)/from investing activities			
Payments for acquisition of subsidiaries of current period, net of cash acquired	30(a)	**(95,570)**	(107,484)
Payments for acquisition of subsidiaries of prior period		**(240,777)**	–
Purchase of financial assets at fair value through profit or loss		**(470,460)**	(68,789)
Proceeds from disposal of financial assets at fair value through profit or loss		**494,460**	–
Net cash inflow/(outflow) from disposal of a subsidiary	30(b)	**91,383**	(71)
Payments for property, plant and equipment		**(58,737)**	(7,001)
Proceeds from disposal of property, plant and equipment		**(332)**	–
Payments of software development costs		**(1,113)**	(9,632)
Loans to related parties	31(b)	**–**	(362,140)
Receipts of advance to related parties	31(b)	**–**	1,251,547
Net cash (used in)/generated from investing activities		**(281,146)**	696,430
Cash flows used in financing activities			
Payments for acquisition from non-controlling interests		**(117,274)**	–
Capital injection from non-controlling interests of subsidiaries		**13,500**	–
Interest paid on borrowings		**(5,778)**	(12,746)
Repayments of borrowings		**(20,000)**	(159,352)
Payments for leased liabilities		**(10,769)**	(3,625)
Interest paid on leased liabilities		**(183)**	(513)
Listing expense paid		**–**	(1,546)
Proceeds from issuance of convertible redeemable preferred shares		**–**	864,500
Capital injection from owners before initial public offering		**–**	1
Dividends paid to the then shareholders of Shimao Tiancheng		**–**	(569,712)
Payments for consideration of reorganization		**–**	(221,510)
Repayments of cash advance from related parties	31(b)	**–**	(97,172)
Net cash used in financing activities		**(140,504)**	(201,675)
Net (decrease)/increase in cash and cash equivalents		**(172,038)**	910,266
Cash and cash equivalents at beginning of the period		**5,830,046**	849,591
Effects of exchange rate changes on cash and cash equivalents		**(36,426)**	(6,276)
Cash and cash equivalents at end of the period		**5,621,582**	1,753,581

The notes on pages 36 to 64 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provisions of property management services, value-added services, value-added services to non-property owners and city services in the People's Republic of China (the "PRC"). The Company's ultimate holding company is Shimao Group Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2006.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2020.

Prior to the listing of the Company, the Group carried out a series of acquisition of subsidiaries from Shimao Group Holdings Limited and its subsidiaries (together, "Shimao Group") for the purpose of the reorganization in preparation for the listing. In this connection, the Group acquired Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") and its subsidiaries from Shimao Group in 2019 at a consideration of RMB840,000,000 and the Group acquired several subsidiaries from Shimao Group in 2020 at a total consideration of RMB11,510,000. These considerations were accounted for as deduction of reserve. Also, as part of the reorganization, the Company acquired certain subsidiaries by issuing one share to Best Cosmos Limited ("Best Cosmos", the immediate holding company of the Company). The excess of the then book value of these subsidiaries over the par value was credited to share premium with an amount of RMB212,275,000.

This interim condensed consolidated financial information has not been audited and are presented in Renminbi ("RMB"), unless otherwise stated.

2 Basis of preparation

This interim condensed consolidated financial information for the half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard IAS 34 "Interim Financial Reporting". The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

3 Significant accounting policies

Except for the newly effective standards, amendments and interpretations that became applicable to the Group first time for the six months ended 30 June 2021 and note 3.1(iii) below, the accounting policies adopted are consistent with those of the annual report for the year ended 31 December 2020 as described therein.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3.1 Changes in accounting policies and disclosures

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021

3 Significant accounting policies *(CONTINUED)*

3.1 Changes in accounting policies and disclosures (continued)

(ii) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 28 (Amendments)	Presentation of financial statements, accounting policies, changes in accounting estimates and errors	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

(iii) ***Equity-settled share-based payment transactions***

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the shares/options is recognised as costs of assets or expenses to whichever the employee services is attributable.

Under the long term incentive scheme, the fair value of shares granted to eligible employees for their services is based on the share price at the grant date.

Under the share option scheme, the fair value of the options granted to the eligible employees for their services rendered is determined by reference to:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any services and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total cost/expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares/options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When shares are vested, the Company issues shares from treasury shares or existing shares. When the options are exercised from treasury shares, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.When the options are exercised from existing shares, any directly attributable transaction costs are credited from reserves to share premium.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual report for the year ended 31 December 2020.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: fair value interest rate risk, credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2020.

There have been no significant changes in any risk management policies since the year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

As at 30 June 2021 and 31 December 2020, the Group maintained at net cash position.

5 Financial risk management *(CONTINUED)*

5.4 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities measured at fair value at 30 June 2021 and 31 December 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2021 (Unaudited)				
Assets				
Financial assets at fair value through profit or loss	**–**	**–**	**23,138**	**23,138**
Financial assets at fair value through other comprehensive income	**–**	**–**	**356**	**356**
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	**–**	**–**	**347,351**	**347,351**
As at 31 December 2020 (Audited)				
Assets				
Financial assets at fair value through other comprehensive income	–	–	356	356
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	–	–	320,344	320,344

Financial assets at fair value through other comprehensive income included in Level 3 as at 30 June 2021 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at fair values through profit or loss included in Level 3 as at 30 June 2021 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Consideration payable arising from non-controlling shareholders' put option in Level 3 as at 30 June 2021 are put options under which the non-controlling shareholders have the right to sell the remaining equity interests to the Group, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

5 Financial risk management *(CONTINUED)*

5.4 Fair value estimation (continued)

The following table presents the changes in Level 3 instruments for the six months ended 30 June 2021 and for the year ended 31 December 2020:

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000
As at 1 January 2020	–	–	19,997
Additions	68,789	–	282,004
Additions from acquisition of subsidiaries	50,483	356	–
Change in fair value	2,062	–	18,343
Disposals	(121,334)	–	–
As at 31 December 2020 (Audited)	–	356	320,344
Net gains/(losses) for the year	2,062	–	(18,343)
As at 1 January 2021	**–**	**356**	**320,344**
Additions	**470,460**	**–**	**–**
Additions from acquisition of subsidiaries	**47,074**	**–**	**–**
Change in fair value	**64**	**–**	**27,007**
Disposals	**(494,460)**	**–**	**–**
As at 30 June 2021 (Unaudited)	**23,138**	**356**	**347,351**
Net gains/(losses) for the period	**64**	**–**	**(27,007)**

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case-by-case basis. At least once every reporting year, the Group would assess the fair value of the Group's Level 3 instruments by using valuation techniques.

There were no changes in Level 3 instruments for the six months ended 30 June 2021.

6 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

The Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the period ended 30 June 2021.

As at 30 June 2021 and 31 December 2020, all of the non-current assets of the Group were located in the PRC.

7 Revenue and cost of sales and services

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales and services by category for the six months ended 30 June 2021 and 2020 is as follows:

	Six months ended 30 June			
	2021 Unaudited RMB'000		2020 Audited RMB'000	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Revenue from customer and recognized over time:				
Property management services	**2,321,876**	**1,703,122**	819,707	596,882
Community value-added services	**396,292**	**92,346**	66,798	33,527
Value-added services to non-property owners	**384,312**	**277,464**	327,637	224,919
City services (Note (a))	**134,178**	**114,198**	–	–
	3,236,658	**2,187,130**	1,214,142	855,328
Revenue from customer and recognized at a point in time:				
Community value-added services	**997,099**	**791,282**	350,494	177,513
	4,233,757	**2,978,412**	1,564,636	1,032,841
Revenue recognized on gross basis/net basis:				
Revenue recognized on gross basis	**3,865,461**	**2,721,918**	1,427,031	982,331
Revenue recognized on net basis	**368,296**	**256,494**	137,605	50,510
	4,233,757	**2,978,412**	1,564,636	1,032,841

(a) The Group provides city services such as integrated environment sanitation services, classic garbage treatment, road facilities installation for urban and rural areas. The Group recognizes revenue on a gross basis when the services are rendered.

For the six months ended 30 June 2021, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 11.33% (six months ended 30 June 2020: 29.54%) of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

8 Expenses by Nature

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Employee benefit expenses (Note (a))	**1,243,281**	600,813
Maintenance and engineering costs	**674,817**	148,682
Greening and gardening costs	**57,984**	25,309
Cleaning costs	**276,764**	134,971
Office expenses	**165,807**	72,017
Security costs	**197,738**	89,764
Utilities	**130,510**	50,254
Cost of selling parking lots	**67,213**	60,008
Community activities expenses	**5,595**	4,293
Taxes and surcharges	**15,473**	10,006
Depreciation and amortization charges	**87,634**	21,735
Raw materials used in catering services	**64,994**	–
Cost of goods sold	**441,962**	9,747
Auditors' remuneration		
– Annual services	**2,100**	644
– Non-audit services	**3,050**	–
Listing expenses	**–**	15,605
Others	**7,842**	11,723
	3,442,764	1,255,571

(a) Share based compensation as the amount of 7,321,000 is included in employee benefit expenses (Note 22).

9 Other income

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Government grants (Note (a))	**22,332**	11,305
Value-added tax deductibles (Note (b))	**6,847**	4,077
Others	**49**	5,594
	29,228	20,976

(a) Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

(b) Value-added tax deductibles mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

10 Other gains/(losses) – net

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Net gain on disposal of a subsidiary	**69,059**	511
Net fair value losses of put option	**(27,007)**	(7,192)
Fair value gain on financial asset at fair value through profit or loss	**64**	–
Gain on disposal of financial assets at fair value through profit or loss	**2,346**	1,079
Net loss on disposal of property, plant and equipment	**(74)**	(20)
Net foreign exchange (losses)/gains	**(3,028)**	1,745
Others	**991**	(1,771)
	42,351	(5,648)

11 Other operating expenses

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Depreciation of investment properties	**314**	2,471
Compensation expenses	**3,495**	14
Others	**–**	494
	3,809	2,979

12 Finance income/(costs) – net

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Interest income on bank deposits	**12,100**	2,626
Finance income	**12,100**	2,626
Interest expense on Asset-Backed Securities	**–**	(12,746)
Interest expense on borrowings	**(1,515)**	–
Interest and finance charges payable for lease liabilities	**(8,945)**	(513)
Finance costs expensed	**(10,460)**	(13,259)
Finance income/(costs) – net	**1,640**	(10,633)

13 Income tax expense

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Current income tax		
– PRC corporate income tax and withholding income tax	**135,606**	61,791
Deferred income tax credit (Note 27)		
– PRC corporate income tax	**(38,081)**	(12,833)
	97,525	48,958

(a) Cayman Island income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the six months ended 30 June 2021.

(c) PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the six months ended 30 June 2021.

The corporate income tax rate applicable to the entities located in Mainland China out of in western regions is 25% according to the Corporate Income Tax Law of the PRC.

Certain subsidiaries of the Group in PRC are located in western cities of the PRC, and they are subjected to a preferential income tax rate of 15% in certain years.

Shanghai Shimao Wulianwang Technology Co., Ltd. is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2020 after utilizing all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

Preferential tax treatment is available to Shenzhen Shenxiong Environmental Co., Ltd. ("Shenzhen Shenxiong"), since it was recognised as High and New Technology Enterprise in 2020, respectively, and entitled to a preferential tax rate of 15% for a three-year period beginning from 2020 to 2022.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 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 1 January 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%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

14 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 during the six months ended 2021 and 2020 and including convertible redeemable preferred shares ("CPS") during the six months ended 2020.

The weighted average number of ordinary shares used for the six months ended 30 June 2020 has been retrospectively adjusted for the effects of the issue of 94,999 shares (Note 22(i)(a)) and the 1,999,900,000 shares issued in connecting with the Capitalization issue, these were deemed to have been in issue since 1 January 2020.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2021 Unaudited	2020 Audited
Profit attributable to equity holders of the Company (RMB'000)	**578,156**	245,420
Weighted average number of equity shares (in thousands)	**2,363,973**	1,999,996
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)	**0.24**	0.12

15 Investment in associates accounted for using the equity method

Set out below is the associates of the Group as at 30 June 2021:

Name of entity	**Place of business/ country of incorporation**	**% of ownership interest %**	**Carrying amount RMB'000**
Zhejiang Xinyu Trade Co., Ltd.	The PRC	**40**	**21,692**
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	**49**	**5,999**
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	**30**	**5,355**
Kunming Ruixin City Operation Management Co., Ltd.	The PRC	**33**	**3,064**
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd.	The PRC	**49**	**–**
			36,110

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
At the beginning of the period	**34,074**	3,692
Addition from acquisition of subsidiaries	**–**	2,328
Share of profits – net	**2,036**	117
At the end of the period	**36,110**	6,137

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 Capital expenditure

	Property, plant and equipment RMB'000	Investment properties RMB'000	Total RMB'000
As at 1 January 2020 (audited)			
Cost	30,569	108,005	138,574
Accumulated depreciation	(16,540)	(5,002)	(21,542)
Net book amount	14,029	103,003	117,032
Six months ended 30 June 2020			
Opening net book amount	14,029	103,003	117,032
Additions from acquisition of subsidiaries	13,073	–	13,073
Additions	6,196	–	6,196
Disposals	(108)	–	(108)
Depreciation charge	(3,942)	(2,471)	(6,413)
Disposal of a subsidiary	(8)	–	(8)
Closing net book amount	29,240	100,532	129,772
As at 30 June 2020 (audited)			
Cost	57,657	108,005	165,662
Accumulated depreciation	(28,417)	(7,473)	(35,890)
Net book amount	29,240	100,532	129,772
As at 1 January 2021 (unaudited)			
Cost	**242,573**	**34,562**	**277,135**
Accumulated depreciation	**(36,430)**	**(14,631)**	**(51,061)**
Net book amount	**206,143**	**19,931**	**226,074**
Six months ended 30 June 2021			
Opening net book amount	**206,143**	**19,931**	**226,074**
Additions from acquisition of subsidiaries (Note 30(a))	**106,556**	**–**	**106,556**
Additions	**52,035**	**–**	**52,035**
Depreciation charge	**(32,569)**	**(314)**	**(32,883)**
Disposal of a subsidiary	**(38,862)**	**–**	**(38,862)**
Disposals	**(129)**	**–**	**(129)**
Closing net book amount	**293,174**	**19,617**	**312,791**
As at 30 June 2021 (unaudited)			
Cost	**431,869**	**34,562**	**466,431**
Accumulated depreciation	**(138,695)**	**(14,945)**	**(153,640)**
Net book amount	**293,174**	**19,617**	**312,791**

16 Capital expenditure *(CONTINUED)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Cost of sales and services	**27,398**	1,650
Administrative expenses	**5,171**	2,292
Other operating expenses	**314**	2,471
	32,883	6,413

The Group is in the process of obtaining the ownership certificates of the investment properties as at 31 December 2020.

As at 30 June 2021 and 31 December 2020, none of property, plant and equipment and investment properties were pledged.

17 Intangible assets

	Computer Software RMB'000	Goodwill (Note(a)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2020 (audited)				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Six months ended 30 June 2020				
Opening net book amount	17,164	176,318	89,812	283,294
Additions	2,400	175,754	114,000	292,154
Additions from acquisition of subsidiaries	8,525	–	–	8,525
Disposals	(14)	–	–	(14)
Amortization charge	(3,590)	–	(9,300)	(12,890)
Closing net book amount	24,485	352,072	194,512	571,069
As at 30 June 2020 (audited)				
Cost	29,965	352,072	209,800	591,837
Accumulated amortization	(5,480)	–	(15,288)	(20,768)
Net book amount	24,485	352,072	194,512	571,069
As at 1 January 2021 (unaudited)				
Cost	**71,948**	**1,213,779**	**634,800**	**1,920,527**
Accumulated amortization	**(6,046)**	**–**	**(41,184)**	**(47,230)**
Net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**
Six months ended 30 June 2021				
Opening net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**
Additions from acquisition of subsidiaries (Note 30(a))	**–**	**376,459**	**230,000**	**606,459**
Additions	**1,112**	**–**	**–**	**1,112**
Amortization charge	**(5,063)**	**–**	**(39,850)**	**(44,913)**
Capitalization	**8,091**	**–**	**–**	**8,091**
Closing net book amount	**70,042**	**1,590,238**	**783,766**	**2,444,046**
As at 30 June 2021 (unaudited)				
Cost	**81,151**	**1,590,238**	**864,800**	**2,536,189**
Accumulated amortization	**(11,109)**	**–**	**(81,034)**	**(92,143)**
Net book amount	**70,042**	**1,590,238**	**783,766**	**2,444,046**

17 Intangible assets *(CONTINUED)*

Amortisation of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Cost of sales and services	**43,206**	–
Administrative expenses	**1,707**	12,890
	44,913	12,890

(a) Goodwill

As there were no indicators for impairment of the cash-generating units ("CGUs") of the subsidiaries acquired in prior years as at 30 June 2021, management has not updated any impairment calculations for them.

Goodwill of RMB376,459,000 has been allocated to the CGUs of these subsidiaries acquired this period for impairment testing. Management performed an impairment assessment on the goodwill as at 30 June 2021. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation. The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate during the forecast period	8%-18%
Gross profit margin during the forecast period	22%-35%
Pre-tax discount rate	17%-20%

Based on management's assessment during the period, no impairment provision was considered necessary to provide as at 30 June 2021.

18 Inventories

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Carparks purchased from third parties	**276,810**	263,653
Other inventories	**6,919**	3,580
	283,729	267,233

19 Trade receivables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade receivables (Note (a))		
– Related parties (Note 31(c))	**351,335**	197,094
– Third parties	**2,479,674**	1,595,208
	2,831,009	1,792,302
Note receivables		
– Related parties (Note 31(c))	**137,174**	173,995
– Third parties	**5,250**	13,039
	142,424	187,034
Less: allowance for impairment of trade receivables	**(232,187)**	(116,172)
	2,741,246	1,863,164

(a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services income under lump sum basis is received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**2,408,567**	1,666,064
1 to 2 years	**305,517**	76,843
2 to 3 years	**68,618**	18,909
3 to 4 years	**16,429**	10,416
4 to 5 years	**9,987**	7,292
Over 5 years	**21,891**	12,778
	2,831,009	1,792,302

As at 30 June 2021, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For the six months ended 30 June 2021, a provision of RMB232,187,000 (2020: RMB116,172,000) was made against the gross amounts of trade receivables. The provision for impairment increased during the six months ended 30 June 2021 was mainly due to the increase of trade receivables.

As at 30 June 2021, RMB5,000,000 trade receivables of the Group was pledged to secure borrowings granted to the Group (2020: RMB5,000,000) (Note 24).

20 Prepayments, deposits and other receivables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	**64,970**	74,075
– Prepayment for acquisition of subsidiaries (Note (b))	**–**	185,492
Current prepayments		
– Prepayments to customers (Note (a))	**309**	257
– Utilities	**31,453**	14,342
– Raw materials for value added services	**13,333**	3,996
– Other prepayments	**46,699**	66,224
Subtotal	**156,764**	344,386
Other receivables		
– Advance to related parties (Note 31(c))	**155,591**	175,639
– Advance to employees	**11,526**	8,483
– Payments on behalf of property owners (Note (c))	**296,792**	130,898
– Other receivable arising from acquisition (Note (d))	**65,263**	–
– Deposits	**47,887**	34,054
– Others	**44,567**	24,925
Subtotal	**621,626**	373,999
Total	**778,390**	718,385
Less: Allowance for impairment of other receivables	**(14,215)**	(4,396)
	764,175	713,989

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortization period is 31 to 42 years based on such operation periods.

(b) On 29 December 2020, Shimao Tiancheng came into an agreement with a third-party minority shareholder of a subsidiary to acquire 19% equity interests with a total consideration of RMB234,984,000. As at 30 June 2021, the deal has been completed.

(c) As at 30 June 2021 and 31 December 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

(d) As at 30 June 2021, this receivable was due from a third party for it was an advance before the acquisition. According to the acquisition agreement, it would be refunded by the end of 2021.

21 Cash and cash equivalents and term deposits

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Cash on hand	**3,748**	4,052
Cash at bank	**5,617,934**	5,828,039
	5,621,682	5,832,091
Restricted cash (Note (a))	**(100)**	(2,045)
	5,621,582	5,830,046

(a) Restricted cash were cash deposits of performance security as at 30 June 2021 and 31 December 2020.

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
RMB	**2,669,355**	1,409,306
HKD	**2,841,714**	4,311,331
USD	**110,613**	111,454
	5,621,682	5,832,091

22 Share capital

(i) Details of share capital of the Company are as follows:

	Number of ordinary shares	Share capital HKD	RMB
Authorized			
As at 30 June 2021 and 31 December 2020	**3,500,000,000**	**35,000,000**	**30,350,583**
Issued and fully paid			
As at 1 January 2021 and 30 June 2021 (Unaudited)	**2,363,973,000**	**23,639,730**	**20,499,417**
As at 1 January 2020 (Audited)	1	–	–
Issue of shares (Note a)	94,999	950	869
Re-designated into convertible redeemable preferred shares (Note b)	(5,000)	(50)	(45)
As at 30 June 2020 (Audited)	90,000	900	824

(a) The shares issued on 7 May 2020 rank pari passu with the then existing share in issue.

(b) Pursuant to the Convertible redeemable preferred share agreement, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares.

22 Share capital *(CONTINUED)*

(ii) Share Award Scheme

(a) Under the Share Award Scheme of the Shimao Group adopted on 3 May 2021 (the "Shimao Group Share Scheme"), the maximum number of shares of the Company can be awarded by the Shimao Group is 0.3% (i.e. 7,091,919 shares of the Company) of the issued share capital of the Company as at the date of adoption.

The board of directors of Shimao Group (the "Group Board") may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Group Board from time to time), select such employee(s) for participation in the Shimao Group Share Scheme and determine the number of awarded shares.

During the six months ended 30 June 2021, 6,865,821 shares of the Company were granted to certain directors and selected employees of the Shimao Group under the Shimao Group Share Scheme, including 4,866,137 were granted to certain directors and selected employees of the Group. None of the awarded share has been vested during the six months ended 30 June 2021.

The granted shares were subject to several vesting conditions, including the completion of specific period of service as stated in the letter of grant and non-market performance appraisal before vesting date. The shares granted are held by Best Cosmos before being transferred to the employees when vesting conditions are fully met. For the shares granted under the Shimao Group Share Scheme are existing shares, there is no diluted impact on earnings per share.

Movements in the number of unvested shares granted during the period are as follows:

	Number of unvested shares granted Six months ended 30 June 2021
Unvested shares, beginning	–
Granted	**4,866,137**
Unvested shares, ending	**4,866,137**

The weighted average fair value of the unvested shares granted during the period ended 30 June 2021 is HKD76,374,020, equivalent to RMB63,359,050 (2020: Nil).

(b) The Company's board of directors (the "Board") approved and adopted the Share Award Scheme on 28 June 2021 (the "Group Share Scheme"). Unless terminated earlier by the Board, the Group Share Scheme is valid and effective for a term of 10 years commencing on 28 June 2021. The maximum number of shares which can be awarded must not exceed 70,919,190 shares (i.e. 3% of the total number of issued shares of the Company as at 28 June 2021).

The Board may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each employee determined by the Board from time to time), select such employee(s) for participation in the Group Share Scheme and determine the number of awarded shares.

Under the Group Share Scheme, a trust was constituted to manage the Group Share Scheme, and a wholly owned subsidiary of the Company incorporated in the British Virgin Islands was designated as trustee to hold awarded shares upon trust until they are vested. Up to 30 June 2021, no shares were granted under the Group Share Scheme.

23 Provisions for other liabilities and charges

	30 June 2021 Unaudited RMB'000		31 December 2020 Audited RMB'000	
	Current	**Non-current**	Current	Non-current
Claim provisions	**–**	**3,060**	–	3,297

As at 30 June 2021, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB3,060,000 (2020: RMB3,297,000).

24 Borrowings

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**8,208**	5,000
Less: Portion of long-term bank borrowings due within one year	**(700)**	(600)
	7,508	4,400
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (Note (a))	**5,000**	9,000
– unsecured	**–**	16,000
Current portion of non-current borrowings	**700**	600
	5,700	25,600

(a) As at 30 June 2021, RMB5,000,000 trade receivables of the Group have been pledged for total bank borrowings of RMB5,000,000 (31 December 2020: 5,000,000) for the Group companies (Note 19).

The maturity date of the borrowings was analysed as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**5,700**	25,600
Between 1 and 2 years	**4,300**	4,400
Between 2 and 3 years	**3,208**	–
	13,208	30,000

For the six months ended 30 June 2021, the weighted average effective interest rates on borrowings were 9.74% (six months ended 30 June 2020: 9.76%).

25 Trade and other payables

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Trade payables (Note (b))		
– Related parties (Note 31(c))	**26,646**	38,756
– Third parties	**1,187,387**	640,647
Subtotal	**1,214,033**	679,403
Other payables		
– Payable to related parties (Note 31(c))	**90,333**	207,492
– Accrued expenses	**596,237**	866,893
– Amounts collected on behalf of property owners	**687,562**	542,774
– Consideration payable arising from non-controlling shareholders' put option (Note (a))	**347,351**	320,344
– Purchase consideration	**646,381**	320,295
– Deposits	**71,658**	25,621
– Other payables	**35,597**	24,129
Subtotal	**2,475,119**	2,307,548
Total	**3,689,152**	2,986,951

(a) There are several put options guaranteed to the non-controlling shareholders of some subsidiaries of the Group under which they have the right to sell the remaining equity interests to the Group.

(b) As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Within 1 year	**1,056,970**	670,056
1 to 2 years	**153,456**	6,065
2 to 3 years	**1,247**	1,826
3 to 4 years	**2,036**	723
4 to 5 years	**255**	733
Over 5 years	**69**	–
	1,214,033	679,403

As at 30 June 2021, trade and other payables were denominated in RMB.

26 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognized in the consolidated balance sheets

The balance sheet shows the following amounts relating to leases:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Right-of-use assets		
– Land use rights	–	1,786
– Properties	**35,027**	25,426
	35,027	27,212
Lease liabilities		
Current	**22,158**	12,809
Non-current	**16,074**	7,896
	38,232	20,705

(b) Amounts recognized in the consolidated statements of comprehensive income

	Six months ended 30 June	
	2021 Unaudited RMB'000	2020 Audited RMB'000
Depreciation charge		
– Land use rights	**401**	–
– Properties	**9,751**	4,903
	10,152	4,903
Finance costs on leases	**8,945**	1,348
Expenses related to short-term lease and low-value assets (included in administrative expenses)	**7,582**	840

The total cash outflow for leases during the period was RMB10,769,000.

27 Deferred income tax

The analysis of deferred tax assets in the consolidated statements of balance sheet was as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**122,164**	93,265
Net-off with deferred tax liability	**(21,854)**	(25,732)
	100,310	67,533
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(157,044)**	(128,736)
– Deferred tax liability to be recovered within 12 months	**(18,393)**	(19,158)
Net-off with deferred tax asset	**21,854**	25,732
	(153,583)	(122,162)

The movement in deferred tax assets and liabilities for the six months ended 30 June 2021, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision RMB'000	**Deductible tax loss** RMB'000	**Accrued expense** RMB'000	**Put Option Fair Value Change** RMB'000	**Total** RMB'000
As at 1 January 2021	36,289	674	51,716	4,586	93,265
Additions from acquisition of a subsidiary (Note 30(a))	159	–	–	–	159
Credited to the consolidated statements of comprehensive income	17,453	51	4,484	6,752	28,740
As at 30 June 2021	**53,901**	**725**	**56,200**	**11,338**	**122,164**

27 Deferred income tax *(CONTINUED)*

Deferred income tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Depreciation RMB'000	Fair value adjustments on financial assets at fair value through profit or loss RMB'000	Total RMB'000
As at 1 January 2021	(147,240)	(654)	–	(147,894)
Additions from acquisition of subsidiaries	(38,700)	–	–	(38,700)
Reductions from disposal of a subsidiary	1,816	–	–	1,816
Credited/(charged) to the consolidated statements of comprehensive income	9,197	160	(16)	9,341
As at 30 June 2021	**(174,927)**	**(494)**	**(16)**	**(175,437)**

28 Dividends

	30 June 2021 **Unaudited** **RMB'000**	31 December 2020 Audited RMB'000
Final dividends payable of HK11 cents (2020: Nil) per ordinary share (Note (a))	**213,334**	–
Proposed interim dividends of Nil (2020: Nil) per ordinary share (Note (b))	**–**	217,695
	213,334	217,695

(a) A final dividend in respect of the year ended 31 December 2020 of HK11 cents per ordinary share, amounting to approximately HKD260,037,030 (equivalent to RMB213,344,379) was proposed at the Company's board meeting held on 15 March 2021, and was approved at the annual general meeting of the Company held on 26 May 2021.

(b) The Company's board did not recommend the payment of any interim dividends for the six months ended 30 June 2021 (30 June 2020: Nil).

29 Commitments

(a) Operating lease commitments

Lease commitments – as lessee

As at 30 June 2021 and 31 December 2020, the Group did not have any material lease commitments which were not recognized as right-of-use assets.

Operating lease commitments – as lessor

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
No later than 1 year	**27**	111
Later than 1 year and no later than 5 years	**12**	18
	39	129

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Assets under construction	**214,000**	148,500

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests

(a) Acquisition of subsidiaries

(i) On 22 April 2021, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Shenzhen Shenxiong at a cash consideration of RMB511,028,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired is recorded as goodwill.

(ii) On 31 May 2021, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Zhejiang Yefeng Property Service Co., Ltd. ("Zhejiang Yefeng") at a cash consideration of RMB168,170,000. The excess of the consideration transferred over the fair value of identified net assets acquired is recorded as goodwill.

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(a) Acquisition of subsidiaries (continued)

(iii) The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

The acquired businesses contributed total revenues of RMB87,022,000 and net profits of RMB9,153,000 to the Group for the period from their respective acquisition dates to 30 June 2021.

Details of the purchase considerations, the net assets acquired and goodwill are as follows:

Purchase consideration	Shenzhen Shenxiong Unaudited RMB'000	Zhejiang Yefeng Unaudited RMB'000	Total Unaudited RMB'000
Consideration			
– Cash paid	87,877	24,458	112,335
– Payable	423,151	143,712	566,863
	511,028	168,170	679,198

a) Summary of acquisition

	Total Unaudited RMB'000
Consideration	679,198
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	16,765
Trade receivables	85,630
Prepayments, deposits and other receivables	186,683
Other current assets	47,505
Property, plant and equipment (Note 16)	106,556
Intangible assets: customer relationship (Note 17)	230,000
Deferred income tax assets (Note 27)	159
Other non-current assets	510
Less: Trade and other payables	(197,879)
Borrowings	(3,392)
Contract liabilities	(2,428)
Deferred income tax liabilities (Note 27)	(38,700)
Identifiable net assets acquired	431,409
Less: Non-controlling interests	(128,670)
Add: Goodwill (Note 17)	376,459
Net assets acquired	679,198

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose. Intangible assets including identified customer relationships of RMB230,000,000 in relation to the acquisitions have been recognised by the Group (Note 17).

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(a) Acquisition of subsidiaries (continued)

b) Purchase consideration – cash outflow

	Total Unaudited RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	112,335
Less: balance acquired – cash and cash equivalents	(16,765)
Net cash outflow on acquisitions	95,570

(b) Disposal of a subsidiary with loss of control

For the six months ended 30 June 2021, the Group disposed equity interest of a subsidiary. The disposal resulted in a net cash inflow of RMB91,383,000 and a net gain of RMB69,059,000.

Net assets disposed with reconciliation of disposal gains and cash inflow on disposal are as follow:

	Unaudited RMB'000
Cash and cash equivalents	3,602
Trade and other receivables and prepayments	6,463
Property and equipment (Note 16)	38,862
Right-of-use assets	1,385
Trade and other payables	(3,191)
Contract liabilities	(288)
Deferred income tax liabilities	(1,816)
Total identifiable net assets	45,017
Non-controlling interests	(12,091)
Net assets attribute to the equity holders of the Company	32,926
Total consideration	101,985
Disposal gains (Note 10)	69,059
Total consideration	101,985
Less: Cash and cash equivalents in the entities disposed	(3,602)
Consideration receivable from the purchaser	(7,000)
Net cash inflow due to disposal	91,383

30 Significant acquisition or disposal of a subsidiary and transaction with non-controlling interests *(CONTINUED)*

(c) Transaction with non-controlling interests

For the six months ended 30 June 2021, the Group acquired additional interests in a subsidiary for a total consideration of RMB234,765,000. The Group recognized a decrease in non-controlling interests of RMB102,374,000 and a decrease in equity attributable to the equity holders of the Company of RMB132,391,000. The effect of changes in the ownership interest of the Group on the equity attributable to the equity holders of the Company during the period is summarized as follows:

	The date of acquisition Unaudited RMB'000
Consideration: prepaid in prior period to non-controlling interests	117,491
paid in current period to non-controlling interests	117,274
Carrying amount of non-controlling interests acquired	(102,374)
Excess of carrying amount acquired recognized in equity	132,391

31 Related party transactions

(a) Names and relationships with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in the Cayman Islands which owns 65.59% of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Six months ended 30 June	
	2021 **Unaudited** **RMB'000**	2020 Audited RMB'000
Services provided to related parties		
– Shimao group	**395,512**	375,577
– Joint ventures and associates of Shimao Group	**84,079**	86,650
	479,591	462,227
Services received from related parties		
– Shimao Group	**–**	174
Rental expenses		
– Shimao Group	**3,698**	2,608

31 Related party transactions *(CONTINUED)*

(b) Transactions with related parties (continued)

(ii) Discontinued transactions

	Six months ended 30 June	
	2021	2020
	Unaudited	Audited
	RMB'000	RMB'000
Services received from related parties		
– Shimao Group	–	1,072
Distribution and deemed distribution		
– Shimao Group	–	10,465
Repayment of Cash advance from related parties		
– Shimao Group	–	97,172
Advance to related parties		
– Shimao Group	–	362,140
Receipts of advance to related parties		
– Shimao Group	–	1,251,547

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

31 Related party transactions *(CONTINUED)*

(c) Balances with related parties – trade

	30 June 2021 Unaudited RMB'000	31 December 2020 Audited RMB'000
Receivables from related parties		
Trade Receivables (Note 19)		
– Shimao Group	**408,041**	322,686
– Joint ventures and associates of Shimao Group	**80,468**	48,403
	488,509	371,089
Prepayments, deposits and other receivables		
– Shimao Group	**132,800**	167,011
– Joint ventures and associates of Shimao Group	**23,287**	9,124
	156,087	176,135
Total receivables from related parties	**644,596**	547,224
Payables to related parties		
Contract liabilities		
– Shimao Group	**42,038**	13,589
– Joint ventures and associates of Shimao Group	**10,325**	4,553
	52,363	18,142
Trade and other payables		
– Shimao Group	**54,402**	215,449
– Joint ventures and associates of Shimao Group	**62,577**	30,799
	116,979	246,248
Total payables to related parties	**169,342**	264,390

(d) Balances with related parties – non-trade

Saved as disclosed elsewhere in the consolidated financial statements, as at 30 June 2021 and 31 December 2020, the Group has no non-trade balances to related parties.

