Post Hearing Information Pack of

SUNDY 宋服務

臻 享 幸 福 +

Sundy Service Group Co. Ltd
宋都服务集团有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Sundy Service Group Co. Ltd
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(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00001 per Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

信達國際 CINDA INTERNATIONAL

[REDACTED]

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The [**REDACTED**] is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**], [**REDACTED**] and, in any event, not later than [**REDACTED**], [**REDACTED**]. The [**REDACTED**] will be not more than [**REDACTED**] and is currently expected to be not less than [**REDACTED**]. Applicants for the [**REDACTED**] are required to pay, on application, the maximum [**REDACTED**] of [**REDACTED**] for each [**REDACTED**] together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [**REDACTED**] is lower than [**REDACTED**].

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Prior to making an investment decision, prospective investors should consider carefully all of the information set out of this document and the related [**REDACTED**], including the risk factors set out in the section headed "Risk Factors" of this document.

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EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in our [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* [**REDACTED**]. *Various expressions used in this section are defined or explained in the sections headed "Definitions" and "Glossary of Technical Terms" of this document.*

OVERVIEW

We are a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, our Group has over two decades of experience in the property management service industry in the PRC. According to CIA, we were ranked 81st, 71st, 65th and 56th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. In addition, in 2019, among the Top 100 Property Management Companies headquartered in Hangzhou and Zhejiang province, we were ranked 5th and 7th in terms of net profit, respectively. According to CIA, the property management service industry in the PRC is highly competitive and fragmented with a large number of market participants. The market share of Top 100 Property Management Companies in terms of total GFA under management amounted to approximately 43.6% in 2019. In 2019, our market share in terms of total GFA under management amounted to approximately 1.79% of the property management market in Hangzhou. During the Track Record Period, we were awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)" in 2017 and "AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)" and "AAA Class Quality Service Unit (AAA級質量服務信譽單位)" in 2018. Please refer to the paragraph headed "Business — Honours and awards" in this document for further details of our awards.

As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. Please refer to the paragraph headed "Business — Property management services — Our geographic presence" in this document for further details of the geographic coverage of our managed properties.

OUR BUSINESS MODEL

Our business lines include: (i) property management services, including security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services; (ii) value-added services to non-property owners, primarily property developers, including consulting services, sales assistance services and pre-delivery services; (iii) community value-added services provided to primarily property owners and residents, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iv) other businesses, including hotel business and long-term rental apartment business. Please refer to the paragraph headed "Business — Our business model" for further details of our main business lines and how they complement each other.

During the Track Record Period, our managed properties were primarily solely developed or co-developed by Sundy Land Group while the rest was developed by independent third-party property developers. The amount of revenue from the former amounted to approximately RMB58.7 million, RMB68.7

million, RMB87.7 million and RMB41.5 million, respectively, accounting for 98.2%, 96.6%, 91.7% and 69.7% of our Group's total property management services revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. We believe that our long-term business relationship with Sundy Land Group will position us well to continue benefiting from its project reserve, which we consider will provide drivers for the continuing growth of our property management services.

Meanwhile, we also have been searching for opportunities from independent third-party property developers and/or independent third parties, with an aim to reduce our reliance on Sundy Land Group. For details of the measures to achieve this aim, please refer to the paragraphs headed "Business — Property management services — Type of property developers" and "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational independence". Our Group will continue to adopt measures to reduce our reliance on Sundy Land Group.

OUR COMPETITIVE STRENGTHS

We believe that our success is primarily attributable to the competitive strengths, namely (i) we are one of the leading property management companies in Zhejiang province with a strong brand recognition; (ii) our various types of services can create synergies with each other and generated diversified sources of revenue; (iii) our service quality helps achieve wide recognition from our customers and increase our brand value; (iv) we benefit from the stable and long-term business cooperation with Sundy Land Group; and (v) we have experienced professional management team and professional staff. Please refer to the paragraph headed "Business — Our competitive strengths" in this document for further details.

OUR BUSINESS STRATEGIES

We envision and strive to become one of the leading property management service providers based in the Yangtze River Delta region. Specifically, we plan to achieve our objectives primarily by implementing the strategies, namely (i) further expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region through multiple channels; (ii) we intend to utilise advanced technology to create a smart community and develop mobile application to optimise our business model to increase our cost effectiveness; (iii) continue exploring and diversifying the type of services that we provide to cater for the needs of our customers and to increase our revenue base; (iv) further expand our long-term rental apartment business; (v) further enhance our risk management and internal control system; and (vi) continue to attract, recruit, cultivate and retain talents to support our growth. Please refer to the paragraph headed "Business — Our business strategies" in this document for further details.

OUR CUSTOMERS

Our customer base for property management services, value-added services for non-property owners and community value-added services primarily consists of property developers, property owners and residents. Our customer base for hotel business primarily consists of walk-in hotel guests, and guests making reservations through third-party booking networks and travel agency. Our customer base for long-term rental apartment business primarily consists of walk-in customers.