32 Contingencies

As at 30 June 2021 and 31 December 2020, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

33 Events after the balance sheet date

On 20 August 2021, the Group entered into an equity transfer agreement with third parties to purchase, subject to certain conditions, 60% of the equity interests in Wuxi Jinshatian Technology Co., Ltd., at a consideration of RMB842,400,000.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shimao Services Holdings Limited
(incorporated in Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Shimao Services Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 124, which comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of trade receivables
- Purchase price allocation for business combinations
- Impairment assessment of goodwill

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables	
Refer to note 4 'Critical accounting estimates and judgements' and note 22 'Trade receivables' to the consolidated financial statements. As at 31 December 2020, the net carrying amount of trade receivables of the Group is RMB1.86 billion, including gross amount of RMB1.98 billion and loss allowance of RMB116 million. The Group applies the simplified approach under HKFRS 9 to measure expected credit loss, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and aging periods. The Group estimated the expected credit losses based on estimation about risk of default and expected credit loss rates. Management calculated the historical default rate based on the payment profile of debtors, including sales and the related bad debts in the observed period. The expected lifetime loss is estimated based on internal historical data with adjustment to reflect current conditions and forward looking factors such as the GDP, CPI and the growth rate of the debtor's industry. We consider this area a key audit matter due to the significant management estimates involved in the impairment assessment of trade receivables given the subjectivity of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity etc. (ii) We evaluated the outcome of prior period assessment of the impairment of trade receivables to assess the effectiveness of management's estimation process. (iii) We evaluated and tested the key controls over the impairment assessment of trade receivables, including the review of ageing and collectability of the receivable balances, and the review and approval of the model and assumptions used in expected credit loss assessment. (iv) We tested the aging profile of trade receivables as of 31 December 2020 used in the calculation of loss allowance of trade receivables, on a sample basis, to sales invoices and other relevant documents. (v) We assessed the historical default rate by considering the payment profile of debtors. We tested the historical data used in the calculation of the historical default rate, including sales and the related bad debts, on a sample basis, to supporting documents. (vi) We evaluated, with assistance from our internal expert, management's assessment of current conditions and forward looking factors including the GDP, CPI and the growth rate of the debtor's industry, based on our understanding of the client's industry and with reference to external data sources. Based upon the above procedures, we found that the significant management estimates in relation to the assessment of the impairment of trade receivables were supported by available evidences.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for business combinations	
Refer to note 4 'Critical accounting estimates and judgements' and note 35 'Business combinations' to the consolidated financial statements. During the year ended 31 December 2020, the Group completed acquisitions of several property management groups with total considerations of RMB1.52 billion, and performed a purchase price allocation for each acquisition, which resulted in recognition of identifiable net assets acquired of RMB730 million which include intangible assets amounted to RMB539 million, in respect of customer relationships, and goodwill of RMB1.04 billion, representing the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired. Management has engaged independent external valuer to assist in determination of the fair value of intangible assets. The determination of the fair value involved significant management judgement and estimates including the adoption of appropriate valuation methodologies (discounted future cash flow method) and the use of significant assumptions in the valuation (mainly including gross profit margins, post-tax discount rates and expected useful lives of customer relationships). We consider this area a key audit matter given the significant management judgements and estimates involved in the fair value assessment of the purchase price allocation given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of purchase price allocation for business combinations and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the purchase price allocation for business combinations, including the review and approval of assumptions and data input, based on approved budget, used in the valuation. (iii) We assessed the competence, capabilities and objectivity of the independent external valuer engaged by management. (iv) We assessed the appropriateness of the valuation methodologies adopted and the reasonableness of significant assumptions used in the cash flow forecasts for the valuation with the assistance from our internal valuation experts. For post-tax discount rates, we compared them with the weighted average cost of capital of the acquired companies and adjusted by certain risk premium. For gross profit margins and the expected useful lives of customer relationships, we compared these assumptions with the relevant historical data of the acquired companies and market data, where applicable. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates involved in the fair value assessment of the purchase price allocation for business combinations were supported by available evidences.

Key Audit Matters *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to note 4 'Critical accounting estimates and judgements' and note 20 'Intangible assets' to the consolidated financial statements. As at 31 December 2020, the Group had goodwill of RMB1.21 billion which arose from the Group's acquisitions of property management groups. Management performed goodwill impairment assessment annually. Management considered each of the acquired property management group a separate group of cash-generated-units ("CGU"). Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations used the discounted cash flow forecast based on approved budgets. Significant management judgements and estimates were involved in the goodwill impairment assessment, including the adoption of methodologies and the use of significant assumptions, which mainly include revenue growth rates, gross profit margins and pre-tax discount rates. We consider this area a key audit matter due to the significant management judgements and estimates adopted in the goodwill impairment assessment given the complexity of the valuation methodologies and the subjectivity of the significant assumptions applied by management.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity etc. (ii) We evaluated and tested the key controls over the impairment assessment of goodwill, including the review and approval of assumptions and data input, based on approved budget, used in the assessment. (iii) We assessed the appropriateness of the methodologies adopted with the assistance from our internal valuation experts, and assessed the Group's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business. (iv) We assessed the revenue growth rates and gross profit margins by comparing to management approved budget, historical data, available market data and industry information. (v) We assessed the pre-tax discount rates with reference to comparable companies and the assistance from our internal valuation experts. (vi) We also compared the current year's actual performance with the prior year's budget and management plan to assess the quality of management's assessment. (vii) We assessed the sensitivity analysis performed by management to consider the likelihood that the actual outcome differs from the estimates on significant assumptions to an extent that results in goodwill being impaired. Based upon the above procedures, we found that the methodologies, significant management judgements and estimates adopted in the goodwill impairment were supported by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
		Year ended 31 December	
Revenue	6	**5,025,688**	2,489,086
Cost of sales and services	6,7	**(3,447,939)**	(1,651,005)
Gross profit		**1,577,749**	838,081
Selling and marketing expenses	7	**(52,444)**	(17,823)
Administrative expenses	7	**(562,336)**	(303,907)
Provision of impairment losses on financial assets – net	3.1	**(70,527)**	(3,372)
Other income	9	**40,873**	17,478
Other losses – net	10	**(24,662)**	(2,606)
Other operating expenses	11	**(11,601)**	(6,694)
Operating profit		**897,052**	521,157
Finance income		**11,407**	37,935
Finance costs		**(14,587)**	(51,833)
Finance costs – net	12	**(3,180)**	(13,898)
Share of results of associates accounted for using the equity method	13	**10,915**	(1,208)
Profit before income tax		**904,787**	506,051
Income tax expense	15	**(180,469)**	(121,520)
Profit for the year		**724,318**	384,531
Profit attributable to:			
– Equity holders of the Company		**692,952**	384,531
– Non-controlling interests		**31,366**	–
		724,318	384,531
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**(166,508)**	–
Total other comprehensive income for the year, net of tax		**(166,508)**	–
Total comprehensive income for the year		**557,810**	384,531

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Total comprehensive income attributable to:			
– Equity holders of the Company		**526,444**	384,531
– Non-controlling interests		**31,366**	–
		557,810	384,531
Earnings per share for profit attributable to the equity holders of the Company			
– Basic and diluted earnings per share (RMB)	16	**0.34**	0.19

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 54 to 124 were approved by the Board of Directors on 15 March 2021 and were signed on its behalf.

Ye Mingjie
Director

Cai Wenwei
Director

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	18	**206,143**	14,029
Right-of-use assets	19	**27,212**	15,858
Investment properties	17	**19,931**	103,003
Intangible assets	20	**1,873,297**	283,294
Deferred tax assets	31	**67,533**	24,619
Investment in associates accounted for using the equity method	13	**34,074**	3,692
Financial assets at fair value through other comprehensive income		**356**	–
Prepayments	23	**259,567**	–
Total non-current assets		**2,488,113**	444,495
Current assets			
Inventories	21	**267,233**	276,775
Trade receivables	22	**1,863,164**	747,305
Prepayments, deposits and other receivables	23	**454,422**	1,256,765
Restricted cash	24	**2,045**	–
Cash and cash equivalents	24	**5,830,046**	849,591
Total current assets		**8,416,910**	3,130,436
Total assets		**10,905,023**	3,574,931
Equity			
Equity attributable to equity holders of the Company			
Share capital	25	**20,499**	–
Reserves	26	**6,427,488**	233,795
		6,447,987	233,795
Non-controlling interests		**292,858**	–
Total equity		**6,740,845**	233,795

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	28	4,400	–
Lease liabilities	30	7,896	8,622
Deferred tax liabilities	31	122,162	14,354
Provisions for other liabilities and charges	27	3,297	2,998
Total non-current liabilities		137,755	25,974
Current liabilities			
Trade and other payables	29	2,986,951	1,913,052
Contract liabilities	6	815,334	445,602
Dividends payables	32	–	559,247
Income tax liabilities		185,729	150,576
Borrowings	28	25,600	239,789
Lease liabilities	30	12,809	6,896
Total current liabilities		4,026,423	3,315,162
Total liabilities		4,164,178	3,341,136
Total equity and liabilities		10,905,023	3,574,931

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company								
	Share Capital RMB'000 (Note 25)	Share Premium RMB'000 (Note 26)	Statutory Reserves RMB'000 (Note 26)	Other Reserves RMB'000 (Note 26)	Convertible redeemable preferred shares RMB'000 (Note 26)	Retained earnings RMB'000 (Note 26)	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2020	–	–	73,131	(28,500)	–	189,164	233,795	–	233,795
Comprehensive income									
Profit for the year	–	–	–	–	–	692,952	692,952	31,366	724,318
Other comprehensive income									
Items that may be reclassified to profit or loss									
Translation reserves	–	–	–	(166,508)	–	–	(166,508)	–	(166,508)
Total comprehensive income for the year	–	–	–	(166,508)	–	692,952	526,444	31,366	557,810
Transactions with owners in their capacity as owners	–	–	–	–	–	–	–	–	–
Deemed distribution arising from reorganization (Note 1)	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization	–	212,275	–	(212,275)	–	–	–	–	–
Waive of payable to related party	–	–	–	1,358	–	–	1,358	–	1,358
Issuance of ordinary shares	1	–	–	–	–	–	1	–	1
Issuance of and re-designation into convertible redeemable preferred shares (Note 25(ii))	–	–	–	(864,500)	1,729,000	–	864,500	–	864,500
Conversion of convertible redeemable preferred shares to ordinary shares (Note 25(ii))	–	1,729,000	–	–	(1,729,000)	–	–	–	–
Capitalization Issue	17,344	–	–	(17,344)	–	–	–	–	–
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option	3,154	5,122,715	–	–	–	–	5,125,869	–	5,125,869
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	–	–	–	–	–	(720)	(720)	–	(720)
Dividends declared by Super Rocket Limited	–	–	–	–	–	(9,745)	(9,745)	–	(9,745)
Acquisition of subsidiaries	–	–	–	(282,005)	–	–	(282,005)	251,443	(30,562)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	10,049	10,049
Appropriation to statutory reserves	–	–	39,942	–	–	(39,942)	–	–	–
Total Transactions with owners	20,499	7,063,990	39,942	(1,386,276)	–	(50,407)	5,687,748	261,492	5,949,240
Balance at 31 December 2020	20,499	7,063,990	113,073	(1,581,284)	–	831,709	6,447,987	292,858	6,740,845

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share Capital RMB'000 (Note 25)	Share Premium RMB'000 (Note 26)	Statutory Reserves RMB'000 (Note 26)	Other Reserves RMB'000 (Note 26)	Retained earnings RMB'000 (Note 26)	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2019	–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Comprehensive income								
Profit for the year	–	–	–	–	384,531	384,531	–	384,531
Transactions with owners in their capacity as owners								
Capital Injection	–	–	–	1,000	–	1,000	–	1,000
Deemed distribution to the owner (Note 1)	–	–	–	(840,000)	–	(840,000)	–	(840,000)
Appropriation to statutory reserves	–	–	43,949	–	(43,949)	–	–	–
Dividends declared by Shimao Tiancheng	–	–	–	–	(559,247)	(559,247)	–	(559,247)
Total Transactions with owners	–	–	43,949	(839,000)	(603,196)	(1,398,247)	–	(1,398,247)
Balance at 31 December 2019	–	–	73,131	(28,500)	189,164	233,795	–	233,795

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**1,139,800**	569,682
Interest received on bank deposits		**11,407**	4,366
Income tax paid		**(187,078)**	(36,992)
Net cash generated from operating activities		**964,129**	537,056
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	35(b)	**(980,932)**	(144,971)
Proceeds from disposal of a subsidiary, net of cash disposed		**14,381**	–
Payment for acquisition of an associate	13	**–**	(4,900)
Payments for property, plant and equipment		**(94,587)**	(6,517)
Proceeds from disposal of property, plant and equipment		**4,177**	–
Proceeds from disposal of investment properties		**130,610**	–
Purchase of financial assets at fair value through profit or loss		**(68,789)**	–
Proceed from disposal of financial assets at fair value through profit or loss		**121,334**	–
Payments for investment properties		**–**	(99,000)
Payments of software development costs		**(56,360)**	(15,416)
Loans to related parties	36(b)	**(366,819)**	(859,700)
Repayment of advance to related parties	36(b)	**1,472,917**	1,717,239
Interest received on advance to related parties		**–**	41,241
Net cash generated from investing activities		**175,932**	627,976
Cash flows from/(used in) financing activities			
Capital injection from owners before initial public offering		**1**	1,000
Capital injection from non-controlling interests of subsidiaries		**3,185**	–
Proceeds from issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option – net (Note 25(i))		**5,125,869**	–
Proceeds from issuance of convertible redeemable preferred shares (Note 25(ii))		**864,500**	–
Prepayment for consideration of acquisition of Zhejiang Sinew from non-controlling interests	23(b)	**(185,492)**	–
Dividends paid to the then shareholders of Shimao Tiancheng		**(569,712)**	–
Repayments of borrowings		**(248,489)**	(314,047)
Payment for consideration of reorganization	26	**(851,510)**	–
Repayment of cash advance from related parties	36(b)	**(97,172)**	(793,571)
Interest paid on borrowings		**(16,289)**	(56,081)
Interest paid on leased liabilities	30(b)	**(1,348)**	(374)
Payments for leased liabilities	30(c)	**(13,954)**	(5,082)
Cash advance from related parties	36(b)	**–**	315,000
Net cash generated from/(used in) financing activities		**4,009,589**	(853,155)
Net increase in cash and cash equivalents		**5,149,650**	311,877
Cash and cash equivalents at beginning of year		**849,591**	537,714
Effects of exchange rate changes on cash and cash equivalents		**(169,195)**	–
Cash and cash equivalents at end of year		**5,830,046**	849,591

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Shimao Services Holdings Limited (the "Company") was incorporated on 3 December 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box. 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services, value-added services and value-added services to non-property owners in the People's Republic of China (the "PRC"). The Company's ultimate holding company is Shimao Group Holdings Limited whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2006.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2020.

Prior to the listing of the Company, the Group carried out a series of acquisition of subsidiaries from Shimao Group Holdings Limited and its subsidiaries (together, "Shimao Group") for the purpose of the reorganization in preparation for the listing. In this connection, the Group acquired Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") and its subsidiaries from Shimao Group in 2019 at a consideration of RMB840,000,000 and the Group acquired several subsidiaries from Shimao Group in 2020 at a total consideration of RMB11,510,000. These consideration were accounted for as deduction of reserve. Also, as part of the reorganization, the Company acquired certain subsidiaries by issuing one share to Best Cosmos Limited ("Best Cosmos", the immediate holding company of the Company). The excess of the then book value of these subsidiaries over the par value was credited to share premium with an amount of RMB212,275,000.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020

2 Summary of significant accounting policies *(CONTINUED)*

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

(ii) New and amended standards not yet adopted

New standards and amendments to existing standards which have been issued but not yet effective and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 Summary of significant accounting policies *(CONTINUED)*

2.2 Principles of consolidation and equity accounting (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(CONTINUED)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive and non-executive directors that makes strategic decisions.

2 Summary of significant accounting policies *(CONTINUED)*

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other losses – net" in the consolidated statements of comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

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.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies *(CONTINUED)*

2.6 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over the shorter of their estimated useful lives or, in case of leasehold improvements, as follows:

	Estimated useful lives
Buildings	50 years or the remaining lease period of the land use rights, whichever is shorter
Office equipment	5 years
Machinery and equipment	5 years
Vehicles	5 years
Leasehold improvements	Over the shorter of their estimated useful lives or lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other losses – net' in the consolidated statements of comprehensive income.

2.7 Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 20 to 40 years.

2.8 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

2 Summary of significant accounting policies *(CONTINUED)*

2.8 Intangible assets (continued)

(iii) Research and development

Costs associated with research and development software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria in above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iv) Customer relationship

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 96 to 120 months for the customer relationship. The useful life of 96 to 120 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

2.9 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- **Debt instruments**
  i) to be measured subsequently at fair value through other comprehensive income ("OCI");

  ii) to be measured subsequently at fair value through profit or loss; and

  iii) to be measured at amortized cost.

  The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

i) to be measured subsequently at fair value through other comprehensive income; and

ii) to be measured subsequently at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statements of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognized in 'other losses – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

2 Summary of significant accounting policies *(CONTINUED)*

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

Debt instruments (continued)

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other losses – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other losses – net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rate are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. the Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 Summary of significant accounting policies *(CONTINUED)*

2.13 Inventories

(i) Carparks

Costs of purchased carparks are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Costs of other inventories is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and banks, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to equity holders of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of the Company.

2.17 Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders.

The Group recognized the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognized at proceeds received. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

2.18 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies *(CONTINUED)*

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

Given the Croup has no qualifying assets during the year ended 31 December 2020, all borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(CONTINUED)*

2.22 Employee benefits

(i) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.23 Provisions

Provisions for legal claims are recognized when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 Summary of significant accounting policies *(CONTINUED)*

2.24 Revenue recognition

The Group provides property management services, community value-added services, and value-added services to non-property owners. Revenue from providing services is recognized in the accounting period in which the services are rendered.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

The Group provides cleaning, greening and gardening, repair and maintenance services as a subcontractor to construction companies, gardening companies and other property management companies. The Group recognizes revenue on a gross basis when the services are rendered.

Community value-added services

Community value-added services mainly include community asset management services, home decoration services, carpark asset operation services, smart community solutions, campus value-added services and new retail services.

The Group provides community asset management services, which is leasing common spaces and public facilities owned by property owners to third parties. The Group provides agency services for property owners and recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

The Group provides home decoration services, mainly including supply chain services of decoration materials and marketing and promotion services. For supply chain services of decoration materials provided to third party home furnishing companies, revenues are recognized on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers. For marketing and promotion services provided to third party service providers who provides renovation services to property owners, the Group charges a fixed upfront fee and recognizes such fee as revenue over the period that the service providers are entitled to use the platform provided by the Group. When the gross sales amount of the renovation services exceed certain threshold and the Group is entitled to charge a variable fee based on the certain pre-determined percentage of the excessive gross sales amount of the services to property owners and the revenue there on is recognized when condition is met.

2 Summary of significant accounting policies *(CONTINUED)*

2.24 Revenue recognition (continued)

Community value-added services (continued)

The Group provides carpark asset operation services, mainly including carpark sales agency service carpark sales business and public parking areas rental service. For carpark sales agency service provided to property owners and property developers, the Group acts as an agent in the carpark sales agency service as the Group is not the primary obligor to provide the carpark to property owners and the Group has no inventories risk and pricing discretion in sales of carparks. The Group recognizes the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners. For carpark sales business, the Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognized when or as the control of the carparks is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the carpark is transferred at a point in time. For public parking areas rental service, the Group leases public parking areas owned by property owners to third parties, The Group provides agency services for property owners and recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

The Group provides smart community solutions and sells intelligent hardware devices and software to property owners, property developers, technology companies, and other property management companies, and provides software maintenance services to other property management companies. The Group recognizes revenue on a gross basis when the smart devices are delivered, and the services are rendered.

The Group provides campus value-added services, mainly including catering services, accommodation services and business trading services. For catering services provided to teachers, students and staff who dine on campus. The Group recognizes the fee received or receivable from payment by customers as its revenue and all related catering services costs as its cost of service. The Group recognizes its presentation of its catering services revenue on a gross basis when the services are rendered. For accommodation services provided to students and people participating in summer camp projects or other short-term programs, Control of the accommodation service is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs. Therefore, the accommodation fees are recognized proportionately over the school year or the duration of customers' stay. The Group made payments to certain schools to obtain the operation right of the students' apartments. The payments are considered as payment to customers and deducted from the revenue on a straight-line basis within 31 to 42 years based on such operation periods. The Group recognizes accommodation services revenue on a gross basis when the services are rendered. For business trading services, The Group sells a wide range of products to customers on campus. The Group recognizes revenues from the sale of products on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified foods to customers. The Group recognizes revenue at the point when the goods are delivered to customers and all the related costs of purchased goods as the costs of revenue.

The Group provides new retail services of selling commodities to customers through online and offline communities. The Group recognizes revenues from the sale of commodities on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers.

Value-added services to non-property owners

Value-added services to non-property owners mainly include display units and property sales venue management services and preliminary planning and design consultancy services to property developers at the pre-delivery stage, repair and maintenance management services to property developers during the warrant period of the residential units. The Group agrees the price for each service with the property developers upfront and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2.25 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes and loans to related parties. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 Summary of significant accounting policies *(CONTINUED)*

2.26 Leases

(a) The Group as a lessee

The Group leases commercial properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Leases are recognized as right-of-use assets (Note 19) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the 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:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost; and

(d) restoration costs.

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the consolidated statements of comprehensive income when the event or conditions that triggers those payments occurs.

2 Summary of significant accounting policies *(CONTINUED)*

2.26 Leases (continued)

(a) The Group as a lessee (continued)

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as "other receivable" in the consolidated balance sheets.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Fair value interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents and interest-bearing cash advance ("the interest-bearing assets") from related party, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As at 31 December 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables; and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables; and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners where services are due for payment immediately upon invoice, and third-party non-property owner customers and related party customers with credit terms of usually 60 days. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit loss also incorporate forward looking information on macroeconomic factors offsetting the ability of the customers to settle the receivables. The Group has identified the GDP, CPI and the growth rate of the customers' industry to be the most relevant factors.

(iii) Other receivables due from related parties

The Group expects that the credit risk associated with other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses, which was 0.5% allowance rate considering forwarding-looking risk for other receivables due from related parties.

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As at 31 December 2019 and 2020, the loss allowance provision was determined based on invoice date as follow.

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Trade receivables						
Related parties	0.5%	371,089	1,855	0.5%	512,004	2,560
Third party aging						
Within 1 year	5%	1,490,571	71,719	5%	208,538	10,427
1 to 2 years	19%	70,380	13,575	17%	27,074	4,603
2 to 3 years	32%	17,604	5,639	31%	15,377	4,766
3 to 4 years	52%	10,071	5,221	50%	10,509	5,254
4 to 5 years	80%	7,156	5,698	77%	6,143	4,730
Over 5 years	100%	12,465	12,465	100%	9,003	9,003
		1,979,336	116,172		788,648	41,343

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

	As at 31 December					
	2020 RMB'000			2019 RMB'000		
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
Other receivables						
Other receivables						
– Loans to related parties	**0.5%**	**175,639**	**878**	0.5%	1,106,098	5,531
– Cash advance to employees	**5%**	**8,483**	**384**	6%	8,196	492
– Payments on behalf of property owners	**2%**	**130,898**	**2,031**	2%	77,966	1,559
– Deposits	**1%**	**34,054**	**177**	–	–	–
– Other	**4%**	**24,925**	**926**	5%	22,329	1,116
		373,999	**4,396**		1,214,589	8,698

As at 31 December 2020 and 2019, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Prepayments, deposits and other receivables (excluding prepayments) RMB'000	Total RMB'000
At 1 January 2019	35,480	11,189	46,669
Provision for loss allowance recognized in profit or loss	5,863	(2,491)	3,372
At 31 December 2019	41,343	8,698	50,041
At 1 January 2020	**41,343**	**8,698**	**50,041**
Provision for loss allowance recognized in profit or loss	**74,829**	**(4,302)**	**70,527**
At 31 December 2020	**116,172**	**4,396**	**120,568**

As at 31 December 2020, the gross carrying amount of trade receivables and other receivables (excluding prepayments) was RMB2,353,335,000 (2019: RMB2,003,237,000) and thus the maximum exposure to loss was RMB2,353,335,000 (2019: RMB2,003,237,000).

3 Financial risk management *(CONTINUED)*

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of balance sheet, as the impact of discount is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2020				
Trade and other payables *	**2,562,931**	**–**	**–**	**2,562,931**
Borrowing and interest payments	**26,588**	**4,544**	**–**	**31,132**
Lease liabilities	**13,452**	**6,462**	**1,531**	**21,445**
	2,602,971	**11,006**	**1,531**	**2,615,508**
As at 31 December 2019				
Trade and other payables *	1,693,036	–	–	1,693,036
Borrowing and interest payments	249,230	–	–	249,230
Lease liabilities	7,487	7,020	3,562	18,069
Dividend payables	559,247	–	–	559,247
	2,509,000	7,020	3,562	2,519,582

* Excluding non-financial liabilities of accrued payroll and other taxes payable

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

3 Financial risk management *(CONTINUED)*

3.2 Capital management (continued)

The gearing ratios during the years ended 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings (Note 28)	**(30,000)**	(239,789)
Lease liabilities (Note 30)	**(20,705)**	(15,518)
Cash advance from related parties	**–**	(97,172)
Less: Cash and cash equivalents (Note 24)	**5,830,046**	849,591
Net cash (Note 33 (b))	**5,779,341**	497,112
Total equity	**6,740,845**	233,795
Gearing ratio	**Note**	Note

Note: The Group is at a net cash position and there is no gearing as of 31 December 2020 and 2019.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities measured at fair value at 31 December 2020 and 2019.

As at 31 December 2020	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Financial assets at fair value through other comprehensive income	**–**	**–**	**356**	**356**
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	**–**	**–**	**320,344**	**320,344**

3 Financial risk management *(CONTINUED)*

3.3 Fair value estimation (continued)

As at 31 December 2019	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Consideration payable arising from non-controlling shareholders' put option	–	–	19,997	19,997

Financial assets at fair value through other comprehensive income included in Level 3 as at 31 December 2020 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

Financial assets at fair values through profit or loss included in Level 3 as at 31 December 2020 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Consideration payable arising from non-controlling shareholders' put option in Level 3 as at 31 December 2020 are put options under which the non-controlling shareholders' has the right to sell the remaining equity interests to the Group, the fair value of which are determined using valuation model for which not all inputs are market observable rates.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Consideration payable arising from non-controlling shareholders' put option RMB'000
As at 1 January 2020	–	–	19,997
Additions	68,789	–	282,004
Additions from acquisition of a subsidiary	50,483	356	–
Change in fair value	2,062	–	18,343
Disposal	(121,334)	–	–
As at 31 December 2020	–	356	320,344
Net gains/(loss) for the period	2,062	–	(18,343)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

There were no changes in Level 3 instruments for the year ended 31 December 2020.

4 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumption and inputs used, see Note 3.1.2 above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

(c) Fair value assessment of purchase price allocation for business combinations

Significant judgements and estimates were involved in the fair value assessment of the purchase price allocation for business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies (discounted future cash flow method) and the use of significant assumptions in the valuation (mainly including gross profit margins, post-tax discount rates and expected useful lives of customer relationships). See notes 20 for more details.

(d) Impairment of goodwill

For the purposes of goodwill impairment assessment, management considered each of the acquired property management groups a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired property management groups. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include annual revenue growth rate, gross profit margin and pre-tax discount rate. See note 20 for more details.

(e) Provision for inventories

The Group assesses the carrying amounts of inventories according to their net realisable value. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

During the year ended 31 December 2020, the Group is principally engaged in the provision of property management services, community value-added services, and value-added services to non-property owners. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended 31 December 2020.

As at 31 December 2020 and 2019, all of the non-current assets of the Group were located in the PRC.

6 Revenue and cost of sales and services

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales and services by category for the years ended 31 December 2020 and 2019 is as follows:

	Year ended 31 December			
	2020 RMB'000		2019 RMB'000	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Revenue from customer and recognized over time:				
Property management services	**2,712,395**	**1,976,259**	1,199,398	851,071
Community value-added services	**353,377**	**201,737**	171,918	82,475
Value-added services to non-property owners	**712,670**	**512,638**	641,130	459,456
	3,778,442	**2,690,634**	2,012,446	1,393,002
Revenue from customer and recognized at a point in time:				
Community value-added services	**1,247,246**	**757,305**	476,640	258,003
	5,025,688	**3,447,939**	2,489,086	1,651,005
Revenue recognized on gross basis/net basis:				
Revenue recognized on gross basis	**4,637,224**	**3,340,388**	2,112,299	1,461,974
Revenue recognized on net basis	**388,464**	**107,551**	376,787	189,031
	5,025,688	**3,447,939**	2,489,086	1,651,005

For the year ended 31 December 2020, revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 19.78% (2019:32.41%) of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue during the years ended 31 December 2020 and 2019.

6 Revenue and cost of sales and services *(CONTINUED)*

(a) Contract liabilities

The Group had recognized the following revenue-related contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Property management services	**505,147**	393,709
Community value-added services	**289,647**	50,170
Value-added services to non-property owners	**20,540**	1,723
	815,334	445,602

(b) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(c) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Property management services	**330,217**	263,545
Community value-added services	**50,170**	6,755
Value-added services to non-property owners	**1,723**	–
	382,110	270,300

(d) Unsatisfied performance obligations

For property management services, Community value-added services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(e) Assets recognized from incremental costs to obtain a contract

During the year ended 31 December 2020, there were no significant incremental costs to obtain or fulfil a contract, and accordingly no asset was recognized.

7 Expenses by Nature

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (Note 8)	**1,664,036**	1,013,210
Cleaning costs	**464,976**	228,458
Office expenses	**240,218**	109,578
Security costs	**244,031**	123,623
Utilities	**260,629**	129,498
Greening and gardening costs	**114,176**	44,587
Maintenance costs	**281,540**	150,952
Cost of selling parking lots	**138,258**	61,527
Community activities expenses	**27,194**	21,154
Taxes and surcharges	**25,127**	14,107
Depreciation and amortization charges	**75,189**	14,010
Raw materials used in catering services	**65,926**	–
Cost of goods sold (Note (a))	**384,710**	49,451
Listing expenses excluding audit fees	**27,009**	–
Auditors' remuneration		
– Audit services in relation to the listing	**6,600**	–
– Annual and other audit services	**2,580**	823
– Non-audit services	**6,440**	–
Other expenses	**34,080**	11,757
	4,062,719	1,972,735

(a) The cost of goods sold mainly represent the costs related to smart community solutions, home improvement services, business trading services and new retail services.

8 Employee benefit expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,362,276**	816,970
Pension costs	**104,682**	75,380
Housing funds, medical insurances and other social insurances (Note (a))	**124,859**	79,292
Other employment benefits	**72,219**	41,568
	1,664,036	1,013,210

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

8 Employee benefit expense *(CONTINUED)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors for the years ended 31 December 2020 and 2019,whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining three individuals for the years ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**3,758**	3,818

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2020	2019
Emolument bands (in RMB)		
RMB1,000,001–RMB2,000,000	**3**	3

9 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (Note (a))	**28,205**	4,958
Value-added tax deductibles (Note (b))	**6,668**	6,092
Rental income	**6,000**	4,667
Others	**–**	1,761
	40,873	17,478

(a) Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

(b) Value-added tax deductibles mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Other losses – net

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Net fair value losses of put option (Note 29)	**(18,343)**	–
Net loss on disposal of investment properties (Note (a))	**(13,489)**	–
Gain on disposal of financial assets at fair value through profit or loss	**2,062**	–
Net gain/(loss) on disposal of property, plant and equipment	**1,580**	(70)
Net gain on disposal of a subsidiary	**511**	–
Net foreign exchange losses	**(2,690)**	(17)
Others	**5,707**	(2,519)
	(24,662)	(2,606)

(a) In August 2020, the Group entered into agreements to dispose two investment properties to Shimao Group with a total consideration of RMB130,610,000 that is determined with reference to an independent valuer. The disposal resulted in a net cash inflow of RMB130,610,000 and a net loss of RMB13,489,000.

11 Other operating expenses

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Depreciation of investment properties	**9,629**	3,088
Compensation expenses	**541**	3,094
Others	**1,431**	512
	11,601	6,694

12 Finance costs – net

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Interest income on bank deposits	**11,407**	4,366
Interest income on loans to related parties (Note 36(b))	**–**	33,569
Finance income	**11,407**	37,935
Interest expense on Asset-Backed Securities	**(13,239)**	(36,619)
Interest expense on loans from related parties (Note 36(b))	**–**	(14,840)
Interest and finance charges paid/payable for lease liabilities and others	**(1,348)**	(374)
Finance costs expensed	**(14,587)**	(51,833)
Finance costs – net	**(3,180)**	(13,898)

13 Investment in associates accounted for using the equity method

Set out below is the associates of the Group as at 31 December 2020 and 2019:

Name of entity	Place of business/ country of incorporation	% of ownership interest 2020 %	% of ownership interest 2019 %	Carrying amount As at 31 December 2020 RMB'000	Carrying amount As at 31 December 2019 RMB'000
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd	The PRC	49	49	477	3,692
Kunming Ruixin City Operation Management Co., Ltd	The PRC	33	Not Applicable	3,363	–
Shanghai Maoyuan Property Management Co., Ltd.	The PRC	49	Not Applicable	5,471	–
Zhejiang Xinyu Trade Co., Ltd.	The PRC	40	Not Applicable	19,425	–
Zhejiang Xinyu Education Logistics Management Co., Ltd.	The PRC	30	Not Applicable	5,338	–
Total equity accounted investments				34,074	3,692

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
At the beginning of the year	3,692	–
Capital injections	–	4,900
Addition from acquisition of subsidiaries	19,467	–
Share of profits/(losses)	10,915	(1,208)
At the end of the year	34,074	3,692

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Subsidiaries

The following is a list of principal subsidiaries at 31 December 2020 and 2019, all of these are limited companies:

Name of entity	Place and date of incorporation/ establishment	Issued/ Registered capital	Ownership interest held by the Group As at 31 December		Principal activities/ place of operation
			2019	2020	
Shimao Services (BVI) Limited	the British Virgin Islands 4 December 2019	USD1	100%	**100%**	Investment holding, the British Virgin Island
Origin Prime Property Services Limited	Hong Kong 18 April 2019	USD10,000	100%	**100%**	Investment holding, Hong Kong
Super Rocket Limited	Hong Kong 16 May 2017	HKD1	100%	**100%**	Investment holding, Hong Kong
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 17 June 2019	RMB5,000,000	100%	**100%**	Investment holding, the PRC
Shimao Tiancheng Property Services Group Co., Ltd.	The PRC 16 September 2005	RMB800,000,000	100%	**100%**	Property management services in Shanghai
Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")	The PRC 26 June 2003	RMB5,000,000	51%	**51%**	Property management services in Quanzhou
Shanghai Runshang Real Estate Agent Co., Ltd.	The PRC 9 August 2012	RMB1,000,000	100%	**100%**	Real estate agent services in Shanghai
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 30 December 2014	RMB1,000,000	100%	**100%**	Gardening and greening services in Shanghai
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 24 December 2014	RMB1,000,000	100%	**100%**	Wholesales in Shanghai
Shanghai Shimao Wulianwang Technology Co., Ltd. ("Shimao Wulianwang")	The PRC 29 December 2018	RMB100,000,000	100%	**100%**	Technology services in Shanghai
Shanghai Maoyi Management Consulting Co., Ltd.	The PRC 19 March 2014	RMB1,000,000	100%	**100%**	Business Services in Shanghai
Shanghai Shibei Intelligent Engineering Co., Ltd.	The PRC 30 December 2014	RMB1,000,000	100%	**100%**	Construction decoration and other construction in Shanghai
Shanghai Guanghe Education Technology Co., Ltd.	The PRC 9 April 2019	RMB5,000,000	100%	**100%**	Education in Shanghai
Hailiang Real Estate Management Co., Ltd. ("Hailiang Subgroup")	The PRC 7 July 2014	RMB50,000,000	100%	**100%**	Property management services in Lhasa
Chengdu Xinyi Property Co.,Ltd. ("Chengdu Xinyi")	The PRC 14 December 2000	RMB10,000,000	Not Applicable	**67%**	Property management services in Sichuan
Nanjing Haixia Real Estate Management Co., Ltd.	The PRC 11 October 2011	RMB500,000	100%	**100%**	Property management services in Nanjing
Mudanjiang Feixia Management Co., Ltd. ("Mudanjiang Feixia")	The PRC 25 October 2019	RMB500,000	100%	**100%**	Property management services in Mudanjiang

14 Subsidiaries *(CONTINUED)*

Name of entity	Place and date of incorporation/ establishment	Issued/ Registered capital	Ownership interest held by the Group As at 31 December 2019	2020	Principal activities/ place of operation
Shanghai Maosheng Intelligent Technology Co., Ltd.	The PRC 30 December 2019	RMB10,000,000	51%	**51%**	Technology services in Shanghai
Xianghe Wantong Real Estate Management Co., Ltd. ("Xianghe Wantong")	The PRC 27 July 2011	RMB1,000,000	100%	**100%**	Property management services in Hebei
Mudanjiang Maoju Household Products Co., Ltd. ("Mudanjiang Maoju")	The PRC 17 April 2018	RMB1,000,000	100%	**100%**	Wholesale and retail trading in Mudangjiang
Shanghai Huiguan Garden Landscape Engineering Co., Ltd. ("Shanghai Huiguan")	The PRC 6 May 2011	RMB10,000,000	100%	**100%**	Wholesale and retail trading in Shanghai
Suifenhe Shifu Home Supplies Co., Ltd. ("Suifenhe Shifu")	The PRC 10 December 2018	HKD1,000,000	100%	**100%**	Wholesale and retail trading in Suifenhe
Shanghai Jiashu Enterprises Management Co., Ltd..	The PRC 17 July 2019	RMB5,000,000	100%	**100%**	Enterprises Management Consulting in Shanghai
Guangzhou Yuetai Property Services Co., Ltd Estate	The PRC 2 June 1999	RMB5,000,000	Not Applicable	**100%**	Property management services in Guangzhou
Fusheng Life Services Group Co., Ltd.	The PRC 17 July 2018	RMB10,000,000	Not Applicable	**51%**	Household management services, Wholesale and retail trading
Beijing Guancheng Hotel Management Co., Ltd. ("Beijing Guancheng")	The PRC 22 September 1998	RMB2,000,000	Not Applicable	**100%**	Property management services in Beijing
Shanghai Shimao Macalline home technology Co., Ltd.	The PRC 14 April 2017	RMB10,000,000	Not Applicable	**51%**	Engineering Construction in Shanghai
Shanghai Shijihui Entrepreneurship Management Co., Ltd.	The PRC 18 March 2020	RMB10,000,000	Not Applicable	**100%**	Property management services in Shanghai
Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Zhejiang Sinew)	The PRC 21 January 2001	RMB50,000,000	Not Applicable	**51%**	Property management services in Hangzhou
Tianjin Hexing Property Management Co., Ltd. ("Tianjin Hexing")	The PRC 1 August 2005	RMB10,000,000	Not Applicable	**70%**	Property management and hotel management in Tianjin
Kangqiao Property Co., Ltd. ("Yantai Kangqiao")	The PRC 31 October 2007	RMB50,000,000	Not Applicable	**80%**	Property management and hotel management in Yantai
Hangzhou Jinhu Property Management Co., Ltd. ("Hangzhou Jinhu")	The PRC 26 August 1996	RMB10,500,000	Not Applicable	**100%**	Property management and hotel management in Hangzhou
Xi'an Fangrui Property Management Co., Ltd. ("Xi'an Fangrui")	The PRC 23 March 2001	RMB50,000,000	Not Applicable	**70%**	Property management and hotel management in Xi'an

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries was significant to the Group and thus the individual financial information of these subsidiaries were not disclosed.

15 Income tax expense

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
– PRC corporate income tax and withholding income tax	**233,118**	123,151
Deferred income tax credit (Note 31)		
– PRC corporate income tax	**(52,649)**	(1,631)
	180,469	121,520

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax for the year ended 31 December 2020.

(c) PRC corporate income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the year ended 31 December 2020.

Hailiang Property Management Co., Ltd. applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on 19 December 2017.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2020 after utilizing all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Corporate Income Tax Law of the PRC.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 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 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

As at 31 December 2020, the PRC subsidiaries of the Group have undistributed earnings of approximately RMB1,296,409,000 (2019: RMB157,661,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

15 Income tax expense *(CONTINUED)*

(e) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit before income tax	**904,787**	506,051
Tax calculated at applicable corporate income tax rate of 25%	**226,197**	126,513
Tax effects of:		
– Expenses not deductible for taxation purposes	**6,474**	498
– Income not taxable for tax purpose	**(5,586)**	–
– Tax loss not recognised	**15,975**	–
– Tax loss utilized/(for which no deferred income tax assets was recognized), net	**(5,950)**	–
– Different tax rate applied	**(57,672)**	(5,491)
PRC income tax charge	**179,438**	121,520
Withholding income tax on profits distributed	**1,031**	–
	180,469	121,520

16 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible redeemable preferred shares ("CPS") during the years ended 31 December 2020 and 2019.

Each CPS is entitled to any non-cumulative dividend in preference to the holders of the ordinary shares when declared. In addition, the holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

The weighted average number of ordinary shares used has been retrospectively adjusted for the effects of the issue of 94,999 shares (Note 25 (i)(a)) and the 1,999,900,000 shares issued in connecting with the Capitalization issue (Note 25 (i)(c)), these were deemed to have been in issue since 1 January 2019.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2020 and 2019. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	**692,952**	384,531
Weighted average number of equity shares (in thousands)	**2,061,866**	1,999,995
Basic and diluted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)	**0.34**	0.19

17 Investment properties

	Buildings RMB'000
As at 1 January 2019	
Cost	9,005
Accumulated depreciation	(1,914)
Net book amount	7,091
Year ended 31 December 2019	
Opening net book amount	7,091
Additions	99,000
Depreciation charge	(3,088)
Closing net book amount	103,003
As at 31 December 2019	
Cost	108,005
Accumulated depreciation	(5,002)
Net book amount	103,003
Year ended 31 December 2020	
Opening net book amount	**103,003**
Additions from acquisition of subsidiaries	**20,160**
Disposals	**(93,603)**
Depreciation charge	**(9,629)**
Closing net book amount	**19,931**
As at 31 December 2020	
Cost	**34,562**
Accumulated depreciation	**(14,631)**
Net book amount	**19,931**

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Other operating expenses (Note 11)	**9,629**	3,088

During the year ended 31 December 2020, the rental income arising from the investment properties are RMB6,000,000 (2019: RMB4,667,000) which is included in other income (Note 9). There are no direct operating expenses from investment properties.

17 Investment properties *(CONTINUED)*

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at 31 December 2020, the fair value of the investment properties is approximately RMB20,160,000 (2019: RMB160,780,000).

As at 31 December 2019, investment properties with a carrying amount of RMB96,323,000 were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd., a joint venture of the Shimao Group Holdings.

The Group is in the process of obtaining the ownership certificates of the investment properties as at 31 December 2020.

As at 31 December 2020, none of investment properties were pledged.

18 Property, plant and equipment

	Buildings RMB'000	Office equipment RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Assets under construction RMB'000	Total RMB'000
As at 1 January 2019							
Cost	–	7,298	10,061	1,982	735	–	20,076
Accumulated depreciation	–	(4,135)	(4,252)	(1,329)	(141)	–	(9,857)
Net book amount	–	3,163	5,809	653	594	–	10,219
Year ended 31 December 2019							
Opening net book amount	–	3,163	5,809	653	594	–	10,219
Additions from acquisition of subsidiaries	–	1,483	265	238	–	–	1,986
Additions	–	1,315	3,843	156	453	–	5,767
Depreciation charge	–	(1,242)	(1,457)	(269)	(518)	–	(3,486)
Disposals	–	(255)	(116)	(86)	–	–	(457)
Closing net book amount	–	4,464	8,344	692	529	–	14,029
As at 31 December 2019							
Cost	–	13,083	13,882	2,416	1,188	–	30,569
Accumulated depreciation	–	(8,619)	(5,538)	(1,724)	(659)	–	(16,540)
Net book amount	–	4,464	8,344	692	529	–	14,029
Year ended 31 December 2020							
Opening net book amount	–	4,464	8,344	692	529	–	14,029
Additions from acquisition of subsidiaries (Note 35)	46,945	7,985	14,602	13,432	4,860	58,569	146,393
Additions	1,094	8,151	15,101	7,870	49,895	1,802	83,913
Depreciation charge	(841)	(3,658)	(7,127)	(2,841)	(11,833)	–	(26,300)
Disposal of a subsidiary	–	(8)	–	–	–	–	(8)
Disposals	–	(3,859)	(2,823)	(5,202)	–	–	(11,884)
Closing net book amount	47,198	13,075	28,097	13,951	43,451	60,371	206,143
As at 31 December 2020							
Cost	48,188	21,144	40,938	16,648	55,284	60,371	242,573
Accumulated depreciation	(990)	(8,069)	(12,841)	(2,697)	(11,833)	–	(36,430)
Net book amount	47,198	13,075	28,097	13,951	43,451	60,371	206,143

18 Property, plant and equipment *(CONTINUED)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Cost of sales and services	**11,168**	1,400
Administrative expenses	**15,132**	2,086
	26,300	3,486

As at 31 December 2020, the ownership certificate of the building has not been obtained.

19 Right-of-use assets

	Land-use-right RMB'000	**Buildings** RMB'000	**Total** RMB'000
As at 1 January 2019			
Cost	–	9,544	9,544
Accumulated depreciation	–	(2,518)	(2,518)
Net book amount	–	7,026	7,026
Year ended 31 December 2019			
Opening net book amount	–	7,026	7,026
Additions	–	12,240	12,240
Depreciation charge	–	(3,408)	(3,408)
Closing net book amount	–	15,858	15,858
As at 31 December 2019			
Cost	–	21,784	21,784
Accumulated depreciation	–	(5,926)	(5,926)
Net book amount	–	15,858	15,858
Year ended 31 December 2020			
Opening net book amount	**–**	**15,858**	**15,858**
Additions from acquisition of a subsidiary (Note 35)	**2,216**	**–**	**2,216**
Additions	**–**	**18,679**	**18,679**
Depreciation charge	**(430)**	**(9,111)**	**(9,541)**
Closing net book amount	**1,786**	**25,426**	**27,212**
As at 31 December 2020			
Cost	**2,187**	**40,463**	**42,650**
Accumulated depreciation	**(401)**	**(15,037)**	**(15,438)**
Net book amount	**1,786**	**25,426**	**27,212**

19 Right-of-use assets *(CONTINUED)*

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Administrative expenses	**9,541**	3,408

20 Intangible assets

	Computer Software RMB'000	Goodwill (Note(a)) RMB'000	Customer relationship RMB'000	Total RMB'000
As at 1 January 2019				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Year ended 31 December 2019				
Opening net book amount	4,513	–	–	4,513
Additions	13,643	–	–	13,643
Additions from acquisition of subsidiaries (Note 35)	136	176,318	95,800	272,254
Amortization charge	(1,128)	–	(5,988)	(7,116)
Closing net book amount	17,164	176,318	89,812	283,294
As at 31 December 2019				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Year ended 31 December 2020				
Opening net book amount	**17,164**	**176,318**	**89,812**	**283,294**
Additions from acquisition of subsidiaries (Note 35)	**3,027**	**1,037,461**	**539,000**	**1,579,488**
Additions	**49,877**	**–**	**–**	**49,877**
Disposals	**(14)**	**–**	**–**	**(14)**
Amortization charge	**(4,152)**	**–**	**(35,196)**	**(39,348)**
Closing net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**
As at 31 December 2020				
Cost	**71,948**	**1,213,779**	**634,800**	**1,920,527**
Accumulated amortization	**(6,046)**	**–**	**(41,184)**	**(47,230)**
Net book amount	**65,902**	**1,213,779**	**593,616**	**1,873,297**

20 Intangible assets *(CONTINUED)*

Amortisation of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of sales and services	**22,306**	–
Administrative expenses	**17,042**	7,116
	39,348	7,116

(a) Goodwill

Goodwill of RMB1,213,779,000 (2019: RMB176,318,000) has been allocated to the CGUs of the subsidiaries acquired for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2020. The recoverable amounts of these subsidiaries are determined based on value-in use calculation. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate during the forecast period	2%-17%
Gross profit margin during the forecast period	13%-32%
Pre-tax discount rate	15%-22%

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as 31 December 2019:

Revenue growth rate during the forecast period	3%-11%
Gross profit margin during the forecast period	24%-30%
Pre-tax discount rate	20%-29%

The management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at 31 December 2020:

	As at 31 December	
	2020	2019
Annual revenue growth rate	**–2% – –7%**	–5%
Discount rate	**+2% – +6%**	+2% – +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 at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill for the year ended 31 December 2020.

21 Inventories

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Carparks purchased from third parties	**263,653**	276,775
Other inventories	**3,580**	–
	267,233	276,775

22 Trade receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables (Note (a))		
– Related parties (Note 36(d))	**197,094**	406,687
– Third parties	**1,595,208**	275,871
	1,792,302	682,558
Note receivables		
– Related parties (Note 36(d))	**173,995**	105,317
– Third parties	**13,039**	773
	187,034	106,090
Less: allowance for impairment of trade receivables	**(116,172)**	(41,343)
	1,863,164	747,305

22 Trade receivables *(CONTINUED)*

(a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services income under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**1,666,064**	607,738
1 to 2 years	**76,843**	32,144
2 to 3 years	**18,909**	16,859
3 to 4 years	**10,416**	10,620
4 to 5 years	**7,292**	6,171
Over 5 years	**12,778**	9,026
	1,792,302	682,558

As at 31 December 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the year ended 31 December 2020, a provision of RMB116,172,000 (2019: RMB41,343,000) was made against the gross amounts of trade receivables. The provision for impairment increased during the year ended 31 December 2020 due to the increase of trade receivables.

As at 31 December 2020, RMB5,000,000 trade receivables of the Group was pledged to secure borrowings granted to the Group (2019: Nil). (Note 28)

23 Prepayments, deposits and other receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments		
Non-current prepayments		
– Prepayments to customers (Note (a))	**74,075**	–
– Prepayment for acquisition of subsidiaries (Note (b))	**185,492**	–
Current prepayments		
– Prepayments to customers (Note (a))	**257**	–
– Utilities	**14,342**	5,869
– Raw materials for value added services	**3,996**	10,005
– Other prepayments	**66,224**	35,000
Subtotal	**344,386**	50,874
Other receivables		
– Advance to related parties (Note 36(d))	**175,639**	1,106,098
– Advance to employees	**8,483**	8,196
– Payments on behalf of property owners (Note (c))	**130,898**	77,966
– Deposits	**34,054**	–
– Others	**24,925**	22,329
Subtotal	**373,999**	1,214,589
Total	**718,385**	1,265,463
Less: allowance for impairment of other receivables	**(4,396)**	(8,698)
	713,989	1,256,765

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortization period is 31 to 42 years based on such operation periods.

(b) On 29 December 2020, Shimao Tiancheng came into an agreement with a third-party minority shareholder of Zhejiang Sinew to acquire 19% equity interests of Zhejiang Sinew with a total consideration of RMB234,984,000. As at 31 December 2020, the deal has not been completed and Shimao Tiancheng has paid RMB185,492,000 as prepayment for acquisition. The acquisition of the 19% interests was subsequently completed in January 2021.

(c) As at 31 December 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

Movements on the provision for impairment of prepayments, deposits and other receivables (excluding prepayments) are shown in Note 3.1.2. The decrease in provision for impairment during the year ended 31 December 2020 was mainly due to the decrease in balance of prepayments and other receivables due from related parties.

24 Cash and cash equivalents

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash on hand	**4,052**	264
Cash at bank	**5,828,039**	849,327
	5,832,091	849,591
Restricted cash (Note (a))	**(2,045)**	–
	5,830,046	849,591

(a) Restricted cash were cash deposit of performance security as at 31 December 2020 (2019:Nil).

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	**1,409,306**	849,591
HKD	**4,311,331**	–
USD	**111,454**	–
	5,832,091	849,591

25 Share capital

(i) Ordinary shares

	Number of ordinary shares	Share capital HKD	Share capital RMB
Authorized			
As at 31 December 2020	**3,500,000,000**	**35,000,000**	**30,350,583**
As at 31 December 2019	38,000,000	380,000	340,404
Issued and fully paid			
As at 31 December 2019 (Note (a))	1	–	–
Issue of shares to then holding company (Note (a))	94,999	950	869
Re-designated into convertible redeemable preferred shares (ii)	(5,000)	(50)	(45)
Convertible redeemable preferred shares converted into ordinary shares (ii)	10,000	100	87
Capitalization issue (Note (b))	1,999,900,000	19,999,000	17,344,064
Issuance of ordinary shares pursuant to initial public offering (Note (c))	352,942,000	3,529,420	3,060,877
Exercise of over-allotment option (Note (d))	11,031,000	110,310	93,565
As at 31 December 2020	**2,363,973,000**	**23,639,730**	**20,499,417**

25 Share capital *(CONTINUED)*

(i) Ordinary shares (continued)

(a) On 3 December 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of par value of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Best Cosmos at par value on the same day.

On 7 May 2020, 94,999 ordinary shares were allotted and issued to Best Cosmos, which rank pari passu with the then existing share in issue.

(b) Pursuant to a shareholders' resolution dated 14 October 2020, the Company capitalised an amount of HKD19,999,000 (approximately RMB17,344,000), standing to the credit of its other reserve account and to appropriate such amount as capital to pay up 1,999,900,000 ordinary shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company.

(c) On 30 October 2020, the Company issued 352,942,000 new ordinary shares at HKD16.60 each with HKD0.01 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HKD5,858,837,000 (equivalent to RMB5,081,056,000). The excess over the par value of HKD3,529,420 (equivalent to RMB3,060,877) net of the transaction costs of approximately RMB113,596,000 was credited to share premium with an amount of RMB4,967,460,000.

(d) On 25 November 2020, the Company exercised over-allotment option to issue 11,031,000 new ordinary shares at HKD16.60 each with HKD0.01 per share and raised gross proceeds of approximately HKD183,114,600 (equivalent to RMB155,318,000). The excess over the par value of HKD110,310 (equivalent to RMB93,565) net of the transaction costs of approximately RMB63,000 was credited to share premium with an amount of RMB155,255,000.

(ii) Convertible redeemable preferred shares

On 30 April 2020, (i) SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. and (ii) Image Frame Investment (HK) Limited (together, the "Pre-IPO investors") entered into a Series A Preferred Share Purchase Agreement with the Company and certain of its subsidiaries, as well as Best Cosmos and Shimao Group (the "Share Agreement"), pursuant to which the Pre-IPO Investors agreed to subscribe for an aggregate of 5,000 Series A convertible redeemable preferred shares ("Series A CPS") at a total consideration of RMB864,500,000 payable in U.S. dollars. Simultaneous with the subscription, the Pre-IPO investors purchased from Best Cosmos an aggregate of 5,000 Shares to be re-designated into Series A CPS on a one to one basis at a total consideration of RMB864,500,000 payable in U.S. dollars.

Each Series A CPS shall be automatically converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the closing of an initial public offering of the shares of the Company or voluntarily converted by Series A CPS holders, as stipulated by the Share Agreement.

On 30 October 2020, the total outstanding 10,000 Series A CPS was converted to ordinary shares upon the listing of the Company. The excess over the par value of HKD100 (equivalent to RMB87) approximately RMB1,729,000,000 was credited to share premium.

The movements of Series A CPS are set out as below:

	RMB'000
As at 1 January 2020	**–**
Issuance of Series A CPS	**864,500**
Ordinary shares re-designated into Series A CPS	**864,500**
Conversion to ordinary shares	**(1,729,000)**
As at 31 December 2020	**–**

26 Reserves

	Share Premium RMB'000	Statutory Reserves RMB'000	Other Reserves RMB'000	Total Other Reserves RMB'000	Retained earnings RMB'000	Total Reserves RMB'000
Balance at 1 January 2019	–	29,182	810,500	839,682	407,829	1,247,511
Profit for the year	–	–	–	–	384,531	384,531
Transactions with owners in their capacity as owners						
Capital Injection (Note (a))	–	–	1,000	1,000	–	1,000
Deemed distribution to the owner (Note 1)	–	–	(840,000)	(840,000)	–	(840,000)
Appropriation to statutory reserves (Note (b))	–	43,949	–	43,949	(43,949)	–
Dividends declared by Shimao Tiancheng	–	–	–	–	(559,247)	(559,247)
Balance at 31 December 2019	–	73,131	(28,500)	44,631	189,164	233,795
Balance at 1 January 2020	**–**	**73,131**	**(28,500)**	**44,631**	**189,164**	**233,795**
Profit for the year	**–**	**–**	**–**	**–**	**692,952**	**692,952**
Other comprehensive income						
Translation reserves	**–**	**–**	**(166,508)**	**(166,508)**	**–**	**(166,508)**
Transactions with owners in their capacity as owners						
Deemed distribution arising from reorganization (Note 1)	**–**	**–**	**(11,510)**	**(11,510)**	**–**	**(11,510)**
Reorganization	**212,275**	**–**	**(212,275)**	**–**	**–**	**–**
Waive of payable to related party	**–**	**–**	**1,358**	**1,358**	**–**	**1,358**
Issuance of and re-designation into convertible redeemable preferred shares (Note 25(ii))	**–**	**–**	**(864,500)**	**(864,500)**	**–**	**(864,500)**
Conversion of convertible redeemable preferred shares to ordinary shares (Note 25(ii))	**1,729,000**	**–**	**–**	**1,729,000**	**–**	**1,729,000**
Capitalization Issue (Note 25(i)(c))	**–**	**–**	**(17,344)**	**(17,344)**	**–**	**(17,344)**
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option (Note 25(i))	**5,122,715**	**–**	**–**	**5,122,715**	**–**	**5,122,715**
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	**–**	**–**	**–**	**–**	**(720)**	**(720)**
Dividends declared by Super Rocket Limited	**–**	**–**	**–**	**–**	**(9,745)**	**(9,745)**
Acquisition of subsidiaries (Note 29)	**–**	**–**	**(282,005)**	**(282,005)**	**–**	**(282,005)**
Appropriation to statutory reserves (Note (b))	**–**	**39,942**	**–**	**39,942**	**(39,942)**	**–**
Balance at 31 December 2020	**7,063,990**	**113,073**	**(1,581,284)**	**5,595,779**	**831,709**	**6,427,488**
Representing:						
Proposed final dividend					217,695	217,695
Others					614,014	6,209,793
					831,709	6,427,488

26 Reserves *(CONTINUED)*

(a) On 18 June 2019 Mudanjiang Maoju received capital injection of RMB1,000,000 from its then shareholder. The amount was recorded as other reserve.

(b) In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

27 Provisions for other liabilities and charges

	As at 31 December			
	2020 RMB'000 Current	**2020 RMB'000 Non-current**	2019 RMB'000 Current	2019 RMB'000 Non-current
Claim provisions	**–**	**3,297**	–	2,998

As at 31 December 2020, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB3,297,000 (2019: RMB2,998,000).

28 Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings included in non-current liabilities		
Long-term bank borrowings		
– unsecured	**5,000**	–
Asset-Backed Securities ("ABS") (Note (a))		
– unsecured	**–**	239,789
	5,000	239,789
Less: Portion of long-term bank borrowings due within one year	**(600)**	–
Portion of Asset-Backed Securities due within one year	**–**	(239,789)
	4,400	–
Borrowings included in current liabilities		
Short-term bank borrowings		
– secured (Note (b))	**9,000**	–
– unsecured	**16,000**	–
Current portion of non-current borrowings	**600**	239,789
	25,600	239,789

28 Borrowings *(CONTINUED)*

(a) In July 2015, the Group entered into an asset-backed special agreement with a third-party financing company in the form of asset securitization. Asset-backed securities are divided into priority level and subprime level with total principal of RMB1,400,000,000 and RMB110,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended 31 December 2015. The priority level securities were guaranteed by Shanghai Shimao Jianshe Co., Ltd ("Shimao Jianshe"), a subsidiary of Shimao Group Holdings. The ABS carries nominal interest rate ranging from 6.0% to 7.1% per annum.

Such loans were advanced to Shimao Jianshe, with terms of 1-5 years and the same nominal interest rate. Shimao Jianshe repaid the advance in December 2019.

On 12 February 2020 and 12 May 2020, the Group paid the principal of the ABS of RMB80,437,158 and RMB78,688,584 respectively. On 3 August 2020, the Group repaid all the remaining balance of ABS.

(b) As at 31 December 2020, RMB5,000,000 trade receivables of the Group have been pledged for total bank borrowings of RMB9,000,000 (2019:Nil) for the Group companies. (Note 22)

The maturity date of the borrowings was analysed as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	**25,600**	239,789
Between 1 and 2 years	**4,400**	–
	30,000	239,789

For years ended 31 December 2020, the weighted average effective interest rates on borrowings were 9.74% (2019:10.32%).

29 Trade and other payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade payables		
– Related parties (Note 36(d))	**38,756**	27,018
– Third parties	**640,647**	141,131
	679,403	168,149
Other payables		
– Payable to related parties (Note 36(d))	**207,492**	1,001,292
– Accrued expenses	**866,893**	372,867
– Amounts collected on behalf of property owners	**542,774**	341,738
– Consideration payable arising from non-controlling shareholders' put option (Note (a))	**320,344**	19,997
– Purchase consideration (Note 35(a))	**320,295**	5,959
– Deposits	**25,621**	–
– Other payables	**24,129**	–
	2,307,548	1,741,853
Interest payable	**–**	3,050
	2,986,951	1,913,052

29 Trade and other payables *(CONTINUED)*

(a) There are several put options guaranteed to the non-controlling shareholders of some subsidiaries of the Group which they have the right to sell the remaining equity interests to the Group.

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognized the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable for the put option. The consideration payable for the put option is measured at fair value with the change in carrying amount recognised in profit or loss. As at 31 December 2020, the put option is valued as RMB32,744,000.

In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP ("NTEIPs") which are the original shareholders of Zhejiang Sinew, and the acquisition agreement stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put opinion is valued at RMB199,615,000 and the fair value of the put option as at 31 December 2020 is RMB205,211,000.

In November 2020, Shimao Tiancheng entered into an acquisition agreement with a third party to acquire 70% equity interest of Xi'an Fangrui and the acquisition agreement stipulates that the original shareholders were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 3 months after 31 December 2023. A financial liability being the present value of the redemption amount for the acquisition of the remaining equity interest upon the exercise of the put option is recognised and included in other payables, and subsequently measured at fair value with the change in carrying amount recognised in profit or loss. The initial amount of the put opinion is valued at RMB82,389,000 and fair value has not changed as at 31 December 2020.

(b) At 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date were are follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**670,056**	148,753
1 to 2 years	**6,065**	13,967
2 to 3 years	**1,826**	1,965
3 to 4 years	**723**	2,422
4 to 5 years	**733**	19
Over 5 years	**–**	1,023
	679,403	168,149

At 31 December 2020, trade and other payables were denominated in RMB.

30 Leases liabilities

(a) Amounts recognized in the consolidated balance sheets

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Leased in properties for operation		
– Buildings	**20,705**	15,518
Lease liabilities		
Current	**12,809**	6,896
Non-Current	**7,896**	8,622
	20,705	15,518

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation charge		
– Buildings	**9,111**	3,408
Finance costs on leases	**1,348**	374

(c) Amounts recognized in the consolidated statements of cashflows

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cashflow from financing activities		
Payments of interest element of lease liabilities	**1,348**	374
Payments of principal element of lease liabilities	**13,954**	5,082
	15,302	5,456

(d) A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Leases are payable:		
Within one year	**13,452**	7,487
Later than one year but not later than two years	**6,462**	6,020
Later than two years but not later than five years	**1,531**	2,112
Minimum lease payments	**21,445**	15,619
Future finance charge	**(740)**	(101)
Total lease liabilities	**20,705**	15,518

31 Deferred income tax

The analysis of deferred tax assets in the consolidated statements of balance sheet was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**–**	–
– Deferred tax asset to be recovered within 12 months	**93,265**	32,718
Net-off with deferred tax liability	**(25,732)**	(8,099)
	67,533	24,619
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	**(128,736)**	(19,459)
– Deferred tax liability to be recovered within 12 months	**(19,158)**	(2,994)
Net-off with deferred tax asset	**25,732**	8,099
	(122,162)	(14,354)

The net movement on the deferred income tax account is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of the year	**10,265**	27,322
Additions from acquisition of subsidiaries (Note 35)	**16,916**	5,262
Additions from acquisition – excess of value of intangible assets identified in business combination	**(134,459)**	(23,950)
Credited to consolidated statements of comprehensive income (Note 15)	**52,649**	1,631
At end of the year	**(54,629)**	10,265

31 Deferred income tax *(CONTINUED)*

The movement in deferred tax assets and liabilities as the year ended 31 December 2020 and 31 December 2019, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision RMB'000	Deductible tax loss RMB'000	Accrued expense RMB'000	Put Option Fair Value Change RMB'000	Total RMB'000
As at 1 January 2019	11,667	312	15,343	–	27,322
Additions from acquisition of a subsidiary	5,262	–	–	–	5,262
Credited/(charged) to the consolidated statements of comprehensive income	844	1,966	(2,676)	–	134
As at 31 December 2019	17,773	2,278	12,667	–	32,718
As at 1 January 2020	**17,773**	**2,278**	**12,667**	**–**	**32,718**
Additions from acquisition of subsidiaries	**16,916**	**–**	**–**	**–**	**16,916**
Credited/(charged) to the consolidated statements of comprehensive income	**1,600**	**(1,604)**	**39,049**	**4,586**	**43,631**
As at 31 December 2020	**36,289**	**674**	**51,716**	**4,586**	**93,265**

Deductible tax loss expiration date

	As at 31 December	
	2020 RMB'000	2019 RMB'000
2023	**–**	2
2024	**263**	2,276
2025	**411**	–
	674	2,278

Deferred income tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries RMB'000	Depreciation RMB'000	Total RMB'000
As at 1 January 2019			
Additions from acquisition of subsidiaries	(23,950)	–	(23,950)
Credited to the consolidated statements of comprehensive income	1,497	–	1,497
As at 31 December 2019	(22,453)	–	(22,453)
As at 1 January 2020	**(22,453)**	**–**	**(22,453)**
Additions from acquisition of subsidiaries	**(133,486)**	**(973)**	**(134,459)**
Credited to the consolidated statements of comprehensive income	**8,699**	**319**	**9,018**
As at 31 December 2020	**(147,240)**	**(654)**	**(147,894)**

32 Dividends

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Dividend payables to the then shareholders of Shimao Tiancheng (Note (a))	**–**	559,247
Proposed final dividends of HK11 cents (2019: Nil) per ordinary share (Note (b))	**217,695**	–
	217,695	559,247

(a) During the year ended 31 December 2019, Shimao Tiancheng declared RMB559,247,000 to its then parent company, Shanghai Shiying. The balance has been settled in February 2020.

(b) At a meeting held on 15 March 2021, the Directors proposed a final dividend of HK11 cents per ordinary share for the year ended 31 December 2020. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2020 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

33 Cash flow information

(a) Net cash generated from operating activities

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**904,787**	506,051
Adjustments for:		
– Depreciation and amortization	**84,818**	17,098
– Provision for impairment of receivables	**70,526**	3,372
– Net (gain)/loss on disposal of property, plant and equipment (Note 10)	**(1,580)**	70
– Net loss on disposal of investment properties (Note 10)	**13,489**	–
– Net gain on disposal of financial assets at fair value through profit or loss (Note 10)	**(2,062)**	–
– Finance expense (Note 12)	**14,587**	51,833
– Finance income (Note 12)	**(11,407)**	(37,935)
– Fair value loss on put option (Note 10)	**18,343**	–
– Net gain on disposal of a subsidiary (Note 10)	**(511)**	–
– Net exchange differences (Note 10)	**2,690**	17
– Share of results of associates accounted for using the equity method (Note 13)	**(10,915)**	1,208
Change in operating assets and liabilities, net of effects from purchase of controlled entity		
– Increase in restricted cash	**(2,045)**	–
– Decrease/(increase) in inventories	**16,922**	(276,775)
– Increase in trade receivables	**(817,265)**	(204,228)
– Decrease in other operating assets	**1,169,414**	23,263
– Increase in trade payables	**425,649**	134,248
– Increase in contract liabilities	**287,053**	102,707
– (Decrease)/increase in other operating liabilities	**(1,022,693)**	248,753
	1,139,800	569,682

33 Cash flow information *(CONTINUED)*

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Net debt:		
Cash and cash equivalents (Note 24)	**5,830,046**	849,591
Borrowings (Note 28)	**(30,000)**	(239,789)
Advance from related parties	**–**	(97,172)
Lease liabilities (Note 30)	**(20,705)**	(15,518)
Net cash	**5,779,341**	497,112

	Cash and cash equivalents	Borrowings due after one year	Borrowings due within one year	Advance from related parties	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2019	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Addition of acquisition	–	(5,000)	(33,700)	–	–	(38,700)
Reclassification	–	600	(600)	–	–	–
Addition of lease liabilities	–	–	–	–	(19,141)	(19,141)
Accrued interest expenses (Note 12)	–	–	–	–	(1,348)	(1,348)
Foreign exchange adjustments	(169,195)	–	–	–	–	(169,195)
Cash flows	5,149,650	–	248,489	97,172	15,302	5,510,613
Net debt as at 31 December 2020	**5,830,046**	**(4,400)**	**(25,600)**	**–**	**(20,705)**	**5,779,341**

34 Commitments

(a) Operating lease commitments

Lease commitments – as lessee

As at 31 December 2020 and 2019, the Group did not have any material lease commitments which are not recognized as right-of-use assets.

Operating lease commitments – as lessor

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
No later than 1 year	**111**	5,906
Later than 1 year and no later than 5 years	**18**	45,617
Later than 5 years	**–**	89,959
	129	141,482

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets under construction	**148,500**	–

35 Business combination

(a) Summary of acquisition

(i) In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu and Ningbo NTEIPs, which are the original shareholders of Zhejiang Sinew, to acquire 25% (through the acquisition of 62.5% of equity interests in Zhejiang Xiangyu, which holds 40% of equity interests in Zhejiang Sinew) and 26% of equity interests in Zhejiang Sinew, respectively. The consideration is RMB614,704,000. Upon the completion of the acquisition on 5 August 2020, the Group through its control of Zhejiang Xiangyu and the direct ownership of equity interests in Zhejiang Sinew, controls 51% of the equity interests in Zhejiang Sinew. Total identifiable net assets of Zhejiang Sinew and Zhejiang Xiangyu amounted to RMB522,744,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

In addition, the acquisition agreement also stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after 31 December 2022. The consideration of such acquisition is based on Zhejiang Sinew's financial performance for the year ending 31 December 2022 and its financial position as at 31 December 2022. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 66% of equity interests in Zhejiang Sinew.

35 Business combination *(CONTINUED)*

(a) Summary of acquisition (continued)

(ii) On 15 November 2020, Shimao Tiancheng completed its acquisition of 80% of the equity interests in Yantai Kangqiao at a cash consideration of RMB292,000,000. Total identifiable net assets of Yantai Kangqiao amounted to RMB81,751,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) On 1 December 2020, Shimao Tiancheng completed its acquisition of 70% of the equity interests in Xi'an Fangrui at a cash consideration of RMB139,825,000. Total identifiable net assets of Xi'an Fangrui amounted to RMB103,600,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill. In addition, the acquisition agreement also stipulates that the original shareholders of Xi'an Fangrui were guaranteed a put option under which they can sell the remaining 30% equity of Xi'an Fangrui to the Group at their discretion within 6 months after 31 December 2023. The consideration of such acquisition is based on Xi'an Fangrui's financial performance for the year ending 31 December 2023 and its financial position as at 31 December 2023. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 100% of equity interests in Xi'an Fangrui.

(iv) The Group also acquired seven other property management companies from third parties during the current year at a total fixed cash consideration of RMB469,301,000. The above acquired companies have been accounted for as subsidiaries of the Group since their respective acquisition dates.

The acquired businesses contributed total revenues of RMB996,112,000 and net profits of RMB88,935,000 to the Group for the period from their respective acquisition dates to 31 December 2020.

Details of the purchase considerations, the net assets acquired and goodwill are as follows:

Purchase consideration	Sinew Subgroup RMB'000	Yantai Kangqiao RMB'000	Xian Fangrui RMB'000	Others RMB'000	Total RMB'000
Consideration					
– Cash paid	528,250	233,600	20,580	413,105	1,195,535
– Payable	86,454	58,400	119,245	56,196	320,295
	614,704	292,000	139,825	469,301	1,515,830

35 Business combination *(CONTINUED)*

(a) Summary of acquisition (continued)

	Zhejiang Sinew RMB'000	Yantai Kangqiao RMB'000	Xi'an Fangrui RMB'000	Others RMB'000	Total RMB'000
Consideration	614,704	292,000	139,825	469,301	1,515,830
Recognized amounts of identifiable assets acquired and liabilities assumed					
Cash and cash equivalents	106,756	2,714	1,888	103,245	214,603
Trade receivables	130,014	61,185	55,452	135,623	382,274
Prepayments, deposits and other receivables	123,568	3,348	8,964	345,135	481,015
Other current assets	50,482	1,387	–	–	51,869
Investment property (Note 17)	20,160	–	–	–	20,160
Property, plant and equipment (Note 18)	119,606	8,500	3,097	15,190	146,393
Right-of-use assets (Note 19)	2,216	–	–	–	2,216
Intangible assets (Note 20)	519	–	–	2,508	3,027
Customer relationship (Note 20)	195,000	89,000	55,000	200,000	539,000
Deferred income tax assets	11,383	–	–	5,533	16,916
Other non-current assets	17,139	–	–	2,684	19,823
Less: Trade and other payables	(170,390)	(56,916)	(31,804)	(632,068)	(891,178)
Borrowings	–	(4,000)	(31,500)	(3,200)	(38,700)
Contract liabilities	(21,631)	(1,217)	(1,097)	(59,201)	(83,146)
Deferred income tax liabilities	(57,559)	(22,250)	(8,250)	(46,400)	(134,459)
Non-controlling interest	(4,519)	–	–	4,428	(91)
Identifiable net assets acquired	522,744	81,751	51,750	73,477	729,722
Less: non-controlling interests	(256,142)	(16,350)	(15,525)	36,664	(251,353)
Add: goodwill (Note 20)	348,102	226,599	103,600	359,160	1,037,461
Net assets acquired	614,704	292,000	139,825	469,301	1,515,830

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose. Intangible assets including identified customer relationships of RMB539,000,000 in relation to the acquisitions have been recognised by the Group (Note 20).

35 Business Combination *(CONTINUED)*

(b) Purchase consideration – cash outflow

	Zhejiang Sinew RMB'000	Yantai Kangqiao RMB'000	Xian Fangrui RMB'000	Others RMB'000	Total RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired					
Balance acquired – cash and cash equivalents	106,756	2,714	1,888	103,245	214,603
Less: cash consideration paid	(528,250)	(233,600)	(20,580)	(413,105)	(1,195,535)
Net cash outflow on acquisitions	(421,494)	(230,886)	(18,692)	(309,860)	(980,932)

36 Related party transactions

(a) Names and relationship with related parties

The Group is controlled by Shimao Group Holdings Limited (incorporated in Cayman Islands which owns 65.88% of the Company's shares). The directors consider Gemfair Investments Limited as the ultimate holding company, and the ultimate controlling shareholder of the Group is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Services provided to related parties		
– Shimao group	**795,035**	640,110
– Joint ventures and associates of Shimao Group	**198,946**	166,645
	993,981	806,755
Services received from related parties		
– Shimao Group	**174**	27,018
Rental expenses		
– Shimao Group	**6,713**	3,042

36 Related party transactions *(CONTINUED)*

(b) Transactions with related parties (continued)

(ii) Discontinued transactions

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Services received from related parties – Shimao Group	**1,072**	6,217
Carpark spaces purchased from related parties – Shimao Group	**–**	39,788
Interest expenses on loans from related parties – Associates of Shimao Group	**–**	14,840
Interest income on loans to related parties – Shimao Group	**–**	33,569
Purchase of investment properties – Joint venture of Shimao Group	**–**	99,000
Sales of investment properties – Shimao Group	**130,610**	–
Distribution and deemed distribution – Shimao Group	**10,465**	607,877
Cash advance from related parties – Shimao Group	**–**	315,000
Repayment of Cash advance from related parties – Shimao Group	**97,172**	793,571
Advance to related parties – Shimao Group	**366,819**	859,700
Receipt of advance to and interest from related parties – Shimao Group	**1,472,917**	1,758,480

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

36 Related party transactions *(CONTINUED)*

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 37 is set out below.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**3,758**	2,468

(d) Balances with related parties – trade

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Receivables from related parties		
Trade Receivables (Note 22)		
– Shimao Group	**322,686**	484,341
– Joint ventures and associates of Shimao Group	**48,403**	27,663
	371,089	512,004
Prepayments, deposits and other receivables		
– Shimao Group	**167,011**	–
– Joint ventures and associates of Shimao Group	**9,124**	–
	176,135	–
Total receivables from related parties	**547,224**	512,004
Payables to related parties		
Contract liabilities		
– Shimao Group	**13,589**	–
– Joint ventures and associates of Shimao Group	**4,553**	–
	18,142	–
Trade and other payables		
– Shimao Group	**215,449**	80,400
– Joint ventures and associates of Shimao Group	**30,799**	10,738
	246,248	91,138
Total payables to related parties	**264,390**	91,138

36 Related party transactions *(CONTINUED)*

(e) Balances with related parties – non-trade

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Receivables from related parties		
Prepayments, deposits and other receivables		
– Shimao Group	–	1,093,739
– Joint ventures and associates of Shimao Group	–	12,359
	–	1,106,098
Total receivables from related parties	–	1,106,098
Payables to related parties		
Trade and other payables		
– Shimao Group	–	936,589
– Joint ventures and associates of Shimao Group	–	583
	–	937,172
Dividend payables (Note 32)		
– Shimao Group	–	559,247
	–	559,247
Total payables to related parties	–	1,496,419

(f) Guarantees provided by related parties

As at 31 December 2019, the Group's ABS was guaranteed by Shanghai Shimao Jianshe Co., Ltd, a subsidiary of Shimao Group Holdings. As at 31 December 2020, such guarantee was released as the Group repaid all the remaining balance of ABS as mentioned in Note 28.

37 Directors' benefits and interests

As the date of the report, the following directors and senior managements were appointed:

Executive Directors

Mr. Hui Sai Tan, Jason (Note (a)(i))
Mr. Ye Mingjie (Note (a)(ii))
Mr. Cao Shiyang (Note (a)(ii))
Mr. Cai Wenwei (Note (a)(ii))

Non-executive Directors

Ms. Tang Fei (Note (a)(i))
Mr. Sun Yan (Note (a)(i))

Independent Non-executive Directors

Ms. Kan Lai Kuen, Alice (Note (a)(iii))
Mr. Gu Yunchang (Note (a)(iii))
Ms. Zhou Xinyi (Note (a)(iii))

37 Directors' benefits and interests *(CONTINUED)*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2020 as follows:

Name	Fees HKD'000	Salaries RMB'000	Bonus RMB'000	Housing allowances and contributions to a retirement scheme RMB'000	Total RMB'000
Executive Directors					
Mr. Ye Mingjie	–	1,857	927	74	2,858
Mr. Cao Shiyang	–	1,078	350	43	1,471
Mr. Cai Wenwei	–	864	137	65	1,066
Non-executive Directors					
Ms. Tang Fei	–	–	–	–	–
Mr. Sun Yan	–	–	–	–	–
Independent non-executive Directors	–				
Ms. Kan Lai Kuen, Alice	62	–	–	–	62
Mr. Gu Yunchang	62	–	–	–	62
Ms. Zhou Xinyi	62	–	–	–	62
	186	3,799	1,414	182	5,581

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2019 as follows:

Name	Fees RMB'000	Salaries RMB'000	Bonus RMB'000	Housing allowances and contributions to a retirement scheme RMB'000	Total RMB'000
Executive Directors					
Mr. Ye Mingjie	–	1,713	674	115	2,502
Mr. Cao Shiyang	–	914	249	85	1,248
	–	2,627	923	200	3,750

37 Directors' benefits and interests *(CONTINUED)*

(a) Directors' emoluments (continued)

(i) Before the listing of the Company, the emoluments of the executive director, Mr. Hui Sai Tan, Jason and the non-executive directors, Ms. Tang Fei and Mr. Sun Yan in relation to their services rendered for the Group for the year ended 2020 were borne by related parties of the Group and not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation. During the period from the listing of the Group to 31 December 2020, the three directors have not received any emoluments from the Group.

(ii) Mr. Ye Mingjie and Mr. Cao Shiyang were appointed as the Company's executive directors on 1 June 2020, whereas Mr. Cai Wenwei was appointed as the Company's executive director on 18 September 2020.

(iii) Ms. Kan Lai Kuen, Alice, Mr. Gu Yunchang and Ms. Zhou Xinyi were appointed as the Company's independent non-executive directors on 13 October 2020.

(b) Retirement benefits of directors

During the years ended 31 December 2020 and 2019, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the year ended 31 December 2020, there were no termination benefits received by the directors.

(d) Consideration provided to third parties for making available the services of directors

During the year ended 31 December 2020, no consideration was paid for making available the services of the directors or senior management of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

During the year ended 31 December 2020, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the year ended 2020 or at any time During the year ended 31 December 2020.

38 Contingencies

As at 31 December 2020 and 2019, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

39 Balance sheet and reserve movement of the Company

39.1 Balance sheet of the Company

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Assets			
Non-current assets			
Prepayments, deposits and other receivables		**5,802,096**	–
Investment in subsidiaries		**212,275**	–
Total non-current assets		**6,014,371**	–
Current assets			
Cash and cash equivalents		**1,899**	–
Total current assets		**1,899**	–
Total assets		**6,016,270**	–
Liabilities			
Current liabilities			
Other payables		**41,200**	29
Total current liabilities		**41,200**	29
Total liabilities		**41,200**	29
Equity attributable to owners of the Company			
Share capital	25	**20,499**	–
Reserves		**5,954,571**	(29)
Total equity		**5,975,070**	(29)
Total equity and liabilities		**6,016,270**	–

The balance sheet of the Company was approved by the Board of Directors on 15 March 2021 and was signed on its behalf.

Ye Mingjie
Director

Cai Wenwei
Director

39 Balance sheet and reserve movement of the Company *(CONTINUED)*

39.2 Reserve movement of the Company

	Share Capital RMB'000	Share Premium RMB'000	Other Reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019	–	–	–	–	–
Comprehensive income					
Loss for the year	–	–	–	(29)	(29)
Balance at 31 December 2019	–	–	–	(29)	(29)
Balance at 1 January 2020	**–**	**–**	**–**	**(29)**	**(29)**
Comprehensive income					
Loss for the year	**–**	**–**	**–**	**(15,271)**	**(15,271)**
Issuance of ordinary shares	**1**	**–**	**–**	**–**	**1**
Reorganization	**–**	**212,275**	**(212,275)**	**–**	**–**
Issuance of and re-designation into convertible redeemable preferred shares	**–**	**–**	**(864,500)**	**–**	**(864,500)**
Conversion of convertible redeemable preferred shares to ordinary shares	**–**	**1,729,000**	**–**	**–**	**1,729,000**
Capitalization Issue	**17,344**	**–**	**(17,344)**	**–**	**–**
Issuance of ordinary shares pursuant to initial public offering and exercise of over-allotment option	**3,154**	**5,122,715**	**–**	**–**	**5,125,869**
Balance at 31 December 2020	**20,499**	**7,063,990**	**(1,094,119)**	**(15,300)**	**5,975,070**

The following is the text of a report on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHIMAO SERVICES HOLDINGS LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Shimao Services Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-120, which comprises the consolidated balance sheets as at December 31, 2017, 2018, and 2019 and June 30, 2020, the balance sheets of the company as at December 31, 2019 and June 30, 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-120 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 20, 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019 and June 30, 2020 and the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and June 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 34 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
October 20, 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	6	1,042,528	1,329,323	2,489,086	845,377	1,564,636
Cost of sales	6, 7	(755,627)	(939,033)	(1,651,005)	(563,046)	(1,032,841)
Gross profit		286,901	390,290	838,081	282,331	531,795
Selling and marketing expenses	7	(3,189)	(6,416)	(17,823)	(5,107)	(19,774)
Administrative expenses	7	(125,978)	(192,601)	(303,907)	(127,616)	(202,956)
Provision of impairment losses on financial assets – net	3.1	(19,541)	(8,611)	(3,372)	(6,470)	(7,269)
Other income	9	2,412	4,008	17,478	3,834	20,976
Other gains/(losses) – net	10	97	132	(2,606)	306	(5,648)
Other operating expenses	11	(470)	(784)	(6,694)	(3,442)	(2,979)
Operating profit		140,232	186,018	521,157	143,836	314,145
Finance income		97,744	76,070	37,935	22,070	2,626
Finance costs		(92,098)	(66,901)	(51,833)	(20,415)	(13,259)
Finance income/(costs) – net	12	5,646	9,169	(13,898)	1,655	(10,633)
Share of results of associates accounted for using the equity method	13	–	–	(1,208)	(116)	117
Profit before income tax		145,878	195,187	506,051	145,375	303,629
Income tax expense	15	(37,097)	(48,991)	(121,520)	(36,493)	(48,958)
Profit for the year/period		108,781	146,196	384,531	108,882	254,671
Profit attributable to:						
– Equity owners of the Company		108,781	146,196	384,531	108,882	245,420
– Non-controlling interests		–	–	–	–	9,251
Total comprehensive income for the year/period attributable to equity owners of the Company		108,781	146,196	384,531	108,882	245,420
Earnings per share (Note)						
Basic and diluted earnings per share (RMB per share)	16	1,145	1,539	4,048	1,146	2,544

Note: The earnings per share presented above has not been taken into account the proposed capitalization issue pursued to the resolutions in writing of the shareholders passed on October 13, 2020 because the proposed capitalization issue has not become effective as at the date of this report (Note 42).

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Financial assets at fair value through other comprehensive income		–	–	–	356
Property, plant and equipment	18	5,145	10,219	14,029	29,240
Investment properties	17	7,506	7,091	103,003	100,532
Right-of-use assets	19	1,129	7,026	15,858	12,673
Intangible assets	20	2,260	4,513	283,294	571,069
Deferred tax assets	33	32,148	27,322	24,619	36,748
Investment in associates accounted for using the equity method	13	–	–	3,692	6,137
Total non-current assets		48,188	56,171	444,495	756,755
Current assets					
Financial assets at fair value through profit or loss	21	–	–	–	69,868
Inventories	22	–	–	276,775	311,247
Trade receivables	23	453,295	477,030	747,305	767,831
Receivables arising from debt restructuring	23	93,153	–	–	–
Prepayments, deposits and other receivables	24	930,009	2,124,005	1,256,765	364,092
Cash and cash equivalents	25	596,921	537,714	849,591	1,753,581
Total current assets		2,073,378	3,138,749	3,130,436	3,266,619
Total assets		2,121,566	3,194,920	3,574,931	4,023,374

	Note	As at December 31,			As at June 30,
		2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity attributable to owners of the Company					
Share capital	26	–	–	–	1
Convertible redeemable preferred shares	28	–	–	–	1,729,000
Share premium		–	–	–	212,275
Reserves	27	125,359	839,682	44,631	(1,042,296)
Retained earnings		275,956	407,829	189,164	424,119
		401,315	1,247,511	233,795	1,323,099
Non-controlling interests		–	–	–	(44,612)
Total equity		401,315	1,247,511	233,795	1,278,487
Liabilities					
Non-current liabilities					
Borrowings	30	504,567	218,458	–	–
Lease liabilities	32	756	4,488	8,622	4,770
Deferred tax liabilities	33	–	–	14,354	27,418
Provisions for other liabilities and charges	29	–	–	2,998	5,120
Total non-current liabilities		505,323	222,946	25,974	37,308
Current liabilities					
Trade and other payables	31	642,270	1,051,513	1,913,052	1,931,307
Contract liabilities	6	193,780	270,300	445,602	482,812
Dividends payables	34	–	–	559,247	13,061
Income tax liabilities		43,017	64,417	150,576	192,253
Borrowings	30	335,318	335,378	239,789	80,437
Lease liabilities	32	543	2,855	6,896	7,709
Total current liabilities		1,214,928	1,724,463	3,315,162	2,707,579
Total liabilities		1,720,251	1,947,409	3,341,136	2,744,887
Total equity and liabilities		2,121,566	3,194,920	3,574,931	4,023,374

BALANCE SHEETS OF THE COMPANY

	Note	**As at December 31, 2019**	**As at June 30, 2020**
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Prepayments, deposits and other receivables	24	–	1,963
Amount due from a subsidiary	24	–	858,284
Investment in subsidiaries	14	212,275	212,275
Total non-current assets		212,275	1,072,522
Total assets		212,275	1,072,522
Equity attributable to owners of the Company			
Share capital	26	–	1
Convertible redeemable preferred shares	28	–	1,729,000
Share premium		212,275	212,275
Reserves	27	–	(864,500)
Accumulated deficit		(29)	(9,421)
		212,246	1,067,355
Total equity		212,246	1,067,355
Liabilities			
Current liabilities			
Trade and other payables		29	5,167
Total current liabilities		29	5,167
Total liabilities		29	5,167
Total equity and liabilities		212,275	1,072,522

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to equity owners of the Company							
		Share Capital	Share Premium	Statutory Reserves	Other Reserves	Retained earnings	Total	Non-controlling interests	Total Equity
		RMB'000	*RMB'000*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017		–	–	3,901	110,500	178,133	292,534	–	292,534
Comprehensive income									
Profit for the year		–	–	–	–	108,781	108,781	-	108,781
Transactions with owners in their capacity as owners									
Appropriation to statutory reserves		–	–	10,958	–	(10,958)	–	–	–
Balance at December 31, 2017		–	–	14,859	110,500	275,956	401,315	–	401,315
Balance at January 1, 2018		–	–	14,859	110,500	275,956	401,315	–	401,315
Comprehensive income									
Profit for the year		–	–	–	–	146,196	146,196	–	146,196
Transactions with owners in their capacity as owners									
Capital injection	27	–	–	–	700,000	–	700,000	–	700,000
Appropriation to statutory reserves		–	–	14,323	–	(14,323)	–	–	–
Balance at December 31, 2018		–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Balance at January 1, 2019		–	–	29,182	810,500	407,829	1,247,511	–	1,247,511
Comprehensive income									
Profit for the year		–	–	–	–	384,531	384,531	–	384,531
Transactions with owners in their capacity as owners									
Dividends declared by Shimao Tiancheng Property Service Group Co., Ltd.	34	–	–	–	–	(559,247)	(559,247)	–	(559,247)
Capital injection	27	–	–	–	1,000	–	1,000	–	1,000
Deemed distribution arising from reorganization	27	–	–	–	(840,000)	–	(840,000)	–	(840,000)
Appropriation to statutory reserves		–	–	43,949	–	(43,949)	–	–	–
Balance at December 31, 2019		–	–	73,131	(28,500)	189,164	233,795	–	233,795

	Note	Attributable to equity owners of the Company								
		Share Capital	Share Premium	Statutory Reserves	Other Reserves	Retained earnings	Convertible redeemable preferred shares	Total	Non-controlling interests	Total Equity
		RMB'000	*RMB'000*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*	*RMB'000 (Note 28)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		–	–	73,131	(28,500)	189,164	–	233,795	–	233,795
Comprehensive income										
Profit for the period		–	–	–	–	245,420	–	245,420	9,251	254,671
Transactions with owners in their capacity as owners										
Deemed distribution arising from reorganization	27	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Reorganization		–	212,275	–	(212,275)	–	–	–	–	–
Waive of payable to related party		–	–	–	1,358	–	–	1,358	–	1,358
Issuance of ordinary shares	26	1	–	–	–	–	–	1	–	1
Issuance of and re-designation into convertible redeemable preferred shares	28	–	–	–	(864,500)	–	1,729,000	864,500	–	864,500
Dividends declared by Mudanjiang Maoju Household Products Co., Ltd.	34	–	–	–	–	(720)	–	(720)	–	(720)
Dividends declared by Super Rocket Limited	34	–	–	–	–	(9,745)	–	(9,745)	–	(9,745)
Acquisition of subsidiaries	37	–	–	–	–	–	–	–	(53,863)	(53,863)
Balance at June 30, 2020		1	212,275	73,131	(1,115,427)	424,119	1,729,000	1,323,099	(44,612)	1,278,487
Balance at January 1, 2019		–	–	29,182	810,500	407,829	–	1,247,511	–	1,247,511
Comprehensive income										
Profit for the period		–	–	–	–	108,882	–	108,882	–	108,882
Transactions with owners in their capacity as owners										
Capital injection	27	–	–	–	1,000	–	–	1,000	–	1,000
Balance at June 30, 2019 (Unaudited)		–	–	29,182	811,500	516,711	–	1,357,393	–	1,357,393

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	35(a)	280,165	339,649	569,682	98,984	432,999
Interest received on bank deposits		5,734	9,412	4,366	1,838	2,626
Income tax paid		(17,780)	(22,765)	(36,992)	(19,988)	(20,114)
Net cash generated from operating activities		268,119	326,296	537,056	80,834	415,511
Cash flows from investing activities						
Proceeds from/(payment for) acquisition of subsidiaries, net of cash acquired	37(a)(b)	–	–	(144,971)	282	(107,484)
Payment for acquisition of an associate		–	–	(4,900)	(490)	–
Payment for financial assets through P&L		–	–	–	–	(68,789)
Payments for property, plant and equipment		(2,763)	(8,862)	(6,517)	(2,933)	(7,001)
Payments for investment properties		–	–	(99,000)	(99,000)	–
Payments of software development costs		(2,644)	(3,138)	(15,416)	(22)	(9,632)
Advance to related parties	39(b)	(376,673)	(1,549,811)	(859,700)	(216,721)	(362,140)
Repayment of advance to related parties	39(b)	503,162	374,411	1,717,239	336,565	1,251,547
Interest received on advance to related parties	39(b)	95,467	69,007	41,241	21,383	–
Net cash outflow from disposal of a subsidiary	38	–	–	–	–	(71)
Net cash generated from/(used in) investing activities		216,549	(1,118,393)	627,976	39,064	696,430
Cash flows from financing activities						
Capital injection from owners		–	700,000	1,000	1,000	1
Repayments of borrowings	35(b)	(257,931)	(286,049)	(314,047)	(158,220)	(159,352)
Cash advance from related parties	35(b)	40,000	419,897	315,000	–	–
Repayment of cash advance from related parties	35(b)	(20,000)	(30,000)	(793,571)	(72,718)	(97,172)
Payment for consideration of reorganization	27	–	–	–	–	(221,510)
Interest paid on borrowings		(95,467)	(69,007)	(56,081)	(21,383)	(12,746)
Interest paid on leased liabilities	35(b)	(88)	(243)	(374)	(183)	(513)
Payments for leased liabilities	35(b)	(228)	(1,708)	(5,082)	(1,490)	(3,625)
Dividends paid to the then shareholders of Shimao Tiancheng		–	–	–	–	(569,712)
Proceeds from issuance of convertible redeemable preferred shares	28	–	–	–	–	864,500
Listing expense paid		–	–	–	–	(1,546)
Net cash (used in)/generated from financing activities		(333,714)	732,890	(853,155)	(252,994)	(201,675)
Net increase/(decrease) in cash and cash equivalents		150,954	(59,207)	311,877	(133,096)	910,266
Cash and cash equivalents at beginning of year/period		445,967	596,921	537,714	537,714	849,591
Effects of exchange rate changes on cash and cash equivalents		–	–	–	–	(6,276)
Cash and cash equivalents at end of year/period		596,921	537,714	849,591	404,618	1,753,581

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Shimao Services Holdings Limited (the "Company") was incorporated on December 3, 2019 under the laws of the Cayman Islands with limited liability. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in the provision of property management services and value-added services in the People's Republic of China (the "PRC") (the "Listing Business").

The Company's ultimate holding company is Shimao Group Holdings Limited ("Shimao Group Holdings") (formerly known as "Shimao Property Holdings Limited") whose shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since July 5, 2006. The ultimate controlling shareholder of the Group is Mr. Hui Wing Mau ("Mr. Hui Wing Mau" or the "Ultimate Controlling Shareholder").

The initial listing of the Company's Shares on the Main Board of the Stock Exchange ("Listing") will constitute a spin-off from Shimao Group Holdings ("Spin-Off"). After completion of the Spin-Off, Shimao Group Holdings and its subsidiaries excluding the Group are collectively referred to as the Remaining Group.

This Historical Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the reorganization as described below (the "Reorganization"), the Listing Business was primarily operated through Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng") and its subsidiaries, including among others, Nanjing Haixia Property Management Co., Ltd. ("Nanjing Haixia"), Xianghe Wantong Property Services, Co., Ltd. ("Xianghe Wantong") and the Home Services Entities (as defined below) (collectively, the "operating entities") in the PRC during the whole Track Record Period. Before the completion of the Reorganization, the operating companies were ultimately held by and controlled by Shimao Group Holdings.

In preparation for the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganization was undertaken to transfer the Listing Business to the Company principally through the following steps:

(a) On December 3, 2019, the Company was incorporated under the laws of the Cayman Islands with limited liability by Best Cosmos Limited ("Best Cosmos"), a wholly-owned subsidiary of Shimao Group Holdings;

(b) On December 4, 2019, Shimao Services (BVI) Limited ("Shimao Services BVI") was incorporated in the British Virgin Islands with limited liability by the Company as its wholly-owned subsidiary;

(c) On December 6, 2019, Shimao Services BVI acquired the entire interest of Origin Prime Property Services Limited ("Origin Prime"), which is the sole shareholder of Shanghai Aoling Enterprise Management Co., Ltd.("Shanghai Aoling"), from Shanghai Shiying Investment Co., Ltd ("Shanghai Shiying"), a wholly-owned subsidiary of Shimao Group Holdings;

(d) On December 24, 2019, Shanghai Aoling acquired the entire equity interest of Shimao Tiancheng and its subsidiaries from Shanghai Shiying;

(e) For the purpose of transferring the operating entities of the Listing Business from the Remaining Group into the Group, the following steps were involved:

(i) Shimao Tiancheng acquired the entire equity interest of Mudanjiang Feixia Management Services Co., Ltd. ("Mudanjiang Feixia"), Nanjing Haixia and Xianghe Wantong, on December 27, 2019, January 14, 2020 and April 29, 2020, respectively, from the Remaining Group. Nanjing Haixia and Xianghe Wantong are principally engaged in residential property management business and Mudanjiang Feixia is principally engaged in community value-added services; and

(ii) Shimao Tiancheng and Shanghai Jiashu Construction Engineering Co., Ltd.("Shimao Jiashu"), a wholly-owned subsidiary of Shanghai Aoling, acquired 90% and 10% equity interest of each Shanghai Huiguan Garden Landscape Engineering Co., Ltd. ("Shanghai Huiguan") and Mudanjiang Maoju Household Products Co., Ltd. ("Mudanjiang Maoju") respectively on March 13, 2020 and March 30, 2020. Shimao Services BVI acquired 100% equity interest of Super Rocket Limited and its wholly-owned subsidiary, Suifenhe Shifu Home Supplies Co., Ltd.("Suifenhe Shifu") on March 23, 2020. Shanghai Huiguan, Mudanjiang Maoju and Suifenhe Shifu are principally engaged in the home improvement business (collectively, the "Home Service Entities").

(f) Shimao Tiancheng transferred 42.71% equity interest, being the entire interest held by Shimao Tiancheng thereof, in Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd., a company principally engaged in the provision of micro-financing, to the Remaining Group on April 8, 2020 (the "Excluded Business").

Upon the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group. The subsidiaries in which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out in Note 14.

1.3 Basis of presentation

The companies now comprising the Group, engaging in the Listing Business were under common control of Mr. Hui Wing Mau, the Ultimate Controlling Shareholder, immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Mr. Hui Wing Mau immediately before and after the Reorganization and new comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of Mr. Hui Wing Mau, whichever is a shorter period. The historical financial information relating to the Excluded Business were not combined in the Historical Financial Information.

The net assets of the combining companies were combined using the existing book values from Mr Hui Wing Mau's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from a third party or disposed during each of the years ended December 31, 2017, 2018, 2019 and six months ended June 30, 2020, they are included in or excluded from the financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on combination.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

For the Track Record Period, the Group has consistently adopted all the standards and interpretations effective for the financial reporting period commencing on January 1, 2020.

The following standards and interpretations had been issued but were not mandatory for the financial year beginning on January 1, 2020 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	January 1, 2022
HKFRS 3 (Amendment)	Update reference to the Conceptual framework	January 1, 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
HKAS 37 (Amendments)	Onerous Contracts Cost of Fulfilling a Contract	January 1, 2022
HKFRS 17	Insurance Contracts	January 1, 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual Improvements Project	Annual Improvement 2018-2020	January 1, 2022
HKFRS 16 (Amendments)	COVID-19 Related Rent Concessions	June 1, 2020

The directors of the Company were of the view that the above new and revised standards and amendments and interpretations to existing standards have been issued and are not expected to have any significant impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting polices is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated.

Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2.2.2 Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2.2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated financial statements.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive and non-executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "Other gains/(losses) – net" in the consolidated statements of comprehensive income.

(c) Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over the shorter of their estimated useful lives or, in case of leasehold improvements, as follows:

	Estimated useful lives	Estimated net residual value
Office equipment	5 years	5%
Machinery and equipment	5 years	5%
Vehicles	5 years	5%
Leasehold improvements	Over the shorter of their estimated useful lives or lease term	0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'Other gains/(losses) – net' in the consolidated statements of comprehensive income.

2.6 Investment properties

Investment properties, representing commercial properties held for leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in 20 years.

2.7 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(b) Computer software

Acquired software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 to 10 years). The Group's computer software mainly includes the acquired software license for financial systems. Based on the current functionalities equipped by the software and the Group's daily operation needs, the Group considers useful lives of 5 to 10 years are the best estimation under the current financial reporting needs.

(c) Research and development cost

Costs associated with research and development software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria in above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Customer relationship

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 96 months for the customer relationship. The useful life of 96 months for customer relationship is determined with reference to the Directors' best estimate of the expected contract period for property management services with customers (including renewal) based on the historical renewal pattern and the industry practice.

2.8 Impairment of non-financial assets

Goodwill is not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

Debt instruments

i) to be measured subsequently at fair value through other comprehensive income ("OCI");

ii) to be measured subsequently at fair value through profit or loss; and

iii) to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

i) to be measured subsequently at fair value through other comprehensive income; and

ii) to be measured subsequently at fair value through profit or loss.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.9.2 Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in the consolidated statements of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognized in 'other gains/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in 'other gains/(losses) – net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other gains/(losses) – net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables from third parties, related parties and non-controlling interests are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Inventories

Costs of purchased carparks are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and banks, call deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Convertible redeemable preferred shares

Holders of convertible redeemable preferred shares issued by the Company are redeemable upon occurrence of certain future events. They can also be converted into ordinary shares at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company, or when agreed by majority of the holders.

The Group recognized the convertible redeemable preferred shares as an equity instrument as the redemption obligation does not rest with the Company. They are initially recognized at proceeds received. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of comprehensive income.

2.18 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.19 Borrowing costs

Given the Croup has no qualifying assets during the Track Record Period, all borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

(i) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(ii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.22 Provisions

Provisions for legal claims are recognized when: The Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.23 Revenue recognition

The Group provides property management services, community value-added services, and value-added services to non-property owners. Revenue from providing services is recognized in the accounting period in which the services are rendered.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standard-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Property Management Services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

For property management services income from properties managed under commission basis, where the Group recognizes the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added services

Community value-added services mainly include commission for carpark sales/public facility and space leasing services, home improvement services, carpark sales agency services and carpark sales business, smart community services resident services and online retail services.

The Group leases public facilities and area owned by property owners, mainly including advertisement display area, public parking areas owned by property owners to third parties. The Group provides agency services for property owners and recognizes the commission on a net basis, which is calculated by a portion of rental income in accordance with an agreed-upon percentage when such services are rendered.

The Group provides home improvement services, including marketing and promotion services to third party service providers who provides renovation services to property owners and one-stop renovation services to property owners. The Group charges a fixed upfront fee and recognizes such fee as revenue over the period that the service providers are entitled to use the platform provided by the Group. When the gross sales amount of the renovation services exceed certain threshold and the Group is entitled to charge a variable fee based on the certain pre-determined percentage of the excessive gross sales amount of the services to property owners and the revenue thereon is recognized when condition is met. One-stop renovation services are recognized on a gross basis when such services are rendered.

The Group provides carpark sales agency service to property owners and property developers. The Group acts as an agent in the carpark sales agency service as the Group is not the primary obligor to provide the carpark to property owners and the Group has no inventories risk and pricing discretion in sales of carparks. The Group recognizes the commission on a net basis, which is calculated by a percentage of the sales price when the carpark is delivered to property owners.

The Group engages in carpark sales business. The Group acts as a principal in carpark sales business as the Group obtains control of the carparks before the control of carparks transferred to property owners. Revenues are recognized when or as the control of the carparks is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the carpark is transferred at a point in time.

The Group provides smart community solutions and sells intelligent hardware devices and software to property owners, property developers and property management companies, and provides software maintenance services to other property management companies. The Group recognizes revenue on a gross basis when the smart devices are delivered and the services are rendered.

The Group provides resident services to property owners, such as house cleaning, home electronic repair and maintenance, The Group recognizes revenue on a gross basis when the services are rendered.

The Group offers a wide range of product categories to customers through online retail services. The Group recognizes the product revenues from the online retail on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods.

Value-added services to non-property owners

Value-added services to non-property owners mainly include display units and property sales venue management services and preliminary planning and design consultancy services to property developers at the pre-delivery stage, repair and maintenance management services to property developers during the warrant period of the residential units. The Group agrees the price for each service with the property developers upfront and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2.24 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes and loans to related parties. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Leases

(a) The Group as a lessee

The Group leases commercial properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security of borrowing purpose.

Leases are recognized as right-of-use assets (Note 19) and corresponding liability at the date of which the lease asset for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability of each period. The right-of-use asset is depreciated over the lease term on a straight-line basis in a range of 2 to 7 years with no residual value.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include:

(a) the net present value of the fixed payments (including in-substance fixed payments);

(b) variable lease payments that are based on an index or a rate;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and

(e) payment of penalties for terminating of the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date less any lease incentives received;

(c) any initial direct cost, and;

(d) restoration costs.

Payments associated with short-term leases with lease term of 12 months or less and leases of low-value assets are recognized on a straight-line basis over the lease term as an expense in profit or loss.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group does not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognized in the consolidated statements of comprehensive income when the event or conditions that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(b) The Group as a lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the terms of the relevant lease.

The lease receivable under lease arrangements are recognized as "other receivable" in the consolidated balance sheets.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognized in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognized in profit or loss, or deducted against related costs, expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognized in profit or loss, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Fair value interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than cash and cash equivalents and interest-bearing cash advance ("the interest-bearing assets") from related party, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of the interest-bearing assets are not expected to change significantly.

As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group has no floating-interests-rate interest bearing liabilities.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, deposits and other receivables, and cash and cash equivalents. The carrying amounts of trade receivables, deposits and other receivables, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks and wealth management products recognized as financial assets at fair value through profit or loss since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade receivables

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms, and related party customers with credit terms of usually 60 days. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The expected credit loss also incorporates forward looking information.

(iii) Receivables arising from debt restructuring and other receivables due from related parties

The Group expects that the credit risk associated with receivables arising from debt restructuring and other receivables due from related parties is considered to be low, since related parties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, the impairment provision recognized during the period was limited to 12 months expected losses, which was 0.5% allowance rate considering forwarding-looking risk for receivables arising from debt restructuring and other receivables due from related parties.

(iv) Other receivables other than those from related parties

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the debtor
- significant increases in credit risk on other financial instruments of the individual property owner or the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As there was no significant change of the characteristic of the customer base, historical credit loss rate of customers and forward-looking information during the Track Record Period, the Group adopted the same expected credit loss throughout the Track Record Period. As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow.

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Trade receivables										
Related parties	0.5%	240,212	1,201	363,539	1,818	512,004	2,560	0.5%	494,457	2,472
Third party aging										
Within 1 year	5%	173,803	8,690	66,053	3,303	208,538	10,427	5%	232,833	11,642
1 to 2 years	17%	38,716	6,582	35,659	6,062	27,074	4,603	16%	36,767	5,883
2 to 3 years	31%	17,628	5,465	22,613	7,010	15,377	4,766	31%	20,203	6,263
3 to 4 years	50%	7,477	3,738	12,066	6,033	10,509	5,254	51%	15,154	7,728
4 to 5 years	77%	4,936	3,801	5,764	4,438	6,143	4,730	77%	10,457	8,052
Over 5 years	100%	3,374	3,374	6,816	6,816	9,003	9,003	100%	10,608	10,608
		486,146	32,851	512,510	35,480	788,648	41,343		820,479	52,648

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Receivables arising from debt restructuring	0.5%	93,621	468	–	–	–	–	–	–	–

	As at December 31,							As at June 30,		
		2017		2018		2019			2020	
	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Gross Carrying Amount	Loss allowance provision	Expected Loss Rate	Gross Carrying Amount	Loss allowance provision
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
Other receivables										
– Loans to related parties . .	0.5%	898,484	4,493	2,004,877	10,025	1,106,098	5,531	0.5%	216,691	1,083
– Cash advance to employees	6%	2,595	156	4,561	274	8,196	492	6%	3,040	182
– Payments on behalf of property owners	2%	10,123	202	40,355	807	77,966	1,559	3%	60,742	1,822
– Interest receivables	0.5%	10,021	50	7,672	38	–	–	–	–	–
– Other	5%	359	18	900	45	22,329	1,116	5%	31,484	1,575
		921,582	4,919	2,058,365	11,189	1,214,589	8,698		311,957	4,662

As at December 31, 2017, 2018, 2019 and June 30, 2019, 2020, the loss allowance provision for trade and other receivables (excluding prepayments, receivables from payment platform) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables and receivables arising from debt restructuring	Other receivables (excluding prepayments, receivables from payment platform)	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017	15,608	3,089	18,697
Provision for loss allowance recognized in profit or loss	17,711	1,830	19,541
At December 31, 2017	33,319	4,919	38,238
At January 1, 2018	33,319	4,919	38,238
Provision for loss allowance recognized in profit or loss	2,161	6,450	8,611
Write-off	–	(180)	(180)
At December 31, 2018	35,480	11,189	46,669
At January 1, 2019	35,480	11,189	46,669
Provision for loss allowance recognized in profit or loss	5,863	(2,491)	3,372
At December 31, 2019	41,343	8,698	50,041
At January 1, 2019	35,480	11,189	46,669
Provision for loss allowance recognised in profit or loss	7,210	(740)	6,470
At June 30, 2019(Unaudited)	42,690	10,449	53,139
At January 1, 2020	41,343	8,698	50,041
Provision for loss allowance recognised in profit or loss	11,305	(4,036)	7,269
At June 30, 2020	52,648	4,662	57,310

As at December 31, 2017, 2018, 2019 and June 30, 2020, the gross carrying amount of trade and other receivables (excluding prepayments, receivables from payment platform) was RMB1,501,349,000, RMB2,570,875,000, RMB2,003,237,000 and RMB1,132,436,000 respectively and thus the maximum exposure to loss was RMB1,501,349,000, RMB2,570,875,000, RMB2,003,237,000 and RMB1,132,436,000 respectively.

3.1.3 Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that certain payables are in other foreign currencies. The major non-RMB assets and liabilities are bank deposits and other payables denominated in Hong Kong dollar ("HK dollar", or "HK$") and the United States dollar ("US dollar", or "US$").

As at June 30, 2020, if RMB had strengthened/weakened by 5% against US$ and HK$ with all other variables held constant, the profit before income tax for the six months ended June 30, 2020 would have been approximately RMB42,423,454 higher/lower (For the years ended December 31, 2017, 2018, 2019: nil), mainly as a result of net foreign exchange gains/losses on translation of US$ and HK$ denominated bank deposits and trade and other payables.

3.1.4 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including loans from related parties to meet its daily operation working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the statements of balance sheet, as the impact of discount is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2020				
Trade and other payables*	1,803,069	–	–	1,803,069
Borrowing and interest payments	83,596	–	–	83,596
Lease liabilities	8,168	4,891	102	13,161
Dividend payables	13,061	–	–	13,061
	1,907,894	4,891	102	1,912,887
As at December 31, 2019				
Trade and other payables*	1,693,036	–	–	1,693,036
Borrowing and interest payments	249,230	–	–	249,230
Lease liabilities	7,487	7,020	3,562	18,069
Dividend payables	559,247	–	–	559,247
	2,509,000	7,020	3,562	2,519,582
As at December 31, 2018				
Trade and other payables*	943,492	–	–	943,492
Borrowing and interest payments	350,665	249,230	–	599,895
Lease liabilities	3,169	3,101	1,725	7,995
	1,297,326	252,331	1,725	1,551,382
As at December 31, 2017				
Trade and other payables*	505,573	–	–	505,573
Borrowing and interest payments	352,707	350,665	249,230	952,602
Lease liabilities	609	383	766	1,758
	858,889	351,048	249,996	1,459,933

* *Excluding non-financial liabilities of accrued payroll and other taxes payable*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheets plus net debt.

The gearing ratios during the track record period are as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(Note 30)*	839,885	553,836	239,789	80,437
Lease liabilities *(Note 32)*	1,299	7,343	15,518	12,479
Cash advance from related parties *(Note 39(e))*	185,846	575,743	97,172	–
Less: Cash and cash equivalents *(Note 25)*	(596,921)	(537,714)	(849,591)	(1,753,581)
Net debt/(cash) *(Note 35(b))*	430,109	599,208	(497,112)	(1,660,665)
Total equity	401,315	1,247,511	233,795	1,278,487
Gearing ratio	107%	48%	N/A	N/A

The Group's gearing ratio decreased from 107% as of December 31, 2017 to 48% as of December 31, 2018, primarily due to the repayment of borrowings, the capital injection from Shimao Group Holdings and the increase in retained earnings. The Group's gearing ratio was not available as of December 31, 2019 and June 30, 2020, which is primarily due to the Group is at a net cash position.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets measured at fair value at June 30, 2020.

As at June 30, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	–	69,868	69,868
Financial assets at fair value through other comprehensive income	–	–	356	356

Financial assets at fair values through profit or loss included in Level 3 as at June 30, 2020 are wealth management products, the fair value of which are estimated based on unobservable inputs.

Financial assets at fair value through other comprehensive income included in Level 3 as at June 30, 2020 is 13% equity investment in an unlisted entity, the fair value of which is determined using valuation model for which not all inputs are market observable rates.

	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**
	RMB'000	*RMB'000*
As of January 1, 2020	–	–
Additions	68,789	–
Additions from acquisition of a subsidiary	–	356
Change in fair value	1,079	–
As of June 30, 2020	69,868	356
Net gains for the period	1,079	–

Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Unobservable input	**Valuation technique**	**Financial assets at fair value through profit or loss**	**Range of unobservable inputs As at June 30, 2020**
Expected interest rate per annum	Discounted cash flow	Wealth management products	1%-2%

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of Level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

If the fair values of the financial assets at fair value through profit or loss held by the Group had been 5% higher/lower, the profit before income tax for the six months ended June 30, 2020 would have been approximately RMB3,493,000 higher/lower respectively.

There were no changes in Level 3 instruments for the six months ended June 30, 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumption and inputs used, see Note 3.1.2 above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilisation may be different.

(c) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on the higher of the fair value (less cost to sell) and value in use calculation of the underlying assets, mainly properties. The fair value of the properties, when applicable, is determined by independent valuers. For a listed cash-generating unit ("CGU"), the fair value less cost to sell is determined by the value in use. These valuations and calculations require the use of estimates.

(d) Provision for inventories

The Group assesses the carrying amounts of inventories according to their net realisable value. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive and non-executive directors.

During the Track Record Period, the Group is principally engaged in the provision of property management services, community value-added services, and value-added services to non-property owners. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

As at December 31, 2017, 2018, 2019 and June 30, 2020, all of the non-current assets of the Group were located in the PRC.

6 REVENUE AND COST OF SALES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales by category for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 is as follows:

	Year ended December 31,						Six months ended June 30,			
	2017		2018		2019		2019		2020	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* *(unaudited)*		*RMB'000*	
Revenue from customer and recognized over time:										
Property management services	733,774	549,871	848,583	618,562	1,199,398	851,071	438,132	307,439	819,707	596,882
Community value-added services	33,225	20,280	47,196	27,460	171,918	82,475	27,916	13,570	66,798	33,527
Value-added services to non-property owners	246,202	169,758	386,075	269,211	641,130	459,456	288,888	192,233	327,637	224,919
	1,013,201	739,909	1,281,854	915,233	2,012,446	1,393,002	754,936	513,242	1,214,142	855,328
Revenue from customer and recognized at point in time:										
Community value-added services	29,327	15,718	47,469	23,800	476,640	258,003	90,441	49,804	350,494	177,513
	1,042,528	755,627	1,329,323	939,033	2,489,086	1,651,005	845,377	563,046	1,564,636	1,032,841
Revenue recognized on gross basis/net basis:										
Revenue recognized on gross basis	991,547	728,874	1,246,489	896,718	2,112,299	1,461,974	741,505	516,710	1,427,031	982,331
Revenue recognized on net basis	50,981	26,753	82,834	42,315	376,787	189,031	103,872	46,336	137,605	50,510
	1,042,528	755,627	1,329,323	939,033	2,489,086	1,651,005	845,377	563,046	1,564,636	1,032,841

For the years ended December 31, 2017, 2018 and 2019 and for the six months ended June 30, 2019 and 2020 revenue from entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder contributed to 28.54%, 35.59%, 32.41%, 39.36% and 29.54% of the Group's revenue, respectively. Other than entities controlled by the Ultimate Controlling Shareholder and joint ventures and associates of the Ultimate Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the Track Record Period.

(a) Contract liabilities

The Group had recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property management services	193,780	263,545	393,709	388,565
Community value-added services	–	6,755	50,170	68,732
Value-added services to non-property owners	–	–	1,723	25,515
	193,780	270,300	445,602	482,812

(b) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(c) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year					
Property management services	206,702	193,780	263,545	184,299	219,867
Community value-added services	–	–	6,755	6,755	50,170
Value-added services to non-property owners	–	–	–	–	1,723
	206,702	193,780	270,300	191,054	271,760

(d) Unsatisfied performance obligations

For property management services, community value-added services and value-added services to non-property owners, the Group recognizes revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

(e) Assets recognized from incremental costs to obtain a contract

During the Track Record Period, there were no significant incremental costs to obtain or fulfil a contract, and accordingly no asset was recognized.

7 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses *(Note 8)*	545,273	732,011	1,013,210	418,951	600,813
Cleaning costs	106,339	115,037	228,458	92,976	134,971
Office expenses	45,923	64,816	125,220	50,416	71,177
Security costs	61,060	65,250	123,623	33,774	89,764
Utilities	33,493	35,862	129,498	27,735	50,254
Greening and gardening costs	17,187	30,354	44,587	19,683	25,309
Maintenance costs	39,984	53,260	150,952	27,587	148,682
Cost of selling parking lots	–	–	61,527	–	60,008
Community activities expenses	9,737	11,603	23,050	4,008	4,293
Taxes and surcharges	10,028	8,629	14,107	4,240	10,006
Depreciation and amortization charges	2,335	4,423	14,010	3,990	21,735
Lease payments not included in the measurement of lease liabilities	1,050	5,601	4,327	2,672	840
Listing expenses	–	–	–	–	15,605
Auditors remuneration					
– Audit services	391	416	823	248	644
Others	11,994	10,788	39,343	9,489	21,470
	884,794	1,138,050	1,972,735	695,769	1,255,571

Cost of sales includes mainly employee benefit expenses, maintenance costs, security costs, cleaning costs, costs of selling parking lots and utilities.

8 EMPLOYEE BENEFIT EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries and bonuses	446,551	579,503	816,970	337,796	487,412
Pension costs	35,102	55,954	75,380	31,168	44,746
Housing funds, medical insurances and other social insurances *(Note (a))*	35,231	58,085	79,292	32,785	46,100
Other employment benefits	28,389	38,469	41,568	17,202	22,555
	545,273	732,011	1,013,210	418,951	600,813

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, two, two, two, and two directors for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 respectively, whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining four, three, three, three, three individuals for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries, bonuses, housing funds and other employees' benefits	2,681	2,888	3,818	1,615	1,790

The emoluments fell within the following bands:

	Number of individuals				
	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
Emolument bands (in RMB)					
Nil – RMB500,000	–	–	–	1	–
RMB500,001 – RMB1,000,000	4	2	–	2	3
RMB1,000,001 – RMB2,000,000	–	1	3	–	–
	4	3	3	3	3

9 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Government grants *(Note 1)*	1,412	3,008	4,958	2,053	11,305
Value-added tax deductibles *(Note 2)*	–	–	6,092	1,281	4,077
Rental income	1,000	1,000	4,667	500	5,594
Others	–	–	1,761	–	–
	2,412	4,008	17,478	3,834	20,976

Note1: Government grants mainly represented financial support funds from local government and refund of the value-added-tax ("VAT") under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

Note2: Value-added tax deductibles mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

10 OTHER GAINS/(LOSSES) — NET

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other gains	419	254	625	461	896
Net gain on disposal of a subsidiary	–	–	–	–	511
Net loss on disposal of property, plant and equipment	(8)	(20)	(70)	(2)	(20)
Penalty	(314)	(102)	(146)	(58)	(545)
Claim provisions	–	–	(2,998)	(73)	(2,122)
Net foreign exchange (losses)/gain	–	–	(17)	(22)	1,745
Gain on financial assets at FVPL	–	–	–	–	1,079
Fair value changes of put option *(Note(a))* *(Note 37)*	–	–	–	–	(7,192)
	97	132	(2,606)	306	(5,648)

(a) The fair value evaluation is resulted from purchase consideration of Quanzhou Shimao Sanyuan Real Estate Management Co., Ltd. which occurred during the year ended December 31, 2019 (Note 37(a)).

11 OTHER OPERATING EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation of investment properties	422	415	3,088	206	2,471
Compensation expenses	36	342	3,094	3,000	14
Others	12	27	512	236	494
	470	784	6,694	3,442	2,979

12 FINANCE INCOME/(COSTS) — NET

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	5,734	9,412	4,366	1,838	2,626
Interest income on loans to related parties *(Note 39(b))*	92,010	66,658	33,569	20,232	–
Finance income	97,744	76,070	37,935	22,070	2,626
Interest expense on Asset-Backed Securities ("ABS")	(92,010)	(66,658)	(36,619)	(20,232)	(12,746)
Interest expense on loans from related parties *(Note 39(b))*	–	–	(14,840)	–	–
Interest and finance charges paid/payable for lease liabilities and others *(Note 32(b))*	(88)	(243)	(374)	(183)	(513)
Finance costs	(92,098)	(66,901)	(51,833)	(20,415)	(13,259)
Financial income/(costs) – net	5,646	9,169	(13,898)	1,655	(10,633)

13 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Set out below is the associates of the Group as at December 31, 2017, 2018, 2019 and June 30, 2020:

Name of entity	Place of business/ establishment	% of ownership interest				Nature of relationship	Carrying amount: As at December 31,			Carrying amount: As at June 30,
		2019	2018	2019	2020		2017	2018	2019	2020
		%	%	%	%		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Yunmao Interconnect Intelligent Technology (Xiamen) Co., Ltd ("Yunmao Interconnect")	The PRC	–	–	49	49	Associate	–	–	3,692	3,809
Kunming Ruixin Urban Operation Management Co., Ltd	The PRC	–	–	–	33	Associate	–	–	–	2,328
Shanghai Maoyuan Property Management Co., Ltd. ("Shanghai Maoyuan")	The PRC	–	–	–	49	Associate	–	–	–	–

	Year ended December 31,			Six months ended June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	–	–	3,692
Additions	–	–	4,900	–
Addition from acquisition of Chengdu Xinyi Property Co., Ltd. ("Chengdu Xinyi") *(Note 37)*	–	–	–	2,328
Share of profits/(losses)	–	–	(1,208)	117
At the end of the year/period	–	–	3,692	6,137

In May 2019, the Group established Yunmao Interconnect with a wholly-owned subsidiary of Unisound (Shanghai) Information Technology Co., Ltd., a 49% shareholder of Shanghai Maosheng. The Group contributed RMB4,900,000 and became a 49% shareholder of Yunmao Interconnect. Investment in Yunmao Interconnect is accounted for as an associate as the Group has significant influence in Yunmao Interconnect. The share of results of Yunmao Interconnect accounted for using the equity method in 2019 is RMB1,208,000.

In June 2020, the Group acquired 67% equity interest in Chengdu Xinyi. Following this business combination, Kunming Ruixin Urban Operation Management Co., Ltd., an associate of Chengdu Xinyi, became an associate of the Group.

In May 2020, the Group established Shanghai Maoyuan with Shanghai Shimao Co., Ltd., a non wholly-owned subsidiary of Shimao Group Holdings. The Group subscribed 49% of the share capital and accounted this investment as an associate as the Group has significant influence in Shanghai Maoyuan.

14 SUBSIDIARIES

The subsidiaries of which the Company held direct or indirect interest upon completion of the Reorganization and as at the date of this report are set out below:

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31,			June 30,	Attributable equity interest of the Group as at the date of this report	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
			2017	2018	2019	2020	%			
Shimao Services (BVI) Limited	the British Virgin Islands 2019-12-04	US$1	Not Applicable	Not Applicable	100%	100%	100%	Direct	Investment holding, the British Virgin Island	Note 3
Origin Prime Property Services Limited	Hong Kong 2019-04-18	US$10,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Investment holding, Hong Kong	Note 3
Super Rocket Limited	Hong Kong 2017-05-16	HK$1	100%	100%	100%	100%	100%	Indirect	Investment holding, Hong Kong	Note 1
Shanghai Aoling Enterprise Management Co., Ltd.	The PRC 2019-06-17	RMB5,000,000	100%	100%	100%	100%	100%	Indirect	Investment holding, the PRC	Note 1

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31, 2017	December 31, 2018	December 31, 2019	June 30, 2020	Attributable equity interest of the Group as at the date of this report %	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
Shimao Tiancheng Property Services Group Co., Ltd. ("Shimao Tiancheng")	The PRC 2005-09-16	RMB800,000,000	100%	100%	100%	100%	100%	Indirect	Property management services in Shanghai	Jiangsu Tianjie Certified Public Accountants Co., Ltd. for the years ended December 31, 2017 and 2018. Shanghai Huiya United Certified Public Accountants GP for the year ended December 31, 2019
Quanzhou Shimao Sanyuan Property Management Co., Ltd. (Note i)	The PRC 2003-06-26	RMB5,000,000	Not Applicable	Not Applicable	Note (i)	Note (i)	Note (i)	Indirect	Property management services in Quanzhou	Ruihua Certified Public Accountants Co., Ltd. for the year ended December 31, 2019.
Shanghai Runshang Real Estate Agency Co., Ltd.	The PRC 2012-08-09	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Real estate agent services in Shanghai	Note 1
Shanghai Fanying Environmental Engineering Co., Ltd.	The PRC 2014-12-30	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Gardening and greening services in Shanghai	Note 1
Shanghai Shibin E-Commerce Co., Ltd.	The PRC 2014-12-24	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Wholesales in Shanghai	Note 1
Shanghai Shimao IoT Technology Co., Ltd.	The PRC 2018-12-29	RMB100,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Science and technology promotion and application service in Shanghai	Zhong Lei Certified Public Accountants Co., Ltd. for the year ended December 31, 2019
Shanghai Maoyi Management Consulting Co., Ltd.	The PRC 2014-03-19	RMB1,000,000	100%	100%	100%	100%	100%	Indirect	Business Services in Shanghai	Note 1
Shanghai Shibei Intelligent Engineering Co., Ltd.	The PRC 2014-12-30	RMB8,000,000	100%	100%	100%	100%	100%	Indirect	Construction decoration and other construction in Shanghai	Note 1
Shanghai Guanghe Education Technology Co., Ltd.	The PRC 2019-04-09	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Education in Shanghai	Note 3
Hailiang Property Management Co., Ltd.	The PRC 2014-07-07	RMB50,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Lhasa	Note 3
Zhuji Haijing Property Management Co., Ltd.	The PRC 2013-01-31	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhuji	Note 3
Zhuji Hailiang Property Management Co., Ltd.	The PRC 2012-03-27	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhuji	Note 3
Suzhou Hailiang Property Management Co., Ltd. (Note ii)	The PRC 2013-04-16	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Suzhou	Note 3
Anhui Hailiang Property Management Co., Ltd.	The PRC 2012-02-15	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Anhui	Note 3
Shandong Hailiang Property Management Co., Ltd.	The PRC 2013-09-10	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Shandong	Note 3

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31, 2017	December 31, 2018	December 31, 2019	June 30, 2020	Attributable equity interest of the Group as at the date of this report %	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
Jiangxi Hailiang Property Management Co., Ltd.	The PRC 2012-12-21	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Jiangxi	Note 3
Sichuan Hailiang Property Management Co., Ltd.	The PRC 2013-12-31	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Sichuan	Note 3
Chongqing Haixuan Hailiang Property Management Co., Ltd.	The PRC 2013-12-19	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Chongqing	Note 3
Inner Mongolia Hailiang Property Management Co., Ltd.	The PRC 2009-05-14	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Inner-Mongolia	Note 3
Ningxia Hailiang Property Management Co., Ltd.	The PRC 2010-12-23	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Ningxia	Note 3
Gansu Hailiang Property Management Co., Ltd.	The PRC 2013-07-10	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Gansu	Note 3
Gansu Haijuyi Real Estate Agency Co., Ltd	The PRC 2018-03-09	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Real estate agent services in Gansu	Note 3
Qinghai Hailiang Property Management Co., Ltd.	The PRC 2014-01-21	RMB3,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Qinghai	Note 3
Xi'an Haixuan Property Management Co., Ltd.	The PRC 2014-01-21	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Xi'an	Note 3
Nanjing Haixia Property Management Co., Ltd.	The PRC 2011-10-11	RMB500,000	100%	100%	100%	100%	100%	Indirect	Property management services in Nanjing	Note 1
Xuancheng Shimao Tiancheng Property Management Co., Ltd.	The PRC 2019-10-17	RMB1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Anhui	Note 3
Minhouxian Shimao Tiancheng Property Management Co., Ltd.	The PRC 2018-12-06	RMB10,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Property management services in Fujian	Note 2
Wenzhou Shimao Property Management Co., Ltd.	The PRC 2019-11-27	RMB5,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Zhejiang	Note 3
Mudanjiang Feixia Management Service Co., Ltd. ("Mudanjiang Feixia")	The PRC 2019-10-25	RMB500,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Mudanjiang	Note 3

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31, 2017	2018	2019	June 30, 2020	Attributable equity interest of the Group as at the date of this report %	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
Shanghai Maosheng Intelligent Technology Co., Ltd.	The PRC 2019-12-30	RMB10,000,000	Applicable	Not Applicable	51%	51%	51%	Indirect	Science and technology promotion and application service in Shanghai	Note 3
Mianyang Shimao Tiancheng Property Management Co., Ltd.	The PRC 2019-07-24	RMB1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Property management services in Mianyang	Note 3
Xianghe Wantong Property Management Co., Ltd. ("Xianghe Wantong") (Note iii)	The PRC 2011-07-27	RMB1,000,000	Not Applicable	Not Applicable	Note (iii)	Note (iii)	Note (iii)	Indirect	Property management services in Hebei	Note 3
Mudanjiang Maoju Houseware Co., Ltd. ("Mudanjiang Maoju")	The PRC 2018-04-17	RMB1,000,000	Not Applicable	100%	100%	100%	100%	Indirect	Wholesale and retail trading in Mudanjiang	Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2018 and 2019
Shanghai Huiguan Landscape Engineering Co., Ltd. ("Shanghai Huiguan")	The PRC 2011-05-06	RMB10,000,000	100%	100%	100%	100%	100%	Indirect	Wholesale and retail trading in Shanghai	Shanghai Tripod Certified Public Accountants GP for the year ended December 31, 2017 Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2018 and 2019
Suifenhe Shifu Houseware Co., Ltd. ("Suifenhe Shifu")	The PRC 2018-12-10	HK$1,000,000	Not Applicable	Not Applicable	100%	100%	100%	Indirect	Wholesale and retail trading in Suifenhe	Shanghai Ninth-heaven Certified Public Accountants GP for the year ended December 31, 2019
Shanghai Jiashu Enterprise Management Co., Ltd.	The PRC 2019-07-17	RMB5,000,000	100%	100%	100%	100%	100%	Indirect	Enterprises management consulting in Shanghai	Note 1
Chengdu Xinyi Property Co., Ltd.	The PRC 2000-12-14	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	Note (iv)	Note (iv)	Indirect	Property management services in Sichuan	Note 1
Fusheng Life Services Group Co., Ltd.	The PRC 2018-07-27	RMB100,000,000	Not Applicable	Not Applicable	Not Applicable	Note (v)	Note (v)	Indirect	Property management services in Fujian	Note 1
Shanghai Shijihui Commercial Management Co., Ltd	The PRC 2020-03-18	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	100%	100%	Indirect	Commercial management services in Shanghai	Note 1

Names of the subsidiaries	Place and date of incorporation / establishment	Issued and paid-up capital	Attributable equity interest of the Group December 31, 2017	2018	2019	June 30, 2020	Attributable equity interest of the Group as at the date of this report %	Directly owned or indirectly owned	Principal activities / place of operation	Name of statutory auditors and periods covered
Shanghai Shimao Macalline Home Technology Co., Ltd.	The PRC 2017-04-14	RMB10,000,000	Not Applicable	Not Applicable	Not Applicable	51%	51%	Indirect	Home furnishing services in Shanghai	Note 1
Suzhou Chongtian Intelligent Engineering Co., Ltd	The PRC 2020-04-03	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	100%	100%	Indirect	Engineering services in Shanghai	Note 1
Guangzhou Yuetai Property Management Co., Ltd.	The PRC 1999-06-02	RMB5,000,000	Not Applicable	Not Applicable	Not Applicable	Note (vi)	Note (vi)	Indirect	Property management services in Guangzhou	Note 1
Beijing Guancheng Hotel Management Co., Ltd.	The PRC 1998-09-22	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	Note (vii)	Note (vii)	Indirect	Property management services in Beijing	Note 1
Zhejiang Xiangyu Investment Co., Ltd.	The PRC 2009-05-15	RMB20,000,000	Not Applicable	Not Applicable	Not Applicable	Note (viii)	Note (viii)	Indirect	Investment holding, the PRC	Note 1
Zhejiang Zheda Sinew Property Services Group Co., Ltd.	The PRC 2000-01-21	RMB50,000,000	Not Applicable	Not Applicable	Not Applicable	Note (ix)	Note (ix)	Indirect	Property management services in Zhejiang	Note 1

(i) In 2019, the Group entered into an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the non-controlling shareholder will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting.

(ii) In 2019, the Group completed its acquisition of 100% equity interest in Hailiang Property Management Co., Ltd. and its subsidiaries ("Hailiang subgroup") from a third party (Note 37).

(iii) In 2019, the Group completed its acquisition of Xianghe Wantong (Note 37).

(iv) In 2020, the Group completed its acquisition of 67% equity interest in Chengdu Xinyi Property Co., Ltd. (Note 37).

(v) In 2020, the Group completed its acquisition of 51% equity interest in Fusheng Life Service Group Co., Ltd. (Note 37).

(vi) In 2020, the Group completed its acquisition of 100% equity interest in Guangzhou Yuetai Property Management Co., Ltd. (Note 37).

(vii) In 2020, the Group completed its acquisition of 100% equity interest in Beijing Guancheng Hotel Management Co., Ltd. (Note 42).

(viii) In 2020, the Group completed its acquisition of 62.5% equity interest in Zhejiang Xiangyu Investment Co., Ltd. (Note 42).

(ix) In 2020, the Group completed its acquisition of 51% equity interest in Zhejiang Zheda Sinew Property Services Group Co., Ltd. (Note 42).

Note 1: No statutory audited financial statements have been issued for the years ended December 31, 2017, 2018 and 2019.

Note 2: No statutory audited financial statements have been issued for the years ended December 31, 2018 and 2019.

Note 3: No statutory audited financial statements have been issued for the year ended December 31, 2019.

15 INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
– PRC corporate income tax	45,559	44,165	123,151	35,096	61,791
Deferred income tax (credit)/charge *(Note 33)*					
– PRC corporate income tax	(8,462)	4,826	(1,631)	1,397	(12,833)
	37,097	48,991	121,520	36,493	48,958

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.

(c) PRC corporate income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

Hailiang Property Management Co., Ltd. applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Shanghai to Tibet on December 19, 2017.

In accordance with Caishui Circular [2012] No. 27 ("Circular No. 27"), Shimao Wulianwang is qualified as a software enterprise and enjoying a 5-year tax holiday (two years full exemption followed by three years half reduction) beginning from 2020 after utilizing all prior years' tax losses. The income tax rate for Shimao Wulianwang was 0% from 2020 to 2021 and 12.5% from 2022 to 2024.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Corporate Income Tax Law of the PRC.

(d) PRC withholding income tax

According to the new Enterprise Income Tax Law of the PRC, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after January 1, 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

Gain on disposal of an investment in the PRC by overseas holding companies and intra-group charges to the PRC subsidiaries by overseas subsidiaries may also be subject to withholding tax of 10%.

As at June 30, 2020, the PRC subsidiaries of the Group has undistributed earnings of approximately RMB616,008,000 (2019: RMB157,661,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognized as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

(e) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended December 31,			**Six months ended June 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	145,878	195,187	506,051	145,375	303,629
Tax calculated at applicable corporate income tax rate of 25%	36,470	48,797	126,513	36,344	75,907
Tax effects of:					
– Expenses not deductible for taxation purposes	627	194	498	149	426
– Income not subject to tax	–	–	–	–	(2,607)
– Change in tax rate	–	–	–	–	(16,415)
– Withholding income tax on profits distributed	–	–	–	–	1,031
– Temporary differences utilized (for which no deferred income tax assets was recognized), net	–	–	–	–	(3,832)
– Different tax rate applied	–	–	(5,491)	–	(5,552)
	37,097	48,991	121,520	36,493	48,958

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible redeemable preferred shares ("CPS") outstanding for each of the years/periods presented.

Each CPS is entitled to any non-cumulative dividend in preference to the holders of the ordinary shares when declared. In addition, the holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Profit attributable to equity owners of the Company *(RMB'000)*	108,781	146,196	384,531	108,882	245,420
Weighted average number of equity shares in issue	95,000	95,000	95,000	95,000	96,484
Basic earnings per share for profit attributable to equity owners of the Company during the year/period (expressed in RMB per share)	1,145	1,539	4,048	1,146	2,544

(b) Diluted earnings per share

There being no other dilutive instruments of the Company, diluted earnings per share is equal to basic earnings per share for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

17 INVESTMENT PROPERTIES

	Buildings
	RMB'000
As at January 1, 2017	
Cost	9,005
Accumulated depreciation	(1,077)
Net book amount	7,928
Year ended December 31, 2017	
Opening net book amount	7,928
Depreciation charge	(422)
Closing net book amount	7,506
As at December 31, 2017	
Cost	9,005
Accumulated depreciation	(1,499)
Net book amount	7,506
Year ended December 31, 2018	
Opening net book amount	7,506
Depreciation charge	(415)
Closing net book amount	7,091
As at December 31, 2018	
Cost	9,005
Accumulated depreciation	(1,914)
Net book amount	7,091

	Buildings
	RMB'000
Year ended December 31, 2019	
Opening net book amount	7,091
Additions	99,000
Depreciation charge	(3,088)
Closing net book amount	103,003
As at December 31, 2019	
Cost	108,005
Accumulated depreciation	(5,002)
Net book amount	103,003
Six months ended June 30, 2019 (Unaudited)	
Opening net book amount	7,091
Addition	99,000
Depreciation charge	(206)
Closing net book amount	105,885
As at June 30, 2019 (Unaudited)	
Cost	108,005
Accumulated depreciation	(2,120)
Net book amount	105,885
Six months ended June 30, 2020	
Opening net book amount	103,003
Depreciation charge	(2,471)
Closing net book amount	100,532
As at June 30, 2020	
Cost	108,005
Accumulated depreciation	(7,473)
Net book amount	100,532

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other operating expenses *(Note 11)*	422	415	3,088	206	2,471

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, the rental income arising from the investment properties are RMB1,000,000, RMB1,000,000, RMB4,667,000, RMB500,000 and RMB5,594,000 respectively which are included in other income (Note 9). There are no direct operating expenses from investment properties.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of the investment properties is approximately RMB11,656,000, RMB12,260,000, RMB160,780,000 and RMB149,670,000 respectively.

As at December 31, 2019 and June 30, 2020, investment properties with a carrying amount of RMB96,323,000 and RMB94,014,000 respectively were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd. a joint venture of the Shimao Group Holdings.

18 PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Machinery and equipment	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017					
Cost	4,784	4,659	1,616	59	11,118
Accumulated depreciation	(2,900)	(2,799)	(736)	–	(6,435)
Net book amount	1,884	1,860	880	59	4,683
Year ended December 31, 2017					
Opening net book amount	1,884	1,860	880	59	4,683
Additions	1,146	1,021	194	–	2,361
Disposals	(7)	(69)	–	–	(76)
Depreciation charge	(705)	(748)	(311)	(59)	(1,823)
Closing net book amount	2,318	2,064	763	–	5,145
As at December 31, 2017					
Cost	5,861	5,563	1,810	59	13,293
Accumulated depreciation	(3,543)	(3,499)	(1,047)	(59)	(8,148)
Net book amount	2,318	2,064	763	–	5,145
Year ended December 31, 2018					
Opening net book amount	2,318	2,064	763	–	5,145
Additions	1,878	4,910	176	676	7,640
Disposals	(131)	(147)	(3)	–	(281)
Depreciation charge	(902)	(1,018)	(283)	(82)	(2,285)
Closing net book amount	3,163	5,809	653	594	10,219
As at December 31, 2018					
Cost	7,298	10,061	1,982	735	20,076
Accumulated depreciation	(4,135)	(4,252)	(1,329)	(141)	(9,857)
Net book amount	3,163	5,809	653	594	10,219
Year ended December 31, 2019					
Opening net book amount	3,163	5,809	653	594	10,219
Additions from acquisition of subsidiaries *(Note 37)*	1,483	265	238	–	1,986
Additions	1,315	3,843	156	453	5,767
Disposals	(255)	(116)	(86)	–	(457)
Depreciation charge	(1,242)	(1,457)	(269)	(518)	(3,486)
Closing net book amount	4,464	8,344	692	529	14,029
As at December 31, 2019					
Cost	13,083	13,882	2,416	1,188	30,569
Accumulated depreciation	(8,619)	(5,538)	(1,724)	(659)	(16,540)
Net book amount	4,464	8,344	692	529	14,029

	Building	Office equipment	Machinery and equipment	Vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019						
Cost	–	7,298	10,061	1,982	735	20,076
Accumulated depreciation	–	(4,135)	(4,252)	(1,329)	(141)	(9,857)
Net book amount	–	3,163	5,809	653	594	10,219
Six months ended June 30, 2019 (Unaudited)						
Opening net book amount	–	3,163	5,809	653	594	10,219
Additions from acquisition of subsidiaries *(Note 37)*	–	71	–	30	–	101
Additions	–	771	1,558	71	305	2,705
Disposals	–	(75)	–	(121)	–	(196)
Depreciation charge	–	(712)	(895)	(195)	(219)	(2,021)
Closing net book amount	–	3,218	6,472	438	680	10,808
As at June 30, 2019 (Unaudited)						
Cost	–	8,010	11,848	1,910	1,040	22,808
Accumulated depreciation	–	(4,792)	(5,376)	(1,472)	(360)	(12,000)
Net book amount	–	3,218	6,472	438	680	10,808
As at January 1, 2020						
Cost	–	13,083	13,882	2,416	1,188	30,569
Accumulated depreciation	–	(8,619)	(5,538)	(1,724)	(659)	(16,540)
Net book amount	–	4,464	8,344	692	529	14,029
Six months ended June 30, 2020						
Opening net book amount	–	4,464	8,344	692	529	14,029
Additions from acquisition of subsidiaries *(Note 37)* *(Note i)*	7,469	1,742	649	909	2,304	13,073
Additions	–	1,040	3,516	82	1,558	6,196
Disposals	–	(42)	(38)	(28)	–	(108)
Depreciation charge	–	(1,309)	(1,669)	(206)	(758)	(3,942)
Disposal of subsidiaries with loss of control *(Note 38)*	–	(8)	–	–	–	(8)
Closing net book amount	7,469	5,887	10,802	1,449	3,633	29,240
As at June 30, 2020						
Cost	8,591	17,224	22,624	4,168	5,050	57,657
Accumulated depreciation	(1,122)	(11,337)	(11,822)	(2,719)	(1,417)	(28,417)
Net book amount	7,469	5,887	10,802	1,449	3,633	29,240

Note i: As at June 30, 2020, the ownership certificate of the building has not been obtained.

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	803	976	1,400	863	1,650
Administrative expenses	1,020	1,309	2,086	1,158	2,292
	1,823	2,285	3,486	2,021	3,942

19 RIGHT-OF-USE ASSETS

	Right-of-use assets
	RMB'000
As at January 1, 2017	
Cost	841
Accumulated depreciation	(324)
Net book amount	517
Year ended December 31, 2017	
Opening net book amount	517
Additions	1,120
Depreciation charge	(508)
Closing net book amount	1,129
As at December 31, 2017	
Cost	1,961
Accumulated depreciation	(832)
Net book amount	1,129
Year ended December 31, 2018	
Opening net book amount	1,129
Additions	7,583
Depreciation charge	(1,686)
Closing net book amount	7,026
As at December 31, 2018	
Cost	9,544
Accumulated depreciation	(2,518)
Net book amount	7,026

	Right-of-use assets
	RMB'000
Year ended December 31, 2019	
Opening net book amount	7,026
Additions	12,240
Depreciation charge	(3,408)
Closing net book amount	15,858
As at December 31, 2019	
Cost	21,784
Accumulated depreciation	(5,926)
Net book amount	15,858
As at January 1, 2019	
Cost	9,544
Accumulated depreciation	(2,518)
Net book amount	7,026
Six months ended June 30, 2019(Unaudited)	
Opening net book amount	7,026
Additions	723
Depreciation charge	(1,451)
Closing net book amount	6,298
As at June 30, 2019(Unaudited)	
Cost	10,267
Accumulated depreciation	(3,969)
Net book amount	6,298
As at January 1, 2020	
Cost	21,784
Accumulated depreciation	(5,926)
Net book amount	15,858
Six months ended June 30, 2020	
Opening net book amount	15,858
Additions	1,718
Depreciation charge	(4,903)
Closing net book amount	12,673
As at June 30, 2020	
Cost	23,502
Accumulated depreciation	(10,829)
Net book amount	12,673

Depreciation charges were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	508	1,686	3,408	1,451	4,903

20 INTANGIBLE ASSETS

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017				
Cost	238	–	–	238
Accumulated amortization	(235)	–	–	(235)
Net book amount	3	–	–	3
Year ended December 31, 2017				
Opening net book amount	3	–	–	3
Additions	2,261	–	–	2,261
Amortization charge	(4)	–	–	(4)
Closing net book amount	2,260	–	–	2,260
As at December 31, 2017				
Cost	2,499	–	–	2,499
Accumulated amortization	(239)	–	–	(239)
Net book amount	2,260	–	–	2,260

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018				
Opening net book amount	2,260	–	–	2,260
Additions	2,705	–	–	2,705
Amortization charge	(452)	–	–	(452)
Closing net book amount	4,513	–	–	4,513
As at December 31, 2018				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Year ended December 31, 2019				
Opening net book amount	4,513	–	–	4,513
Additions	13,643	–	–	13,643
Additions from acquisition of subsidiaries *(Note 37)*	136	176,318	95,800	272,254
Amortization charge	(1,128)	–	(5,988)	(7,116)
Closing net book amount	17,164	176,318	89,812	283,294
As at December 31, 2019				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
As at January 1, 2019				
Cost	5,204	–	–	5,204
Accumulated amortization	(691)	–	–	(691)
Net book amount	4,513	–	–	4,513
Six months ended June 30, 2019 (Unaudited)				
Opening net book amount	4,513	–	–	4,513
Additions from acquisition of subsidiaries *(Note 37)*	22	–	–	22
Additions	17	–	–	17
Amortization	(518)	–	–	(518)
Closing net book amount	4,034	–	–	4,034

	Computer Software	Goodwill	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2019 (Unaudited)				
Cost	5,262	–	–	5,262
Accumulated amortization	(1,228)	–	–	(1,228)
Net book amount	4,034	–	–	4,034
As at January 1, 2020				
Cost	18,983	176,318	95,800	291,101
Accumulated amortization	(1,819)	–	(5,988)	(7,807)
Net book amount	17,164	176,318	89,812	283,294
Six months ended June 30, 2020				
Opening net book amount	17,164	176,318	89,812	283,294
Additions from acquisition of subsidiaries *(Note 37)*	2,400	175,754	114,000	292,154
Additions	8,525	–	–	8,525
Disposals	(14)	–	–	(14)
Amortization	(3,590)	–	(9,300)	(12,890)
Closing net book amount	24,485	352,072	194,512	571,069
As at June 30, 2020				
Cost	29,965	352,072	209,800	591,837
Accumulated amortization	(5,480)	-	(15,288)	(20,768)
Net book amount	24,485	352,072	194,512	571,069

Amortization of intangible assets has been charged to the consolidated statements of comprehensive income as follows:

	As at December 31,			As at June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	4	452	7,116	518	12,890

Goodwill arose from acquisition of subsidiaries:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hailiang Subgroup	–	–	155,871	155,871
Quanzhou Sanyuan	–	–	12,817	12,817
Xianghe Wantong	–	–	7,630	7,630
Yuetai Subgroup	–	–	–	64,794
Fusheng Subgroup	–	–	–	67,085
Chengdu Xinyi	–	–	–	43,875
	–	–	176,318	352,072

As at December 31, 2019, Goodwill of RMB176,318,000 has been allocated to Quanzhou Sanyuan, Hailiang Subgroup and Xianghe Wantong separately for impairment testing. As at December 31, 2019, management performed an impairment assessment on the goodwill. The recoverable amount of the property management business operated by Xianghe Wangtong has been assessed by the management, and those operated by Quanzhou Sanyuan, Hailiang Subgroup have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
Revenue 2020 (% annual growth rate)	11%	4%	81%
Revenue 2021 (% annual growth rate)	6%	5%	8%
Revenue 2022 to 2024 (% annual growth rate)	6%	3%	3%-5%
Gross margin (% of revenue)	24%	25%	30%
Long-term growth rate	3%	3%	3%
Pre-tax discount rate	20%	22%	29%

As at December 31, 2019, the recoverable amount of RMB27,397,000, RMB336,022,000 and RMB8,725,000 of Quanzhou Sanyuan, Hailiang Subgroup and Xianghe Wantong calculated based on VIU calculation exceeded their carrying value of RMB22,907,000, RMB235,801,000 and RMB7,712,000 by RMB4,490,000, RMB100,221,000 and RMB1,013,000 respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
As at December 31, 2019			
Annual revenue growth rate	-5%	-5%	-5%
Discount rate	+2%	+5%	+4%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as at December 31, 2019, the directors of the Company determined that no impairment provision on goodwill for the year ended December 31, 2019.

As at June 30, 2020, Goodwill of RMB352,072,000 has been allocated to Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong, Yuetai Subgroup, Fusheng Subgroup and Chengdu Xinyi separately for impairment testing. As at June 30, 2020, management performed an impairment assessment on the goodwill arising from the acquisitions except for the goodwill in relation to the acquisition of Chengdu Xinyi, which was completed in June 2020. The recoverable amounts of the property management business operated by Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong, Yuetai Subgroup and Fusheng Subgroup have been assessed by an independent valuer and determined based on value-in-use ("VIU") calculation. The calculation used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at June 30, 2020:

	Quanzhou Sanyuan	**Hailiang Subgroup**	**Xianghe Wantong**	**Yuetai Subgroup**	**Fusheng Subgroup**
Revenue 2020 (% annual growth rate)	12%	16%	85%	-14%	11%
Revenue 2021 (% annual growth rate)	6%	7%	7%	10%	10%
Revenue 2022 to 2023 (% annual growth rate)	6%	3%	5%	8%	8%
Revenue 2024 (% annual growth rate)	6%	3%	4%	8%	5%
Revenue 2025 (% annual growth rate)	3%	3%	3%	7%	4%
Gross margin (% of revenue)	21%	20%	28%	11%	21%
Long-term growth rate	3%	3%	3%	3%	3%
Pre-tax discount rate	22%	20%	23%	21%	22%

As at June 30, 2020, the recoverable amount of RMB24,994,000, RMB315,212,000, RMB8,639,000, RMB98,820,000 and RMB238,526,000 of Quanzhou Sanyuan, Hailiang Subgroup, Xianghe Wantong,Yuetai and Fusheng calculated based on VIU calculation exceeded their carrying value of RMB18,826,000, RMB235,929,000, RMB7,683,000, RMB91,708,000 and RMB186,631,000 by RMB6,168,000, RMB79,283,000, RMB956,000, RMB7,112,000 and RMB51,895,000 respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom as at June 30, 2020:

	Quanzhou Sanyuan	**Hailiang Subgroup**	**Xianghe Wantong**	**Yuetai Subgroup**	**Fusheng Subgroup**
As at June 30, 2020					
Annual revenue growth rate	-6%	-5%	-4%	-1%	-4%
Discount rate	+5%	+4%	+3%	+1%	+4%

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer as at June 30, 2020, the directors of the Company determined that no impairment provision on goodwill for the six months ended June 30, 2020.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL included in current assets				
Wealth management products *(Note (a))*	–	–	–	69,868

(a) Wealth management products represented an investment measured at fair value, of which the fair value is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy (Note 3).

22 INVENTORIES

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carparks purchased from third parties	–	–	276,775	311,247

23 TRADE RECEIVABLES AND RECEIVABLES ARISING FROM DEBT RESTRUCTURING

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note (a))*				
– Related parties *(Note 39(d))*	240,123	342,584	406,687	276,718
– Third parties	245,934	148,971	275,871	323,233
	486,057	491,555	682,558	599,951
Note receivables				
– Related parties *(Note 39(d))*	89	20,955	105,317	217,739
– Third parties	–	–	773	2,789
	89	20,955	106,090	220,528
Less: allowance for impairment of trade receivables	(32,851)	(35,480)	(41,343)	(52,648)
	453,295	477,030	747,305	767,831
Receivables arising from debt restructuring *(Note (b))*	93,621	–	–	–
Less: allowance for impairment of receivables arising from debt restructuring	(468)	–	–	–
	93,153	–	–	–

(a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. Property management services income under lump sum basis is received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the property owners upon rendering of services.

(b) Shimao Group Holdings and the Group underwent an inter-company debt restructuring exercise during the year ended December 31, 2017 to consolidate certain trade receivables due by Shimao Group Holdings to the Group. As a result, the related outstanding trade receivables of RMB93,621,000 were reclassified as receivables arising from debt restructuring on the date of restructuring.

As at December 31, 2017, 2018, 2019 and June 30, 2020, the ageing analysis of the trade receivables and receivables arising from debt restructuring based on invoice date was as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	502,204	400,832	607,738	489,088
1 to 2 years	43,622	41,076	32,144	51,995
2 to 3 years	17,882	24,800	16,859	22,278
3 to 4 years	7,631	12,214	10,620	15,459
4 to 5 years	4,962	5,811	6,171	10,485
Over 5 years	3,377	6,822	9,026	10,646
	579,678	491,555	682,558	599,951

As at December 31, 2017, 2018, 2019 and June 30, 2020, the trade receivables and receivables arising from debt restructuring were denominated in RMB, and the fair value of trade receivables and receivables arising from debt restructuring approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Movements on the provision for impairment of trade receivables are shown in Note 3.1.2. For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, a provision of RMB32,815,000, RMB35,480,000 RMB41,343,000 and RMB52,648,000 was made against the gross amounts of trade receivables respectively. The provision for impairment increased during the Track Record Period due to the increase of trade receivables.

As at December 31, 2017, 2018, 2019 and June 30, 2020, no trade receivables or receivables arising from debt restructuring of the Group was pledged to secure borrowings granted to the Group.

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
– Utilities	3,316	3,465	5,869	11,799
– Raw materials for value added services	–	–	10,005	2,563
– Others prepayments	10,030	73,364	35,000	42,435
Subtotal	13,346	76,829	50,874	56,797
Other receivables				
– Advance to related parties *(Note 39(e))*	908,505	2,012,549	1,106,098	216,691
– Advance to employees	2,595	4,561	8,196	3,040
– Payments on behalf of property owners *(Note i)*	10,123	40,355	77,966	60,742
– Others	359	900	22,329	31,484
Subtotal	921,582	2,058,365	1,214,589	311,957
Total	934,928	2,135,194	1,265,463	368,754
Less: allowance for impairment of other receivables	(4,919)	(11,189)	(8,698)	(4,662)
	930,009	2,124,005	1,256,765	364,092

Note i: As at December 31, 2017, 2018, 2019 and June 30, 2020, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

As at December 31, 2017, 2018, 2019 and June 30, 2020, prepayments, deposits and other receivables were denominated in RMB.

Movements on the provision for impairment of prepayments, deposits and other receivables (excluding prepayments) are shown in Note 3.1.2.

The Company:

	As at June 30, 2020
	RMB'000
Prepayments for listing expense	1,963
Amount due from a subsidiary *(Note ii)*	858,284

Note ii: Amount due from a subsidiary is receivable from a subsidiary with no fixed term and no interest.

25 CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	531	393	264	943
Cash at bank	593,390	537,321	849,327	1,752,638
Deposit at call	3,000	–	–	–
	596,921	537,714	849,591	1,753,581

The carrying amount of cash and cash equivalents balances are denominated in the following currencies:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	596,921	537,714	849,591	899,944
US$	–	–	–	852,757
HK$	–	–	–	880
	596,921	537,714	849,591	1,753,581

26 SHARE CAPITAL

On December 3, 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of the Company was HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each, among which one fully-paid share was issued to the initial subscriber, an independent third party, at par value and such share was transferred to Best Cosmos at par value on the same day. On May 7, 2020, 94,999 Shares was allotted and issued to Best Cosmos.

On May 8, 2020, Best Cosmos re-designated an aggregate of 5,000 Shares into convertible redeemable preferred shares on a one to one basis to the Pre-IPO investors. (Note 28)

The Company

Authorized and issued share capital

	Number of ordinary shares	Share capital	
		HK$	*RMB*
Authorized			
As at June 30, 2020	37,990,000	379,900	340,306
Issued and fully paid			
As at December 31, 2019	1	–	–
Issue of shares *(Note a)*	94,999	950	869
Re-designated into convertible redeemable preferred shares *(Note b)*	(5,000)	(50)	(45)
Issued and fully paid			
As at June 30, 2020	90,000	900	824

Note a: The shares issued on May 7, 2020 rank pari passu with the then existing share in issue.

Note b: Pursuant to the Share Agreement as described in Note 28, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares.

27 RESERVES

In accordance with the Companies Laws of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective Statutory Surplus Reserve Funds and the Discretionary Reserve Funds before distributions are made to the owners. The percentage of appropriation to Statutory Surplus Reserve Fund is 10%. The amount to be transferred to the Discretionary Reserve Fund is determined by the equity owners of these companies. When the balance of the Statutory Surplus Reserve Fund reaches 50% of the registered capital, such transfer needs not to be made. Both the Statutory Surplus Reserve Fund and Discretionary Reserves Fund can be capitalized as capital of an enterprise, provided that the remaining Statutory Surplus Reserve Fund shall not be less than 25% of the registered paid in capital.

On June 14, 2018 and July 26, 2018, Shimao Tiancheng received capital injections from Shanghai Shiying of RMB200,000,000 and RMB500,000,000 respectively. The amount was recorded as other reserve.

On June 18, 2019 Mudanjiang Maoju received capital injection of RMB1,000,000 from its then shareholder. The amount was recorded as other reserve.

On December 24, 2019, Shanghai Aoling acquired the entire equity interest of Shimao Tiancheng and its subsidiaries from Shanghai Shiying at a consideration of RMB840,000,000, and RMB210,000,000 has been settled during the six months ended June 30, 2020. The consideration was accounted for as a deduction of reserve.

During the six months ended June 30, 2020, the Group acquired the entire equity interest in Mudanjiang Feixia, Nanjing Haixia, Xianghe Wantong and the Home Service Entities as described in Note 1.2(e) from the Shimao Group Holdings at total considerations of RMB11,510,000. The consideration has been settled during the six months ended June 30, 2020. The amount was recorded as other reserve.

Pursuant to the Share Agreement as disclosed in Note 28, 5,000 ordinary shares were re-designated into convertible redeemable preferred shares on a one to one basis. The consideration received by the original shareholder was regarded as a deemed distribution to owner.

28 CONVERTIBLE REDEEMABLE PREFERRED SHARES

On April 30, 2020, (i) SCC Growth V 2020-B, L.P. and SCC Growth IV Holdco A, Ltd. and (ii) Image Frame Investment (HK) Limited (together, the "Pre-IPO investors") entered into a Series A Preferred Share Purchase Agreement with the Company and certain of its subsidiaries, as well as Best Cosmos, the immediate holding company of the Company, and Shimao Group Holdings (the "Share Agreement"), pursuant to which the Pre-IPO Investors agreed to subscribe for an aggregate of 5,000 Series A convertible redeemable preferred shares ("Series A CPS") at a total consideration of RMB864,500,000 payable in U.S. dollars. Simultaneous with the subscription, the Pre-IPO investors purchased from Best Cosmos an aggregate of 5,000 Shares to be re-designated into Series A CPS on a one to one basis at a total consideration of RMB864,500,000 payable in U.S. dollars.

Each Series A CPS shall be automatically converted, based on the then-effective applicable conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the closing of an initial public offering of the shares of the Company or voluntarily converted by Series A CPS holders, as stipulated by the Share Agreement.

The Series A CPS holders have redemption right against Mr. Hui Wing Mau that was exercisable if (i) an initial public offering of the shares of the Company does not take place by May 8, 2022, (ii) any material breach by the Shimao Group Holdings, Best Cosmos and the Company as stipulated by the Share Agreement; or (iii) the occurrence of a change of control event as set out in the Share Agreement. Such right exercisable under (i) above shall terminate upon Listing, whereas the rights exercisable under (ii) and (iii) above had terminated on the calendar day before the first submission of the listing application form with the Stock Exchange of Hong Kong Limited. Such redemption rights will automatically be restored in full force when the listing fails to be successfully completed.

According to the Share Agreement, in the event that the Group is unable to achieve a certain level of financial performance for the financial year ending December 31, 2021, the Pre-IPO investors shall have the right to require Shimao Group Holdings and Best Cosmos to compensate the Pre-IPO investors by either transferring additional shares of the Company at no cost or in cash.

The movements of Series A CPS are set out as below:

	RMB'000
As of January 1, 2020	–
Issuance of Series A CPS	864,500
Ordinary shares re-designated into Series A CPS (Note 26)	864,500
As of June 30, 2020	1,729,000

29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	As at December 31,						As at June 30,	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Claim provisions	–	–	–	–	–	2,998	–	5,120

As at December 31, 2019 and June 30, 2020, The Group has several unsettled legal claims and the management has assessed the possible provision amount of RMB2,998,000 and RMB 5,120,000 respectively.

30 BORROWINGS

	As at December 31,						As at June 30,	
	2017		2018		2019		2020	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Asset-Backed Securities ("ABS")	335,318	504,567	335,378	218,458	239,789	–	80,437	–

In July 2015, the Group entered into an asset-backed special agreement with a third-party financing company in the form of asset securitization. Asset-backed securities are divided into priority level and subprime level with total principal of RMB1,400,000,000 and RMB110,000,000 respectively. The Group repurchased all the subprime level asset-backed securities in the year ended December 31, 2015. The priority level securities were guaranteed by Shanghai Shimao Jianshe Co., Ltd ("Shimao Jianshe"), a subsidiary of Shimao Group Holdings. The ABS carries nominal interest rate ranging from 6.0% to 7.1% per annum.

Such loans were advanced to Shimao Jianshe, with terms of 1-5 years and the same nominal interest rate. Shimao Jianshe repaid the advance in December 2019 (Note 39(e)).

The maturity date of the borrowings was analyzed as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	335,318	335,378	239,789	80,437
Between 1 and 2 years	305,543	218,458	–	–
Between 2 and 5 years	199,024	–	–	–
	839,885	553,836	239,789	80,437

For years ended December 31, 2017, 2018, 2019 and six months ended June 30, 2020, the weighted average effective interest rates on borrowings were 9.76%, 9.76%, 10.32% and 9.76% respectively.

31 TRADE AND OTHER PAYABLES

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note (a))*				
– Related parties *(Note 39(d))*	–	–	27,018	27,192
– Third parties	37,771	48,402	141,131	152,301
	37,771	48,402	168,149	179,493
Other payables				
– Payable to related parties *(Note(b))* *(Note 39(d)(e))*	187,156	596,160	1,001,292	756,330
– Accrued expenses	200,593	176,392	372,867	521,507
– Amounts collected on behalf of property owners	206,729	222,887	341,738	401,337
– Consideration payable *(Note 37)*	–	–	25,956	69,590
	594,478	995,439	1,741,853	1,748,764
Interest payable	10,021	7,672	3,050	3,050
	642,270	1,051,513	1,913,052	1,931,307

(a) At December 31, 2017, 2018, 2019 and June 30, 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	30,956	35,009	148,753	147,858
1 to 2 years	5,772	9,148	13,967	25,490
2 to 3 years	19	3,202	1,965	3,761
3 to 4 years	28	19	2,422	1,017
4 to 5 years	996	28	19	1,367
Over 5 years	–	996	1,023	–
	37,771	48,402	168,149	179,493

(b) On July 10, 2019, a loan was provided by Chongqing Liangjiang New District Huanrun Micro-finance Co., Ltd.("Chongqing Huanrun"), a subsidiary of Shimao Group Holdings, amounting to RMB50,000,000 and carried a fixed interest at 12% per annum. The amount was fully settled in November 2019 (Note 39(b)).

On July 22, 2019, five loans were provided by Chongqing Huanrun and Mudanjiang Tongda Micro-finance Co., Ltd., subsidiaries of Shimao Group Holdings, amounting to RMB70,000,000, RMB80,000,000, RMB30,000,000, RMB75,000,000 and RMB10,000,000 and carried a fixed interest at 12% per annum. The amount was fully settled in December 2019 (Note 39(b)).

(c) At December 31, 2017, 2018, 2019 and June 30, 2020, trade and other payables were denominated in RMB.

32 LEASES LIABILITIES

(a) Amounts recognized in the consolidated balance sheets

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leased in properties for operation				
– Buildings	1,299	7,343	15,518	12,479
Lease liabilities				
Current	543	2,855	6,896	7,709
Non- Current	756	4,488	8,622	4,770
	1,299	7,343	15,518	12,479

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,			Six months ended June, 30
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge				
– Buildings	508	1,686	3,408	4,903
Finance costs on leases *(Note 12)*	88	243	374	513
Expenses related to short-term lease and low-value assets (included in administrative expenses)	1,050	5,601	4,327	840
	1,646	7,530	8,109	6,256

(c) Amounts recognized in the consolidated statements of cash flows

	Year ended December 31,			Six months ended June, 30
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities				
Payments of interest element of lease liabilities	88	243	374	513
Payments of principal element of lease liabilities	228	1,708	5,082	3,625
	316	1,951	5,456	4,138

(d) A maturity analysis of lease liabilities is shown in the table below during the Track Record Period:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases are payable:				
Within one year	609	3,169	7,487	8,168
Later than one year but not later than two years	383	3,101	6,020	4,891
Later than two years but not later than five years	766	1,725	2,112	102
Minimum lease payments	1,758	7,995	15,619	13,161
Future finance charge	(459)	(652)	(101)	(682)
Total lease liabilities	1,299	7,343	15,518	12,479

33 DEFERRED INCOME TAX

The analysis of deferred tax assets in the consolidated balance sheet was as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	–	–	–	–
– Deferred tax asset to be recovered within 12 months	32,148	27,322	32,718	54,358
Net-off with deferred tax liability	–	–	(8,099)	(17,610)
	32,148	27,322	24,619	36,748
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	–	–	(19,459)	(39,024)
– Deferred tax liability to be recovered within 12 months	–	–	(2,994)	(6,004)
Net-off with deferred tax asset	–	–	8,099	17,610
	–	–	(14,354)	(27,418)

The gross movement of deferred income tax account as follows:

The net movement on the deferred income tax account is as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	23,686	32,148	27,322	10,265
Additions from acquisition of subsidiaries *(Note 37)*	–	–	5,262	11,132
Additions from acquisition – Excess of value of intangible assets identified in business combination	–	–	(23,950)	(24,900)
Credited/(charged) to consolidated statements of comprehensive income *(Note 15)*	8,462	(4,826)	1,631	12,833
At end of year	32,148	27,322	10,265	9,330

The movement in deferred tax assets and liabilities during the Track Record Period, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Provision	**Deductible tax loss**	**Accrued expense**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	4,685	–	19,001	23,686
Credited to the consolidated statements of comprehensive income	4,874	183	3,405	8,462
As at December 31, 2017	9,559	183	22,406	32,148
Credited/(charged) to the consolidated statements of comprehensive income	2,108	129	(7,063)	(4,826)
As at December 31, 2018	11,667	312	15,343	27,322
Additions from acquisition of a subsidiary	5,262	–	–	5,262
Credited/(charged) to the consolidated statements of comprehensive income	844	1,966	(2,676)	134
As at December 31, 2019	17,773	2,278	12,667	32,718
As at January 1, 2019	11,667	312	15,343	27,322
Credited/(charged) to the consolidated statements of comprehensive income	1,617	3,826	(6,840)	(1,397)
As at June 30, 2019 (Unaudited)	13,284	4,138	8,503	25,925
As at January 1, 2020	17,773	2,278	12,667	32,718
Additions from acquisition of a subsidiary	11,132	–	–	11,132
Credited/(charged) to the consolidated statements of comprehensive income	(4,469)	5,596	9,381	10,508
As at June 30, 2020	24,436	7,874	22,048	54,358

Deductible tax loss expiration date

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022	183	1	–	–
2023	–	311	2	–
2024	–	–	2,276	1,527
2025	–	–	–	6,347
	183	312	2,278	7,874

Deferred income tax liabilities

	Fair value adjustments on assets and liabilities upon acquisition of subsidiaries
	RMB'000
As at January 1, 2017, December 31, 2017, December 31, 2018, June 30, 2019	–
Additions from acquisition of subsidiaries	(23,950)
Credited to the consolidated statements of comprehensive income	1,497
As at December 31, 2019	(22,453)
As at January 1, 2020	(22,453)
Additions from acquisition of subsidiaries	(24,900)
Credited to the consolidated statements of comprehensive income	2,325
As at June 30, 2020	(45,028)

34 DIVIDEND PAYABLES

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividend payables to the then shareholders of Shimao Tiancheng *(Note i)*	–	–	559,247	–
Dividend payables arisen from acquisition of a subsidiary *(Note ii)*	–	–	–	13,061
	–	–	559,247	13,061

Note i: During the year ended December 31, 2019, Shimao Tiancheng declared dividends of RMB559,247,000 to its then parent company, Shanghai Shiying. The balance has been settled in February 2020.

During the six months ended June 30,2020, Mudanjiang Maoju and Super Rocket declared dividends of RMB720,000 and RMB9,744,900 dividend respectively to their then parent companies Shanghai Rongcheng and Class Font Limited. The balance has been settled during this period.

Note ii: Dividend payables arisen from the acquisition of Chengdu Xinyi.

No dividends have been declared or paid by the Company since its incorporation.

35 CASH FLOW INFORMATION

(a) Net cash generated from operating activities

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	145,878	195,187	506,051	145,375	303,629
Adjustments for:					
– Depreciation and amortization	2,757	4,838	17,098	4,196	24,206
– Provision for impairment of receivables	19,541	8,611	3,372	6,470	7,269
– Net loss on sale of property, plant and equipment *(Note 10)*	8	20	70	2	20
– Fair value adjustment to financial assets through profit or loss *(Note 10)*	–	–	–	–	(1,079)
– Finance expense *(Note 12)*	92,098	66,901	51,833	20,415	13,259
– Finance income *(Note 12)*	(97,744)	(76,070)	(37,935)	(22,070)	(2,626)
– Share of results of an associate accounted for using the equity method	–	–	1,208	116	(117)
– Net gain on disposal of a subsidiary	–	–	–	–	(511)
– Fair value change on put option	–	–	–	–	7,192
– Net exchange differences	–	–	–	–	6,276
Change in operating assets and liabilities, net of effects from purchase of controlled entity					
– Increase in inventories	–	–	(276,775)	–	(31,903)
– (Increase)/decrease in trade receivables and receivables arising from debt restructuring	(405,965)	67,257	(204,228)	(118,384)	26,550
– Decrease/(increase) in other operating assets	327,731	(34,716)	23,263	20,045	329,010
– Increase/(decrease) in trade payables	115,273	10,631	134,248	(24,017)	(22,696)
– (Decrease)/increase in contract liabilities	(12,922)	76,520	102,707	140,726	(3,765)
– Increase/(decrease) in other operating liabilities	93,510	20,470	248,770	(73,890)	(221,715)
	280,165	339,649	569,682	98,984	432,999

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt:				
Cash and cash equivalents	596,921	537,714	849,591	1,753,581
Borrowings	(839,885)	(553,836)	(239,789)	(80,437)
Advance from related parties	(185,846)	(575,743)	(97,172)	–
Lease liabilities	(1,299)	(7,343)	(15,518)	(12,479)
Net (debt)/cash	(430,109)	(599,208)	497,112	1,660,665

	Cash and cash equivalents	Borrowings due after one year	Borrowings due within one year	Advance from related parties	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2017	445,967	(765,170)	(332,646)	(165,846)	(482)	(818,177)
Reclassification	–	260,603	(260,603)	–	–	–
Addition of lease liabilities	–	–	–	–	(1,045)	(1,045)
Accrued interest expenses	–	–	–	–	(88)	(88)
Cash flows	150,954	–	257,931	(20,000)	316	389,201
Net debt as at December 31, 2017	596,921	(504,567)	(335,318)	(185,846)	(1,299)	(430,109)
Reclassification	–	286,109	(286,109)	–	–	–
Addition of lease liabilities	–	–	–	–	(7,752)	(7,752)
Accrued interest expenses	–	–	–	–	(243)	(243)
Cash flows	(59,207)	–	286,049	(389,897)	1,951	(161,104)
Net debt as at December 31, 2018	537,714	(218,458)	(335,378)	(575,743)	(7,343)	(599,208)
Reclassification	–	218,458	(218,458)	–	–	–
Addition of lease liabilities	–	–	–	–	(13,257)	(13,257)
Accrued interest expenses	–	–	–	–	(374)	(374)
Cash flows	311,877	–	314,047	478,571	5,456	1,109,951
Net debt as at December 31, 2019	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Net debt as at January 1, 2019	537,714	(218,458)	(335,378)	(575,743)	(7,343)	(599,208)
Reclassification	–	138,021	(138,021)	–	–	–
Addition of lease liabilities	–	–	–	–	(859)	(859)
Accrued interest expenses	–	–	–	–	(183)	(183)
Cash flows	(133,096)	–	158,220	72,718	1,673	99,515
Net debt as at June 30, 2019 (Unaudited)	404,618	(80,437)	(315,179)	(503,025)	(6,712)	(500,735)
Net debt as at January 1, 2020	849,591	–	(239,789)	(97,172)	(15,518)	497,112
Addition of lease liabilities	–	–	–	–	(586)	(586)
Accrued interest expenses	–	–	–	–	(513)	(513)
Cash flows	903,990	–	159,352	97,172	4,138	1,164,652
Net debt as at June 30, 2020	1,753,581	–	(80,437)	–	(12,479)	1,660,665

36 COMMITMENTS

(a) Lease commitments

Lease commitments — as lessee

As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group did not have any material lease commitments which are not recognized as right-of-use assets.

Operating lease commitments — as lessor

The Group had contracted with lessees for leasing buildings under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	1,000	1,000	5,906	5,906
Later than 1 year and no later than 5 years	4,000	4,000	45,617	44,613
Later than 5 years	2,000	1,000	89,959	84,557
	7,000	6,000	141,482	135,076

(b) As at December 31, 2017, 2018, 2019 and June 30, 2020, the Group did not have any material capital commitment.

37 BUSINESS COMBINATION

Business combinations during the Track Record Period included the acquisitions of six property management companies. The acquired companies' principal activities are property management in the PRC. The financial information of the six acquired companies on the acquisition dates is listed as follows:

There were no acquisitions during the years ended December 31, 2017 and 2018.

(a) Acquisitions during the year ended December 31, 2019

(i) Acquisition of Quanzhou Sanyuan Real Estate Management Co., Ltd. ("Quanzhou Sanyuan")

In 2019, the Group entered in to an agreement with a third party to acquire 51% equity interest of Quanzhou Sanyuan at a consideration of RMB2,920,000, and guaranteed a put option contract under which the seller has the right to sell the remaining 49% equity interest to the Group based on certain formulas. The Group believes that it is virtually certain that the seller will exercise the put option and accounted for the business combination as an acquisition for 100% equity interest in substance for the purpose of acquisition accounting. The Group recognized the total consideration of RMB22,917,000 being the aforesaid cash consideration of RMB2,920,000 plus the consideration payable of RMB19,997,000 (which includes the put option initially valued at RMB8,768,000) for the remaining 49% of the equity. Total identifiable net assets of Quanzhou Sanyuan were amounted to RMB10,100,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Quanzhou Sanyuan contributed total revenue of RMB10,887,000 and net profit of RMB2,295,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, consolidated pro-forma revenue and profit for the year ended December 31, 2019 would have been RMB27,085,000 and RMB7,028,000 respectively.

(ii) Acquisition of Hailiang Real Estate Management Co., Ltd and its subsidiaries (the "Hailiang Subgroup")

On July 17, 2019, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Hailiang Subgroup at a consideration of RMB281,089,000 (Note 14(ii)). Total identifiable net assets of Hailiang Subgroup amounted to RMB125,218,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Hailiang Subgroup contributed total revenue of RMB177,043,000 and net profit of RMB29,531,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, consolidated pro-forma revenue and profit for the year ended December 31, 2019 would have been RMB382,934,000 and RMB42,486,000 respectively.

(iii) Acquisition of Xianghe Wantong Property Services Co., Ltd ("Xianghe Wantong")

On April 16, 2019, Shimao Group Holdings completed its acquisition of 70% of the equity interests in Wantong Property Co., Ltd ("Wantong Property") from a third party (Note 14(iii)). Xianghe Wantong was a wholly-owned subsidiary of Wantong Property and no consideration was allocated to Xianghe Wantong due to its identifiable net liabilities at the acquisition date. On April 29, 2020, 100% equity interest of Xianghe Wantong was transferred from Shimao Group Holdings to the Group as part of the reorganization.

The acquired business of Xianghe Wantong contributed total revenue of RMB2,712,000 and net loss of RMB2,671,000 to the Group for the period from its acquisition date to December 31, 2019. If the acquisition had occurred on January 1, 2019, combined pro-forma revenue and loss for the year ended December 31, 2019 would have been RMB4,057,000 and RMB3,054,000 respectively.

The goodwill arisen from business combination mainly consists of human resources and other unidentifiable assets.

For the year ended 2019, the purchase consideration is as follows:

Purchase consideration	**Quanzhou Sanyuan**	**Hailiang Subgroup**	**Xianghe Wantong**
	RMB'000	*RMB'000*	*RMB'000*
Total consideration	22,917	281,089	–

The assets and liabilities recognized as a result of the acquisition are as follows:

	Acquisition Date	Acquisition Date	Acquisition Date
	Fair value	Fair value	Fair value
	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	4,420	128,154	505
Trade receivables	7,856	64,053	–
Prepayments, deposits and other receivables	7,387	20,662	27
Property, plant and equipment	55	1,830	101
Intangible assets	–	114	22
Customer relationship	6,800	89,000	–
Deferred income tax assets	–	5,262	–
Other non-current assets	–	2,523	–
Less: Trade and other payables	(13,373)	(94,238)	(6,927)
Contract liabilities	(1,345)	(69,892)	(1,358)
Deferred income tax liabilities	(1,700)	(22,250)	–
Net identifiable assets/(liabilities) acquired	10,100	125,218	(7,630)
Add: Goodwill	12,817	155,871	7,630
Total consideration	22,917	281,089	–

Net cash flows arising on acquisition during the year ended December 31, 2019:

	Quanzhou Sanyuan	Hailiang Subgroup	Xianghe Wantong
	RMB'000	*RMB'000*	*RMB'000*
Inflow/(outflow) of cash to acquire subsidiaries, net of cash acquired			
Balance acquired – Cash and cash equivalents	4,420	128,154	505
Less: Cash consideration paid	(2,550)	(275,500)	–
Total consideration transferred	1,870	(147,346)	505

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

The fixed assets of Quanzhou Sanyuan and Hailiang Subgroup mainly consist of electronic devices and the amount is not significant. The Group believes that the fair value of such assets approximates to the book value.

(b) Acquisitions during the six months ended June 30, 2020:

(i) Acquisition of Guangzhou Yuetai Property Management Co., Ltd (the "Yuetai" Subgroup)

On January 1, 2020, Shimao Tiancheng completed its acquisition of 100% of the equity interests in Yuetai Subgroup at a cash consideration of RMB110,000,000 (Note 14(vi)). Total identifiable net assets of Yuetai Subgroup amounted to RMB45,206,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

The acquired business of Yuetai Subgroup contributed total revenue of RMB40,659,000 and net profit of RMB1,139,000 to the Group for the period from its acquisition date to June 30, 2020.

(ii) Acquisition of Fusheng Life Services Group Co., Ltd. (the "Fusheng" Subgroup)

On March 30, 2020, Shimao Tiancheng completed its acquisition of 51% of the equity interests from Guangzhou Qianlong Investment Co., Ltd.in Fusheng Subgroup with zero consideration (Note 14(v)). Total identifiable net liabilities of Fusheng Subgroup amounted at RMB131,540,000. The excess of the consideration transferred over the fair value of the identifiable net liabilities acquired is recorded as goodwill.

The acquired business of Fusheng Subgroup contributed total revenue of RMB65,409,000 and net profit of RMB18,879,000 to the Group for the period from its acquisition date to June 30, 2020. If the acquisition had occurred on January 1, 2020, combined pro-forma revenue and profit for the period ended June 30, 2020 would have been RMB97,860,000 and RMB33,256,000 respectively.

(iii) Acquisition of Chengdu Xinyi Property Co., Ltd (Chengdu Xinyi)

On June 28, 2020, Shimao Tiancheng completed its acquisition of 67% of the equity interests in Chengdu Xinyi at a cash consideration of 74,370,000 (Note 14(iv)). Total identifiable net assets of Chengdu Xinyi amounted to RMB45,515,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the acquisition had occurred on January 1, 2020, combined pro-forma revenue and profit for the period ended June 30, 2020 would have been RMB50,381,000 and RMB7,504,000 respectively.

The goodwill arisen from business combination mainly consists of human resources and other unidentifiable assets.

For the six months ended June 30, 2020, the purchase consideration is as follows:

Purchase consideration	**Yuetai Subgroup**	**Fusheng Subgroup**	**Chengdu Xinyi**
	RMB'000	*RMB'000*	*RMB'000*
Total consideration	110,000	–	74,370

The assets and liabilities recognized as a result of the acquisition are as follows:

	Acquisition Date	Acquisition Date	Acquisition Date
	Fair value	Fair value	Fair value
	Yuetai Subgroup	Fusheng Subgroup	Chengdu Xinyi
	RMB'000	*RMB'000*	*RMB'000*
Acquisition date fair value			
Cash and cash equivalents	8,179	13,109	19,157
Trade receivables	8,660	39,094	22,803
Prepayments, deposits and other receivables	84,649	245,214	6,796
Property, plant and equipment	530	3,753	8,790
Other intangible assets	–	2,400	–
Customer relationship	28,000	50,000	36,000
Deferred income tax assets	2,565	7,813	754
Other non-current assets	–	–	2,684
Less: Trade and other payables	(71,496)	(460,746)	(37,613)
Contract liabilities	(8,881)	(25,720)	(6,841)
Deferred income tax liabilities	(7,000)	(12,500)	(5,400)
Non-controlling interest	–	70,498	(16,635)
Net identifiable assets/(liabilities) acquired	45,206	(67,085)	30,495
Add: Goodwill	64,794	67,085	43,875
Total consideration	110,000	–	74,370

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purpose.

The fixed assets of Yuetai Subgroup, Fusheng Subgroup and Chengdu Xinyi mainly consist of electronic devices and the amount is not significant. The Group believes that the fair value of such assets approximates to the book value.

Net cash flows arising on acquisition during the six months ended June 30, 2020:

	Yuetai Subgroup	Fusheng Subgroup	Chengdu Xinyi
	RMB'000	*RMB'000*	*RMB'000*
Inflow/(outflow) of cash to acquire subsidiaries, net of cash acquired			
Balance acquired — Cash and cash equivalents	8,179	13,109	19,157
Less: Cash consideration paid	(110,000)	–	(37,929)
Total consideration transferred	(101,821)	13,109	(18,772)

38 DISPOSAL OF A SUBSIDIARY

On May 28, 2020, the Fusheng Subgroup entered into an agreement with Fusheng Liujian Industrial Group Co., Ltd. to dispose its entire equity in Fujian Guang'an Engineering Development Co., Ltd. ("Guang'an Company") at a consideration of RMB30,000,000. The disposal resulted in a net cash outflow of RMB70,778 and a net gain of RMB510,849.

Net assets disposed and reconciliation of disposal gains and cash inflow on disposal are as follow:

	RMB'000
Cash and cash equivalents	71
Property and equipment *(Note 18)*	8
Trade receivables	2,317
Prepayments, deposits and other receivables	52,171
Trade and other payables	(24,612)
Contract liabilities	(466)
Total identifiable net assets	29,489
Net assets disposed	29,489
Total consideration *(Note)*	30,000
Net assets disposed	(29,489)
Disposal gains *(Note 10)*	511
Total consideration received	–
Less: cash and cash equivalents in the entities disposed	(71)
Net cash outflow from disposal	(71)

Note: The purchase consideration of RMB30,000,000 for acquisition of Guang'an Company from the original shareholder has not been settled at the date of the disposal. On the date of disposal, Fusheng Subgroup signed a tripartite agreement with the original shareholder and the new shareholder pursuant to which the new shareholder settled the purchase consideration due to the original shareholder on behalf of Fusheng Subgroup.

39 RELATED PARTY TRANSACTIONS

(a) Names and relationship with related parties

The Ultimate Holding Company of the Company is Shimao Group Holdings and the Ultimate Controlling Shareholder of the Company is Mr. Hui Wing Mau.

(b) Transactions with related parties

(i) Continuing transactions

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Property management services provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	46,619	66,889	76,053	37,104	61,173
– Joint ventures and associates of Shimao Group Holdings	5,487	4,234	3,916	1,475	3,820
	52,106	71,123	79,969	38,579	64,993
Community value-added services provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	443	11,310	88,577	8,972	89,638
– Joint ventures and associates of Shimao Group Holdings	–	5,170	4,615	-	6,825
	443	16,480	93,192	8,972	96,463
Value-added services to non-property owners provided to related parties					
– Entities controlled by Mr. Hui Wing Mau	190,993	286,798	475,480	215,065	224,766
– Joint ventures and associates of Shimao Group Holdings	54,009	98,658	158,114	70,149	76,005
	245,002	385,456	633,594	285,214	300,771
Services received from related parties					
– Entities controlled by Mr. Hui Wing Mau	–	–	27,018	–	174
Rental expenses					
– Entities controlled by Mr. Hui Wing Mau	–	371	3,042	1,917	2,608

(ii) Discontinued transactions

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Services received from related parties					
– Entities controlled by Mr. Hui Wing Mau	1,310	4,836	6,217	3,108	1,072
Carpark spaces purchased from related parties					
– Entities controlled by Mr. Hui Wing Mau	–	–	39,788	–	–
Interest expenses on loans from related parties					
– Associates of entities controlled by Mr. Hui Wing Mau	–	–	14,840	–	–
Interest income on loans to related parties					
– Entities controlled by Mr. Hui Wing Mau	92,010	66,658	33,569	20,232	–
Purchase of investment properties					
– Joint venture of entities controlled by Mr. Hui Wing Mau	–	–	99,000	–	–
Distribution and deemed distribution					
– Entities controlled by Mr. Hui Wing Mau	–	–	607,877	–	10,465
Cash advance from related parties					
– Entities controlled by Mr. Hui Wing Mau	40,000	419,897	315,000	–	–
Repayment of Cash advance from related parties					
– Entities controlled by Mr. Hui Wing Mau	20,000	30,000	793,571	72,718	97,172
Advance to related parties					
– Entities controlled by Mr. Hui Wing Mau	376,673	1,549,811	859,700	216,721	362,140
Receipt of advance to and interest from related parties					
– Entities controlled by Mr. Hui Wing Mau	598,629	443,418	1,758,480	357,948	1,251,547

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 40 is set out below.

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other short-term employee benefits	804	2,180	2,468	1,073	1,681

(d) Balances with related parties — trade

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Trade and note receivables on service provided to related parties and receivables arising from debt restructuring*(Note 23)*				
– Entities controlled by Mr. Hui Wing Mau	333,321	354,658	484,341	439,777
– Joint ventures and associates of Shimao Group Holdings	512	8,881	27,663	54,680
	333,833	363,539	512,004	494,457
Contract liabilities to related parties				
– Entities controlled by Mr. Hui Wing Mau	–	–	–	51,422
– Joint ventures and associates of Shimao Group Holdings	–	–	–	18,740
	–	–	–	70,162
Payables to related parties				
Payables on management service				
– Entities controlled by Mr. Hui Wing Mau	1,310	4,836	33,235	28,264
Payables on parking space				
– Entities controlled by Mr. Hui Wing Mau	–	14,405	47,165	109,395
– Joint ventures and associates of Shimao Group Holdings	–	1,176	10,738	15,864
	–	15,581	57,903	125,259
Total payables to related parties	1,310	20,417	91,138	153,523

(e) Balances with related parties — non-trade

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Advance to related parties *(Note 24)*				
– Entities controlled by Mr. Hui Wing Mau	908,505	1,988,053	1,093,739	212,019
– Joint ventures and associates of Shimao Group Holdings	–	24,496	12,359	4,672
	908,505	2,012,549	1,106,098	216,691
Payables to related parties				
Acquisition consideration payable				
– Entities controlled by Mr. Hui Wing Mau	–	–	840,000	630,000
Cash advance from related parties				
– Entities controlled by Mr. Hui Wing Mau	184,795	569,004	96,589	–
– Joint ventures and associates of Shimao Group Holdings	1,051	6,739	583	–
	185,846	575,743	97,172	–
Dividend payables *(Note 34)*				
– Entities controlled by Mr. Hui Wing Mau	–	–	559,247	–
Total payables to related parties	185,846	575,743	1,496,419	630,000

The non-trade balances with related parties will be settled prior to listing.

(f) Pledges provided to related parties

As at December 31, 2019 and June 30, 2020, investment properties with a carrying amount of RMB96,323,000 and RMB94,014,000, respectively, were pledged as collateral borrowings of RMB300,000,000 for Shanghai Bianrui Trading Limited Co., Ltd., a joint venture of Shimao Group Holdings.

(g) Guarantees provided by related parties

As at December 31, 2017, 2018, 2019 and June 30, 2020, the repayment of the Group's asset-backed securities was guaranteed by Shanghai Shimao Jianshe Co., Ltd., a subsidiary of Shimao Group Holdings as mentioned in Note 30. The Guarantees provided by related parties will be released before the Listing.

40 DIRECTORS' BENEFITS AND INTERESTS

As the date of the report, the following directors and senior managements were appointed:

Executive Directors
Mr. Hui Sai Tan, Jason *(Note (a)(i))*
Mr. Ye Mingjie *(Note (a)(ii))*
Mr. Cao Shiyang *(Note (a)(ii))*
Mr. Cai Wenwei *(Note (a)(ii))*

Non-executive Directors
Ms. Tang Fei *(Note (a)(i))*
Mr. Sun Yan *(Note (a)(i))*

Independent Non-executive Directors
Mr. Gu Yunchang *(Note (a)(iii))*
Ms. Kan Lai Kuen, Alice *(Note (a)(iii))*
Ms. Zhou Xinyi *(Note (a)(iii))*

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2020 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie.	–	928	–	39	967
Mr. Cao Shiyang . . .	–	550	–	23	573
Mr. Cai Wenwei. . . .	–	382	–	29	411
	–	1,860	–	91	1,951

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the six months ended June 30, 2019 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie.	–	856	–	57	913
Mr. Cao Shiyang . . .	–	457	–	43	500
	–	1,313	–	100	1,413

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2019 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie	–	1,713	674	115	2,502
Mr. Cao Shiyang ..	–	914	249	85	1,248
	–	2,627	923	200	3,750

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2018 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Ye Mingjie	–	1,404	398	108	1,910
Mr. Cao Shiyang ..	–	617	34	96	747
	–	2,021	432	204	2,657

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2017 as follows:

Name	Fees	Salaries	Bonus	Housing allowances and contributions to a retirement scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Cao Shiyang . .	–	420	34	87	541

(i) The emoluments of the executive director, Mr. Hui Sai Tan, Jason and the non-executive directors, Ms. Tang Fei and Mr. Sun Yan in relation to their services rendered for the Group for the Track Record Period were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) Mr. Ye Mingjie and Mr. Cao Shiyang were appointed as the Group's executive directors on June 1, 2020. Mr. Cai Wenwei was appointed as the Group's executive director on September 18, 2020.

(iii) Mr. Gu Yunchang, Ms. Kan Lai Kuen, Alice and Ms. Zhou Xinyi were appointed as the Group's independent non-executive directors on October 13, 2020. During the years ended December 31, 2017, 2018, 2019 and for the six months ended June 30, 2020, the independent non-executive directors did not receive any remuneration.

(b) Retirement benefits of directors

During the years ended December 31, 2017, 2018, 2019 and for the six months ended June 30, 2020, there were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC.

(c) Termination benefits of directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, there were no termination benefits received by the directors.

(d) Consideration provided to third parties for making available the services of directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, no consideration was paid for making available the services of the directors or senior management of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

Except for mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had interests, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

41 CONTINGENCIES

As at December 31, 2017, 2018, 2019 for the six months ended June 30, 2020, the Group did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations to third parties.

42 EVENTS AFTER THE BALANCE SHEET DATE

(a) In July 2020, Shimao Tiancheng signed an acquisition agreement of 100% equity interests of Beijing Guancheng Hotel Management Co., Ltd. at a cash consideration of RMB130,000,000.

(b) In July 2020, Shimao Tiancheng entered into an acquisition agreement with Zhejiang Xiangyu Investment Co., Ltd. ("Zhejiang Xiangyu") and Ningbo Tianquan Equity Investment LLP("NTEIPs"), which are the original shareholders of Zhejiang Zheda Sinew Property Services Group Co., Ltd. (the "Sinew Group"), to acquire 25% (through the acquisition of 62.5% of equity interests in Zhejiang Xiangyu, which holds 40% of equity interests in Sinew Group) and 26% of equity interests in Sinew Group, respectively. The consideration is approximately RMB614,700,000 subject to adjustment.

Upon the completion of the acquisition on August 5, 2020, the Group through its control of Zhejiang Xiangyu and the direct ownership of equity interests in the Sinew Group, controls 51% of the equity interests in the Sinew Group.

In addition, the acquisition agreement also stipulates that the original shareholders of Zhejiang Xiangyu were guaranteed a put option under which they can sell the remaining 37.5% equity of Zhejiang Xiangyu to the Group at their discretion within 3 months after December 31, 2022. The consideration of such acquisition is based on Sinew Group's financial performance for the year ending December 31, 2022 and its financial position as at December 31, 2022. However, such amount shall not be lower than the current transaction amount in proportion to the equity interests acquired. If the put option is exercised, the Group would control 66% of equity interests in Sinew Group.

Further details of the financial information of the Sinew Group is set out in part IV of the accountant's report.

(c) Pursuant to a written resolution of the shareholder passed on October 13, 2020, subject to the share premium account of the Company being credited as a result of the global offering, the Directors are authorized to allot and issue a total of 1,999,900,000 shares credited as fully paid at par to the existing shareholders of the Company by way of capitalization of the sum of HK$19,999,000 standing to the credit of the share premium account of the Company.

(d) In August 2020, the Group entered into agreements to dispose all of its investment properties at a total consideration of RMB130,600,000.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to June 30, 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2020.

IV ADDITIONAL FINANCIAL INFORMATION OF ZHEJIANG ZHEDA SINEW PROPERTY SERVICES GROUP CO., LTD. FOR THE TRACK RECORD PERIOD

As described in 42(b), 51% of the equity interests of Zhejiang Zheda Sinew Property Services Group Co., Ltd. was acquired by the Group on August 5, 2020 (Zhejiang Zheda Sinew Property Services Group Co., Ltd. and its subsidiaries are hereafter referred to as Sinew Group). The following is the financial information of Sinew Group for the three years ended December 31, 2017,2018 and 2019 and the periods ended June 30, 2019 and 2020:

(1) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	ii	747,280	811,406	914,925	421,032	316,413
Cost of sales	iii	(641,071)	(709,845)	(808,962)	(374,539)	(278,619)
Gross profit		106,209	101,561	105,963	46,493	37,794
Administrative expenses	iii	(48,956)	(53,013)	(51,782)	(26,789)	(20,772)
(Provision)/reversal of impairment losses on financial assets – net		(2,151)	4,787	(493)	(138)	(498)
Other income	v	856	984	2,457	454	3,579
Other gains – net	vi	5,867	4,893	15,078	3,788	2,111
Other operating expenses		(38)	(458)	(457)	(229)	(229)
Operating profit		61,787	58,754	70,766	23,579	21,985
Finance income		354	433	517	288	214
Finance costs		(1,611)	(1,564)	(1,093)	(427)	(817)
Finance costs – net	vii	(1,257)	(1,131)	(576)	(139)	(603)
Share of results of associates accounted for using the equity method	viii	4,702	5,165	6,616	1,365	(3,388)
Profit before income tax		65,232	62,788	76,806	24,805	17,994
Income tax expense	ix	(15,828)	(15,071)	(17,323)	(5,864)	(5,096)
Profit for the year/period		49,404	47,717	59,483	18,941	12,898
Profit/(loss) is attributable to:						
Owners of Sinew Group		48,020	45,205	58,007	19,220	13,484
Non-controlling interests		1,384	2,512	1,476	(279)	(586)
Total comprehensive income for the year/period attributable to owners of Sinew Group		49,404	47,717	59,483	18,941	12,898

(2) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
		2017	**2018**	**2019**	**2020**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	xi	90,688	139,107	119,933	117,167
Right-of-use assets	xii	24,058	16,229	20,791	21,687
Investment properties	x	19,229	18,771	18,314	18,085
Intangible assets	xiii	276	276	595	521
Deferred tax assets	xxi	16,742	15,140	16,080	17,650
Prepayments	xv	58,272	55,192	50,235	48,775
Long term receivables		11,228	1,993	11,152	8,925
Investment in associates accounted for using the equity method	viii	14,302	16,207	22,323	16,935
Financial assets at fair value through profit or loss	xvi	33,722	1,307	–	–
Total non-current assets		268,517	264,222	259,423	249,745
Current assets					
Inventories		3,901	3,825	3,185	3,152
Prepayments, deposits and other receivables	xv	34,568	43,770	44,881	46,781
Trade receivables	xiv	60,326	64,022	87,359	163,657
Financial assets at fair value through profit or loss	xvi	113,700	160,020	180,000	144,000
Restricted cash	xvii	–	–	700	700
Cash and cash equivalents	xvii	127,504	118,722	136,338	81,689
Total current assets		339,999	390,359	452,463	439,979
Total assets		608,516	654,581	711,886	689,724

		As at December 31,			As at June 30,
		2017	2018	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity attributable to owners of Sinew Group					
Share capital		50,000	50,000	50,000	50,000
Statutory reserves		31,198	32,947	34,562	34,562
Other reserves		459	834	834	834
Retained earnings		264,785	297,741	229,133	242,617
Capital and reserves attributable to owners of Sinew Group		346,442	381,522	314,529	328,013
Non-controlling interests		19,594	21,369	13,608	4,388
Total equity		366,036	402,891	328,137	332,401
Liabilities					
Non-current liabilities					
Lease liabilities	xx	8,753	1,814	18,690	16,150
Total non-current liabilities		8,753	1,814	18,690	16,150
Current liabilities					
Trade and other payables	xix	163,571	177,980	296,369	281,763
Contract liabilities	ii	31,441	34,285	35,383	32,167
Income tax liabilities		11,434	20,330	22,283	14,379
Borrowings	xviii	15,000	10,000	–	–
Lease liabilities	xx	12,281	7,281	11,024	12,864
Total current liabilities		233,727	249,876	365,059	341,173
Total liabilities		242,480	251,690	383,749	357,323
Total equity and liabilities		608,516	654,581	711,886	689,724

(3) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Statutory reserves	Other reserve	Retained earnings	Total equity	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017	50,000	30,405	459	227,558	308,422	18,540	326,962
Comprehensive income							
Profit for the year	–	–	–	48,020	48,020	1,384	49,404
Transactions with owners in their capacity as owners							
Appropriation to statutory reserves	–	793	–	(793)	–	–	–
Dividend distributed to the owners and non-controlling interests	–	–	–	(10,000)	(10,000)	(330)	(10,330)
Balance at December 31, 2017	50,000	31,198	459	264,785	346,442	19,594	366,036
Balance at January 1, 2018	50,000	31,198	459	264,785	346,442	19,594	366,036
Comprehensive income							
Profit for the year	–	–	–	45,205	45,205	2,512	47,717
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	375	(500)	(125)	–	(125)
Transactions with owners in their capacity as owners							
Acquisition of non-controlling interests	–	–	–	–	–	(25)	(25)
Appropriation to statutory reserves	–	1,749	–	(1,749)	–	–	–
Dividend distributed to the owners and non-controlling interests	–	–	–	(10,000)	(10,000)	(712)	(10,712)
Balance at December 31, 2018	50,000	32,947	834	297,741	381,522	21,369	402,891

	Share capital	Statutory reserves	Other reserve	Retained earnings	Total equity	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	50,000	32,947	834	297,741	381,522	21,369	402,891
Comprehensive income							
Profit for the year	–	–	–	58,007	58,007	1,476	59,483
Transactions with owners in their capacity as owners							
Dividend distributed to the owners	–	–	–	(125,000)	(125,000)	(6,000)	(131,000)
Appropriation to statutory reserves	–	1,615	–	(1,615)	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(3,237)	(3,237)
Balance at December 31, 2019	50,000	34,562	834	229,133	314,529	13,608	328,137
Balance at January 1, 2020	50,000	34,562	834	229,133	314,529	13,608	328,137
Comprehensive income							
Profit/(loss) for the period	–	–	–	13,484	13,484	(586)	12,898
Transactions with owners in their capacity as owners							
Acquisition of non-controlling interests	–	–	–	–	–	(1,770)	(1,770)
Dividend distributed to non-controlling interests	–	–	–	–	–	(6,864)	(6,864)
Balance at June 30, 2020	50,000	34,562	834	242,617	328,013	4,388	332,401
Balance at January 1, 2019	50,000	32,947	834	297,741	381,522	21,369	402,891
Comprehensive income							
Profit/(loss) for the period (Unaudited)	–	–	–	19,220	19,220	(279)	18,941
Transactions with owners in their capacity as owners (Unaudited)							
Dividend distributed to non-controlling interests	–	–	–	–	–	(6,000)	(6,000)
Disposal of subsidiaries	–	–	–	–	–	(3,237)	(3,237)
Balance at June 30, 2019 (Unaudited)	50,000	32,947	834	316,961	400,742	11,853	412,595

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Six months ended June 30,	
		2017	2018	2019	2019	2020
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from/(used in) operations	xxii	75,382	87,206	76,316	(52,096)	(64,013)
Interest received on bank deposits		354	433	517	288	214
Interest paid		(902)	(879)	(476)	(303)	–
Income tax paid		(25,864)	(4,698)	(16,310)	(12,113)	(14,570)
Net cash generated from/(used in) operating activities		48,970	82,062	60,047	(64,224)	(78,369)
Cash flows from investing activities						
Investment in an associate	viii	–	(4,000)	(1,500)	(1,500)	(4,000)
Payments for property, plant and equipment		(11,117)	(13,452)	(6,407)	(2,261)	(1,497)
Payments for intangible assets		(51)	(31)	(599)	–	–
Payments for construction in progress		(3,490)	(52,840)	(4,366)	(2,898)	(579)
Received from finance lease		7,043	5,390	9,449	2,353	2,162
Disposal of subsidiaries		–	–	12,586	3,798	–
Proceeds from disposal of property, plant and equipment		388	481	665	144	25
Dividends from associates	viii	2,574	7,260	2,000	2,000	6,000
Gain on wealth management products		2,665	2,933	4,451	1,945	1,919
Payment for purchase of financial assets at FVPL		(35,515)	(12,957)	(18,612)	–	–
Redemption of financial assets at FVPL		–	–	–	45,388	36,000
Net cash (used in)/generated from investing activities		(37,503)	(67,216)	(2,333)	48,969	40,030
Cash flows from financing activities						
Repayment of Borrowings		–	(5,000)	(10,000)	–	–
Acquisition of non-controlling interests		–	(25)	–	–	(1,770)
Distribution to the shareholders		(10,330)	(10,712)	(21,000)	(6,000)	(10,000)
Payments for leasing liabilities		(6,076)	(7,891)	(9,098)	(3,995)	(4,540)
Net cash used in financing activities		(16,406)	(23,628)	(40,098)	(9,995)	(16,310)
Net (decrease)/increase in cash and cash equivalents		(4,939)	(8,782)	17,616	(25,250)	(54,649)
Cash and cash equivalents at beginning of year/period		132,443	127,504	118,722	118,722	136,338
Cash and cash equivalents at end of year/period		127,504	118,722	136,338	93,472	81,689

(i) General information of Sinew Group

Sinew Group was formerly known as Zhejiang University Xinyu Property Development Co., Ltd., a wholly state-owned limited company invested and established by Zhejiang University. It was approved and registered by Zhejiang Administration of Industry and Commerce on January 21, 2000.

The registered address for Sinew Group is Room 1001, Building 2, No. 99 Xiangyuan Road, Gongshu District, Hangzhou City, Zhejiang Province. According to the <Approval of the Ministry of Education on Approving the Establishment of Zhejiang University Investment Holding Co., Ltd.> on September 23, 2005. Zhejiang University established a wholly state-owned investment company, and authorized the operation of state-owned assets by it. The share of Sinew Group had been transferred to the investment company.

After several shareholding changes, by the end of June 2020, Sinew Group was owned as to 34% by Zhejiang University Holding Group Co., Ltd., 40% by Zhejiang Xiangyu Investment Co., Ltd., and 26% by Tianquan Equity Investment Partnership (Limited Partnership) as at June 30, 2020.

The principal activities of Sinew Group are the provision of property management services and lifestyle services which include catering services, accommodation services and business trading services.

(ii) Revenue

Revenue mainly comprises of proceeds from property management services and lifestyle services. An analysis of Sinew Group's revenue by category for the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Property management services	311,209	367,540	459,461	210,006	224,862
Lifestyle services *(a)*	436,071	443,866	455,464	211,026	91,551
Total revenue	747,280	811,406	914,925	421,032	316,413
Revenue recognized at a point in time	269,481	288,848	300,108	139,550	52,704
Revenue recognized over time	477,799	522,558	614,817	281,482	263,709
Total revenue	747,280	811,406	914,925	421,032	316,413
Revenue recognized on gross basis:					
– Property management services	311,209	367,540	459,461	210,006	224,862
– Lifestyle services *(a)*	436,071	443,866	455,464	211,026	91,551
Total revenue	747,280	811,406	914,925	421,032	316,413

(a) Lifestyle services mainly include catering services, accommodation services and business trading services:

(i) Catering services

Sinew Group provides catering services to teachers, students and staff who dine on campus. Sinew Group recognizes the fee received or receivable from payment by customers as its revenue and all related catering services costs as its cost of service. Sinew Group recognizes its presentation of its catering services revenue on a gross basis when the services are rendered.

(ii) Accommodation services

Sinew Group provides accommodation services to students and people participating in summer camp projects or other short-term programs. Control of the accommodation service is transferred over time as the customer simultaneously receives and consumes the benefits provided by Sinew Group as Sinew Group performs. Therefore, the accommodation fees are recognized proportionately over the school year or the duration of customers' stay. Sinew Group made payments to certain schools to obtain the operation right of the students' apartments. The payments are considered as payment to customers and deducted from the revenue on a straight-line basis within 31 to 42 years based on such operation periods.

Sinew Group recognizes accommodation services revenue on a gross basis when the services are rendered.

(iii) Business trading services

Sinew Group sells a wide range of products to customers on campus. Sinew Group recognizes revenues from the sale of products on a gross basis as Sinew Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified foods to customers.

Sinew Group recognizes revenue at the point when the goods are delivered to customers and all the related costs of purchased goods as the costs of revenue.

Contract liabilities

Sinew Group had recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accommodation services	18,315	19,086	20,614	10,928
Property management services	7,785	11,861	11,431	16,647
Catering services	5,341	3,338	3,338	4,592
Total	31,441	34,285	35,383	32,167

(iii) Expenses by nature

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Employee benefit expenses *(iv)*	306,142	355,369	424,936	194,717	183,848
Raw materials	155,601	160,841	167,202	76,042	33,527
Subcontracting labour cost	83,626	86,074	100,889	52,459	25,984
Maintenances cost	46,202	49,973	51,511	22,083	17,774
Depreciation and amortization charges	20,387	22,959	21,332	10,026	9,017
Office expenses	16,340	18,560	20,623	9,261	7,187
Utilities	21,305	23,195	25,155	12,865	9,057
Greening and gardening costs	2,482	4,303	4,441	2,033	1,859
Taxes and surcharges	3,984	4,588	4,676	1,818	1,494
Cost of goods sold	7,908	14,522	17,126	8,909	796
Others	26,050	22,474	22,853	11,115	8,848
	690,027	762,858	860,744	401,328	299,391

(iv) Employee benefit expense

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Wages, salaries and bonuses	255,719	288,744	346,766	155,749	152,284
Pension costs	19,083	25,426	28,198	14,881	12,045
Housing funds, medical insurances and other social insurances *(a)*	12,353	15,448	17,582	8,095	7,407
Other employment benefits	18,987	25,751	32,390	15,992	12,112
Wages, salaries and bonuses	306,142	355,369	424,936	194,717	183,848

(a) Employees in Sinew Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. Sinew Group's PRC subsidiaries contribute funds that are calculated on a certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

(v) Other income

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants	636	581	1,040	200	2,572
Value-added tax deductibles	–	–	1,173	254	700
Interest income on finance lease	220	403	240	–	301
Rental income	–	–	4	–	6
	856	984	2,457	454	3,579

(vi) Other gains — net

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Gain on disposal of right-of-use assets	–	–	6,375	–	–
Gain on disposal of subsidiaries	–	–	3,425	1,745	–
Gains on unclaimed deposits	1,250	391	209	69	43
Gain on financial assets at FVPL	3,628	3,881	4,512	2,006	1,919
Other gains	1,162	1,054	715	73	158
Net loss on disposal of property, plant and equipment	(173)	(433)	(158)	(105)	(9)
	5,867	4,893	15,078	3,788	2,111

(vii) Finance costs — net

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income on bank deposits	354	433	517	288	214
Finance income	354	433	517	288	214
Interest expense on bank borrowings	(902)	(879)	(476)	(303)	–
Interest expense on lease liabilities	(709)	(685)	(617)	(124)	(817)
Finance costs	(1,611)	(1,564)	(1,093)	(427)	(817)
Net finance costs — net	(1,257)	(1,131)	(576)	(139)	(603)

(viii) Investment in associates accounted for using the equity method

Set out below is the associates of Sinew Group as at December 31, 2017, 2018 and 2019 and June 30, 2020:

Name of entity	Date of incorporation	Percentage of ownership interest attributable to Sinew Group — As at December 31, 2017	2018	2019	As at June 30, 2020	Principal activities and place of operation
		%	%	%	%	
Zhejiang Xinyu Trade Co., Ltd. (Xinyu Trade)	Dec 19, 2006	40	40	40	40	The PRC; Retail
Zhejiang Xinyu Education Logistics Management Co., Ltd. (Xinyu Education)	April 19, 2005	30	30	30	30	The PRC; Logistics Management and Retail

	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	12,174	14,302	16,207	16,207	22,323
Additions	–	4,000	1,500	1,500	4,000
Dividends	(2,574)	(7,260)	(2,000)	(2,000)	(6,000)
Share of profits/(losses)	4,702	5,165	6,616	1,365	(3,388)
At the end of the year/period	14,302	16,207	22,323	17,072	16,935

(ix) Income tax expense

	Year ended December 31, 2017	2018	2019	Six months ended June 30, 2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax					
– PRC corporate income tax	17,268	13,594	18,263	8,680	6,666
Deferred income tax (credit)/charge *(xxi)*					
– PRC corporate income tax	(1,440)	1,477	(940)	(2,816)	(1,570)
	15,828	15,071	17,323	5,864	5,096

(a) PRC corporate income Tax

Income tax provision of Sinew Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years/periods, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the Track Record Period.

(b) The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated statement of comprehensive income to the income tax expenses is listed below:

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax	65,232	62,788	76,806	24,805	17,994
Tax calculated at applicable corporate income tax rate of 25%	16,308	15,697	19,202	6,201	4,499
Tax effects of:					
– Expenses not deductible for taxation purposes	381	183	539	414	360
– Share of (profits)/losses of investments accounted for using the equity method	(1,176)	(1,291)	(1,654)	(341)	847
– Income tax relief for small and low-profit enterprises	(34)	(42)	(857)	(480)	(671)
– Unrecognized loss	349	524	93	70	61
	15,828	15,071	17,323	5,864	5,096

(x) Investment properties

	Buildings
	RMB'000
As at January 1, 2017	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended December 31, 2017	
Opening net book amount	–
Additions	19,267
Depreciation charge	(38)
Closing net book amount	19,229
As at December 31, 2017	
Cost	19,267
Accumulated depreciation	(38)
Net book amount	19,229

	Buildings
	RMB'000
Year ended December 31, 2018	
Opening net book amount	19,229
Depreciation charge	(458)
Closing net book amount	18,771
As at December 31, 2018	
Cost	19,267
Accumulated depreciation	(496)
Net book amount	18,771
Year ended December 31, 2019	
Opening net book amount	18,771
Depreciation charge	(457)
Closing net book amount	18,314
As at December 31, 2019	
Cost	19,267
Accumulated depreciation	(953)
Net book amount	18,314
Six Months ended June 30, 2019 (Unaudited)	
Opening net book amount	18,771
Depreciation charge	(229)
Closing net book amount	18,542
As at June 30, 2019 (Unaudited)	
Cost	19,267
Accumulated depreciation	(725)
Net book amount	18,542
Period ended June 30, 2020	
Opening net book amount	18,314
Depreciation charge	(229)
Closing net book amount	18,085
As at June 30, 2020	
Cost	19,267
Accumulated depreciation	(1,182)
Net book amount	18,085

As at June 30, 2020, the ownership certificates of the investment properties have not been obtained.

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognized professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realized or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of the investment properties is approximately RMB19,320,000, RMB19,750,000, RMB20,610,000 and RMB20,160,000, respectively.

(xi) Property, plant and equipment

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017						
Cost	52,378	34,596	45,148	22,460	3,036	157,618
Accumulated depreciation	(16,341)	(13,451)	(35,895)	–	–	(65,687)
Net book amount	36,037	21,145	9,253	22,460	3,036	91,931
Year ended December 31, 2017						
Opening net book amount	36,037	21,145	9,253	22,460	3,036	91,931
Additions	56	3,094	3,606	3,371	3,489	13,616
Disposals	–	(321)	(240)	–	–	(561)
Depreciation charge	(1,271)	(3,497)	(4,041)	(5,489)	–	(14,298)
Closing net book amount	34,822	20,421	8,578	20,342	6,525	90,688
As at December 31, 2017						
Cost	52,434	36,320	46,795	25,831	6,525	167,905
Accumulated depreciation	(17,612)	(15,899)	(38,217)	(5,489)	–	(77,217)
Net book amount	34,822	20,421	8,578	20,342	6,525	90,688

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2018						
Opening net book amount	34,822	20,421	8,578	20,342	6,525	90,688
Additions	158	2,570	2,828	6,041	52,840	64,437
Transfer	8,047	–	–	–	(8,047)	–
Disposals	–	(626)	(288)	–	–	(914)
Depreciation charge	(1,369)	(3,610)	(3,293)	(6,832)	–	(15,104)
Closing net book amount	41,658	18,755	7,825	19,551	51,318	139,107
As at December 31, 2018						
Cost	60,639	37,327	46,472	31,872	51,318	227,628
Accumulated depreciation	(18,981)	(18,572)	(38,647)	(12,321)	–	(88,521)
Net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Year ended December 31, 2019						
Opening net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Additions	215	1,339	2,258	1,858	4,366	10,036
Disposals	(64)	(221)	(538)	–	–	(823)
Disposals of subsidiaries	–	(3)	(1,102)	(13,082)	(738)	(14,925)
Depreciation charge	(1,473)	(3,761)	(2,740)	(5,488)	–	(13,462)
Closing net book amount	40,336	16,109	5,703	2,839	54,946	119,933
As at December 31, 2019						
Cost	60,749	37,451	41,365	16,732	54,946	211,243
Accumulated depreciation	(20,413)	(21,342)	(35,662)	(13,893)	–	(91,310)
Net book amount	40,336	16,109	5,703	2,839	54,946	119,933
As at January 1, 2019						
Cost	60,639	37,327	46,472	31,872	51,318	227,628
Accumulated depreciation	(18,981)	(18,572)	(38,647)	(12,321)	–	(88,521)
Net book amount	41,658	18,755	7,825	19,551	51,318	139,107

	Buildings (a)	Vehicles, machinery and equipment	Office equipment	Leasehold improvements	Construction in progress (b)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2019 (Unaudited)						
Opening net book amount	41,658	18,755	7,825	19,551	51,318	139,107
Additions	215	498	727	561	2,898	4,899
Disposals	(64)	(4)	(181)	–	–	(249)
Disposals of subsidiaries	–	(3)	(1,102)	(13,082)	(738)	(14,925)
Depreciation charge	(736)	(1,823)	(1,268)	(2,175)	–	(6,002)
Closing net book amount	41,073	17,423	6,001	4,855	53,478	122,830
As at June 30, 2019 (Unaudited)						
Cost	60,749	37,685	41,432	15,435	53,478	208,779
Accumulated depreciation	(19,676)	(20,262)	(35,431)	(10,580)	–	(85,949)
Net book amount	41,073	17,423	6,001	4,855	53,478	122,830
As at January 1, 2020						
Cost	60,749	37,451	41,365	16,732	54,946	211,243
Accumulated depreciation	(20,413)	(21,342)	(35,662)	(13,893)	–	(91,310)
Net book amount	40,336	16,109	5,703	2,839	54,946	119,933
Six months ended June 30, 2020						
Opening net book amount	40,336	16,109	5,703	2,839	54,946	119,933
Additions	–	656	643	26	579	1,904
Disposals	–	(9)	(25)	–	–	(34)
Depreciation charge	(736)	(1,897)	(997)	(1,006)	–	(4,636)
Closing net book amount	39,600	14,859	5,324	1,859	55,525	117,167
As at June 30, 2020						
Cost	60,749	37,774	41,779	16,758	55,525	212,585
Accumulated depreciation	(21,149)	(22,915)	(36,455)	(14,899)	–	(95,418)
Net book amount	39,600	14,859	5,324	1,859	55,525	117,167

(a) The buildings are located in Huzhou, Zhejiang. The depreciation of the buildings is calculated using the straight-line method, and the depreciation period is 40 years.

(b) Construction in progress represents the land under construction of an office building in Hangzhou, which started in 2017.

(xii) Right-of-use assets

	Buildings	Land-use-right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2017			
Cost	–	12,789	12,789
Accumulated depreciation	–	(1,362)	(1,362)
Net book amount	–	11,427	11,427
Year ended December 31, 2017			
Opening net book amount	–	11,427	11,427
Additions	18,714	–	18,714
Depreciation charge	(5,780)	(303)	(6,083)
Closing net book amount	12,934	11,124	24,058
As at December 31, 2017			
Cost	18,714	12,789	31,503
Accumulated depreciation	(5,780)	(1,665)	(7,445)
Net book amount	12,934	11,124	24,058
Year ended December 31, 2018			
Opening net book amount	12,934	11,124	24,058
Additions	–	–	–
Depreciation charge	(7,526)	(303)	(7,829)
Closing net book amount	5,408	10,821	16,229
As at December 31, 2018			
Cost	18,714	12,789	31,503
Accumulated depreciation	(13,306)	(1,968)	(15,274)
Net book amount	5,408	10,821	16,229
Year ended December 31, 2019			
Opening net book amount	5,408	10,821	16,229
Additions	23,703	–	23,703
Sublease	(3,043)	–	(3,043)
Disposals of subsidiaries	–	(8,440)	(8,440)
Depreciation charge	(7,532)	(126)	(7,658)
Closing net book amount	18,536	2,255	20,791

	Buildings	Land-use-right	Total
	RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019			
Cost	39,374	3,389	42,763
Accumulated depreciation	(20,838)	(1,134)	(21,972)
Net book amount	18,536	2,255	20,791
As at January 1, 2019			
Cost	18,714	12,789	31,503
Accumulated depreciation	(13,306)	(1,968)	(15,274)
Net book amount	5,408	10,821	16,229
Six months ended June 30, 2019 (Unaudited)			
Opening net book amount	5,408	10,821	16,229
Additions	195	–	195
Disposals of subsidiaries	–	(8,440)	(8,440)
Depreciation charge	(3,811)	(92)	(3,903)
Closing net book amount	1,792	2,289	4,081
As at June 30, 2019 (Unaudited)			
Cost	18,909	3,389	22,298
Accumulated amortization	(17,117)	(1,100)	(18,217)
Net book amount	1,792	2,289	4,081
As at January 1, 2020			
Cost	39,374	3,389	42,763
Accumulated depreciation	(20,838)	(1,134)	(21,972)
Net book amount	18,536	2,255	20,791
Period ended June 30, 2020			
Opening net book amount	18,536	2,255	20,791
Additions	5,203	–	5,203
Depreciation charge	(4,273)	(34)	(4,307)
Closing net book amount	19,466	2,221	21,687
As at June 30, 2020			
Cost	44,577	3,389	47,966
Accumulated depreciation	(25,111)	(1,168)	(26,279)
Net book amount	19,466	2,221	21,687

(xiii) Intangible assets

	Computer software	Goodwill (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2017			
Cost	348	305	653
Accumulated amortization	(110)	–	(110)
Impairment	–	(305)	(305)
Net book amount	238	–	238
Year ended December 31, 2017			
Opening net book amount	238	–	238
Additions	44	–	44
Amortization charge	(6)	–	(6)
Closing net book amount	276	–	276
As at December 31, 2017			
Cost	392	305	697
Accumulated amortization	(116)	–	(116)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Year ended December 31, 2018			
Opening net book amount	276	–	276
Additions	26	–	26
Amortization charge	(26)	–	(26)
Closing net book amount	276	–	276
As at December 31, 2018			
Cost	418	305	723
Accumulated amortization	(142)	–	(142)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Year ended December 31, 2019			
Opening net book amount	276	–	276
Additions	531	–	531
Amortization charge	(212)	–	(212)
Closing net book amount	595	–	595
As at December 31, 2019			
Cost	949	305	1,254
Accumulated amortization	(354)	–	(354)
Impairment	–	(305)	(305)
Net book amount	595	–	595

	Computer software	Goodwill (a)	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2019			
Cost	418	305	723
Accumulated amortization	(142)	–	(142)
Impairment	–	(305)	(305)
Net book amount	276	–	276
Six months ended June 30, 2019 (Unaudited)			
Opening net book amount	276	–	276
Amortization	(121)	–	(121)
Closing net book amount	155	–	155
As at June 30, 2019 (Unaudited)			
Cost	418	305	723
Accumulated amortization	(263)	–	(263)
Impairment	–	(305)	(305)
Net book amount	155	–	155
As at January 1, 2020			
Cost	949	305	1,254
Accumulated amortization	(354)	–	(354)
Impairment	–	(305)	(305)
Net book amount	595	–	595
Six months ended June 30, 2020			
Opening net book amount	595	–	595
Amortization charge	(74)	–	(74)
Closing net book amount	521	–	521
As at June 30, 2020			
Cost	949	305	1,254
Accumulated amortization	(428)	–	(428)
Impairment	–	(305)	(305)
Net book amount	521	–	521

(a) Goodwill of RMB304,970 has been allocated to Tianjin Deyu Education Logistics Service Co., Ltd. ("Tianjin Deyu") when it was acquired by Sinew Group in 2013. Tianjin Deyu has been loss-making in the past years and an impairment provision on goodwill has been made.

(xiv) Trade receivables

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Related parties *(xxiii(b))*	593	208	280	425
– Third parties	62,943	66,887	90,039	166,677
	63,536	67,095	90,319	167,102
Less: allowance for impairment of trade receivables *(a)*	(3,210)	(3,073)	(2,960)	(3,445)
	60,326	64,022	87,359	163,657

As at December 31, 2017, 2018, 2019 and June 30, 2020, the aging analysis of the trade receivables based on invoice date was as follows:

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	62,686	64,102	87,536	164,314
1 to 2 years	376	2,674	289	158
2 to 3 years	25	6	2,437	1,752
Over 3 years	449	313	57	878
	63,536	67,095	90,319	167,102

As at December 31, 2017, 2018, 2019 and June 30, 2020, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management service is received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of the invoice. Catering service is due for payment while rendering service.

Sinew Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, a provision of RMB3,210,000, RMB3,073,000, RMB2,960,000 and RMB3,445,000 was made against the gross amounts of trade receivables respectively.

(a) As there was no significant change of the characteristic of the customer base, historical credit loss rate of customers and forward-looking information during the Track Record Period, Sinew Group adopted the same expected credit loss throughout the Track Record Period. As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow:

	As at December 31,							As at June 30,		
	2017			2018		2019		2020		
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
	Expected Loss Rate	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Expected Loss Rate*	*Gross Carrying Amount*	*Loss allowance provision*
Trade receivables										
By individual basis	100%	2,400	2,400	2,400	2,400	2,400	2,400	100%	2,400	2,400
By aging										
Within 1 year	0.52%	60,286	312	64,102	333	87,536	453	0.52%	164,314	852
1 to 2 years	8.50%	376	32	274	23	289	25	8.50%	158	13
2 to 3 years	66.67%	25	17	6	4	37	25	66.67%	152	102
Over 3 years	100%	449	449	313	313	57	57	100%	78	78
		63,536	3,210	67,095	3,073	90,319	2,960		167,102	3,445

(xv) Prepayments, deposits and other receivables

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments				
Non-current prepayments				
– Prepayments to customers *(a)*	58,272	55,192	50,235	48,775
Current prepayments				
– Prepayments to customers *(a)*	3,080	3,080	2,920	2,920
– Others	4,557	7,607	6,536	5,953
Subtotal	65,909	65,879	59,691	57,648
Other receivables				
– Deposits	26,289	32,908	36,210	36,336
– Advance to employees	783	846	924	1,648
– Advance to Jiande Wanxin Real Estate Development Co., Ltd. *(b)*	25,416	20,928	20,928	20,928
– Advance to related parties	–	–	45	–
– Others	1,276	1,071	111	1,920
Subtotal	53,764	55,753	58,218	60,832
Total	119,673	121,632	117,909	118,480
Less: allowance for impairment of other receivables *(c)*	(26,833)	(22,670)	(22,793)	(22,924)
	92,840	98,962	95,116	95,556

(a) Prepayments to customers is the initial consideration paid to these schools to obtain the operation of the students' apartments. The amortization period is 31 to 42 years based on such operation periods.

(b) 100% of impairment provision has been made on the advance to Jiande Wanxin Real Estate Development Co., Ltd. ("Jiande Wanxin") as Jiande Wanxin declared bankruptcy in 2016.

(c) As at December 31, 2017, 2018, 2019 and June 30, 2020, the loss allowance provision was determined based on due date as follow:

	As at December 31,							As at June 30,		
	2017			2018		2019		2020		
		RMB'000		*RMB'000*		*RMB'000*			*RMB'000*	
	Expected Loss Rate	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Gross Carrying Amount*	*Loss allowance provision*	*Expected Loss Rate*	*Gross Carrying Amount*	*Loss allowance provision*
Other receivables										
– Deposits	5%	26,289	1,314	32,908	1,646	36,210	1,811	5%	36,336	1,818
– Advance to employees	5%	783	39	846	42	924	46	5%	1,648	82
– Advance to related parties	5%	–	–	–	–	45	2	5%	–	–
– Advance to Jiande Wanxin	100%	25,416	25,416	20,928	20,928	20,928	20,928	100%	20,928	20,928
– Others	5%	1,276	64	1,071	54	111	6	5%	1,920	96
		53,764	26,833	55,753	22,670	58,218	22,793		60,832	22,924

(xvi) Financial assets at fair value through profit or loss

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL included in non-current assets				
Unlisted Investments *(a)*	33,722	1,307	–	–
Financial assets at FVPL included in current assets				
Wealth management products	113,700	160,020	180,000	144,000
	147,422	161,327	180,000	144,000

(a) Sinew Group's financial assets at fair value through profit or loss include investments in 2 private companies.

(xvii) Cash and cash equivalents

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	9,039	10,597	10,792	10,776
Cash at bank	118,465	108,125	125,546	70,913
	127,504	118,722	136,338	81,689
Restricted cash *(a)*	–	–	700	700
	127,504	118,722	137,038	82,389

(a) As at December 31, 2019 and June 30, 2020, restricted cash is the deposits for issuing letters of guarantee.

(xviii) Borrowings

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	15,000	10,000	–	–

For the years ended December 31, 2017 and 2018, the weighted average effective interest rates on borrowings were 6.00% and 6.00% respectively.

(xix) Trade and other payables

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*				
– Related parties	8	33	4	58
– Third parties	42,489	42,547	42,392	48,830
	42,497	42,580	42,396	48,888
Other payables				
– Payable to related parties *(xxiii(b))*	1,924	3,877	3,477	3,626
– Accrued expenses	15,593	12,737	11,775	10,501
– Dividend payable	–	–	110,000	106,864
– Payroll and welfare payables	70,179	75,940	87,423	69,553
– Deposits	17,286	19,968	18,114	18,391
– Receipts on behalf of third parties	3,567	7,012	8,396	7,865
– Other tax liabilities	4,099	6,830	5,429	6,454
– Other payables	8,426	9,036	9,359	9,621
	121,074	135,400	253,973	232,875
	163,571	177,980	296,369	281,763

(a) At December 31, 2017, 2018, 2019 and June 30, 2020, the aging analysis of the trade payables based on invoice date is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	38,424	38,873	39,120	47,415
1 to 2 years	921	479	1,488	983
2 to 3 years	741	774	159	21
Over 3 years	2,411	2,454	1,629	469
	42,497	42,580	42,396	48,888

(xx) Leases liabilities

(a) Amounts recognized in the consolidated statements of financial position

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
Current	12,281	7,281	11,024	12,864
Non-Current	8,753	1,814	18,690	16,150
	21,034	9,095	29,714	29,014

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Finance costs on leases	709	685	617	124	817

(c) Amounts recognized in the consolidated statements of cashflows

	Year ended December 31,			Six months ended June 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cashflow from financing activities					
Payments of principal element of lease liabilities	5,367	7,206	8,481	3,871	3,723
Payments of interest element of lease liabilities	709	685	617	124	817
	6,076	7,891	9,098	3,995	4,540

(d) A maturity analysis of lease liabilities is shown in the table below during the Track Record Period:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leases are payable:				
Within one year	14,384	9,031	16,465	15,189
Later than one year but not later than two years	7,419	202	15,173	14,632
Later than two years but not later than five years	54	–	–	682
Minimum lease payments	21,857	9,233	31,638	30,503
Future finance charge	(823)	(138)	(1,924)	(1,489)
Total lease liabilities	21,034	9,095	29,714	29,014

(xxi) Deferred income tax

The analysis of deferred tax assets in the consolidated statements of financial position was as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:				
– Deferred tax asset to be recovered after 12 months	3,825	3,632	3,625	4,589
– Deferred tax asset to be recovered within 12 months	15,810	13,144	14,697	14,641
Net-off with deferred tax liability	(2,893)	(1,636)	(2,242)	(1,580)
	16,742	15,140	16,080	17,650
Deferred tax liabilities:				
– Deferred tax liability to be recovered after 12 months	(2,893)	(1,636)	(2,242)	(1,580)
– Deferred tax liability to be recovered within 12 months	–	–	–	–
Net-off with deferred tax asset	2,893	1,636	2,242	1,580
	–	–	–	–

The net movement on the deferred income tax account is as follows:

	As at December 31,			As at June 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	15,302	16,742	15,140	16,080
Credited/(charged) to consolidated statements of comprehensive income	1,440	(1,477)	940	1,570
Disposal of financial assets at FVOCI	–	(125)	–	–
At end of year/period	16,742	15,140	16,080	17,650

Deferred income tax assets

	Accrued expense	Impairment	Tax loss	Fair value change	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	7,914	7,121	3,217	125	18,377
Credited to the consolidated statements of comprehensive income	273	538	447	–	1,258
At December 31, 2017	8,187	7,659	3,664	125	19,635
Credited/(charged) to the consolidated statements of comprehensive income	645	(1,197)	(2,182)	–	(2,734)
Disposal of financial assets at FVOCI	–	–	–	(125)	(125)
At December 31, 2018	8,832	6,462	1,482	–	16,776
Credited/(charged) to the consolidated statements of comprehensive income	1,444	123	(21)	–	1,546
At December 31, 2019	10,276	6,585	1,461	–	18,322
As at January 1, 2019	8,832	6,462	1,482	–	16,776
Credited to the consolidated statements of comprehensive income	1,992	35	29	–	2,056
At June 30, 2019 (Unaudited)	10,824	6,497	1,511	–	18,832
As at January 1, 2020	10,276	6,585	1,461	–	18,322
(Charged)/credited to the consolidated statements of comprehensive income	(198)	124	982	–	908
At June 30, 2020	10,078	6,709	2,443	–	19,230

Deferred income tax liabilities

	Fair value change	Depreciation	Finance lease	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2017	(698)	–	(2,377)	(3,075)
(Charged)/credited to the consolidated statements of comprehensive income	(241)	–	423	182
At December 31, 2017	(939)	–	(1,954)	(2,893)
Credited/(charged) to the consolidated statements of comprehensive income	791	(832)	1,298	1,257
At December 31, 2018	(148)	(832)	(656)	(1,636)
Credited/(charged) to the consolidated statements of comprehensive income	148	(302)	(452)	(606)
At December 31, 2019	–	(1,134)	(1,108)	(2,242)
As at January 1, 2019	(148)	(832)	(656)	(1,636)
Credited/(Charged) to the consolidated statements of comprehensive income	148	(41)	653	760
At June 30, 2019 (Unaudited)	–	(873)	(3)	(876)
As at January 1, 2020	–	(1,134)	(1,108)	(2,242)
Credited to the consolidated statements of comprehensive income	–	130	532	662
At June 30, 2020	–	(1,004)	(576)	(1,580)

(xxii) Cash flow information

(a) Net cash generated from operating activities

	Notes	Year ended December 31,			Six months ended June 30,	
		2017	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before income tax		65,232	62,788	76,806	24,805	17,994
Adjustments for:						
– Depreciation and amortization	iii	20,387	22,959	21,332	10,026	9,017
– Depreciation of investment properties		38	458	457	229	229
– Provision/(reversal) for impairment of receivables		2,151	(4,787)	493	138	498
– Gain on disposal of subsidiaries	vi	–	–	(3,425)	(1,745)	–
– Net Loss on disposal of property, plant and equipment	vi	173	433	158	105	9
– Fair value change on financial assets at FVPL	vi	(3,628)	(3,881)	(4,512)	(2,006)	(1,919)
– Finance expense	vii	1,611	1,564	1,093	427	817
– Finance income	vii	(354)	(433)	(517)	(288)	(214)
– Share of results of associates accounted for using the equity method		(4,702)	(5,165)	(6,616)	(1,365)	3,388
– Gain on disposal of right-of-use assets	vi	–	–	(6,375)	–	–
– Gain on finance lease	v	(220)	(403)	(240)	–	(301)
Change in operating assets and liabilities, net of effects from purchase of controlled entity						
– (Increase)/decrease in inventories		(538)	76	478	326	33
– Increase in restricted cash		–	–	(700)	–	–
– Increase in trade receivables		(9,617)	(3,559)	(23,755)	(74,293)	(76,784)
– Decrease/(increase) in other operating assets		4,485	(1,960)	(2,941)	1,408	(2,271)
– (Decrease)/increase in trade payables		(3,355)	83	256	2,864	6,491
– (Decrease)/increase in contract liabilities		(4,106)	2,844	1,274	(13,393)	(3,217)
– Increase/(decrease) in other operating liabilities		7,825	16,189	23,050	666	(17,783)
Cash generated from/(used in) operations		75,382	87,206	76,316	(52,096)	(64,013)

(xxiii) Related party transactions

The following are significant transactions between Sinew Group and related parties.

(a) Transactions with related parties

	Year ended December 31,			Six months ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Services provided to related parties					
– Associates of Sinew Group	1,666	765	1,097	576	122

(b) Balances with related parties-trade

	As at December 31,			As at June 30,
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Trade Receivables on service provided to related parties *(xiv)*				
– Associates of Sinew Group	593	208	280	425
Payables to related parties				
Other payables *(xix)*				
– Associates of Sinew Group	1,924	3,877	3,477	3,626
Contract Liabilities to related parties				
– Associates of Sinew Group	–	954	944	103

All balances with related parties are in trade nature.

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