The revenue contributed by our top five largest customers collectively accounted for approximately 31.3%, 42.4%, 42.4% and 58.6%, respectively, of our total revenue for FY2017, FY2018, FY2019 and 6M2020. The revenue contributed by our largest customer accounted for approximately 24.8%, 34.2%, 35.7% and 41.8%, respectively, of our total revenue for FY2017, FY2018, FY2019 and 6M2020.

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	44,085	73.7	52,396	73.7	66,803	69.8	32,666	71.7	32,684	54.9
Properties co-developed by non-wholly owned project companies controlled by Sundy Land Group	10,757	18.0	12,224	17.2	15,397	16.1	7,699	16.9	6,289	10.6
Properties co-developed by project companies not controlled by Sundy Land Group	3,867	6.5	4,069	5.7	5,495	5.8	2,747	6.0	2,528	4.2
Properties developed by independent third-party property developers	1,083	1.8	2,405	3.4	7,964	8.3	2,457	5.4	17,999	30.3
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

Although a significant portion of property management services revenue during the Track Record Period was related to the management of properties solely developed or co-developed by Sundy Land Group, once the property units are delivered, we collect property management fees from property owners. Our property management services revenue generated from Sundy Land Group amounted to approximately RMB9.3 million, RMB10.5 million, RMB23.2 million and RMB9.9 million, accounting for approximately 15.5%, 14.7%, 24.2% and 16.6% of our total property management services revenue for FY2017, FY2018, FY2019 and 6M2020.

The table below sets forth the breakdown of revenue of our value-added services to non-property owners by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	8,556	71.3	26,177	67.4	33,475	64.9	16,474	72.2	24,018	75.9
Properties co-developed by non-wholly owned companies controlled by Sundy Land Group	415	3.5	4,103	10.6	7,999	15.5	2,043	8.9	2,730	8.6
Properties co-developed by non-wholly owned companies not controlled by Sundy Land Group	1,961	16.3	8,123	20.9	5,774	11.2	3,596	15.8	4,472	14.1
Properties developed by independent third-party property developers	1,070	8.9	427	1.1	4,300	8.4	710	3.1	439	1.4
Total	12,002	100.0	38,830	100.0	51,548	100.0	22,823	100.0	31,659	100.0

The table below sets forth the breakdown of revenue of our community value-added services by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	9,368	82.3	13,950	80.7	48,370	88.6	11,715	79.5	17,714	90.1
Properties co-developed by non-wholly owned companies controlled by Sundy Land Group	1,208	10.6	2,430	14.1	5,020	9.2	2,616	17.8	1,601	8.2
Properties co-developed by non-wholly owned companies not controlled by Sundy Land Group	16	0.2	67	0.4	16	less than 0.1	12	0.1	2	less than 0.1
Properties developed by independent third-party property developers	788	6.9	836	4.8	1,181	2.2	387	2.6	339	1.7
Total	11,380	100.0	17,283	100.0	54,587	100.0	14,730	100.0	19,656	100.0

OUR SUPPLIERS

Our major suppliers are primarily our subcontractors. For FY2017, FY2018, FY2019 and 6M2020, our five largest suppliers accounted for approximately 15.5%, 35.1%, 27.5% and 28.2%, of our total costs of sales, respectively. Our largest supplier accounted for approximately 4.5%, 11.8%, 8.1% and 8.5%, of our total cost of sales for FY2017, FY2018, FY2019 and 6M2020, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below are summaries of our consolidated results for the Track Record Period, which were extracted from the Accountants' Report as set out in Appendix I to this document.

Selected items of consolidated statements of profit or loss and other comprehensive income

	FY2017	FY2018	FY2019	6M2019	6M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	83,960	132,950	222,474	92,814	116,729
Cost of sales	(58,985)	(95,374)	(157,605)	(67,634)	(84,546)
Gross profit	24,975	37,576	64,869	25,180	32,183
Profit before taxation	18,873	28,762	46,516	18,489	22,470
Profit for the year/period attributable to:					
Equity shareholders of our Company	13,965	20,889	35,142	13,902	16,190
Non-controlling interests	–	–	94	–	160
	13,965	20,889	35,236	13,902	16,350
Other comprehensive income for the year/period	–	–	(26)	–	–
Total comprehensive income for the year/period attributable to:					
Equity shareholders of our Company	13,965	20,889	35,116	13,902	16,190
Non-controlling interests	–	–	94	–	160
	13,965	20,889	35,210	13,902	16,350

Revenue

Our total revenue increased from RMB84.0 million for FY2017 to RMB133.0 million for FY2018, primarily due to increases in revenue from value-added services to non-property owners, property management services, community value-added services and other businesses. Our total revenue increased from RMB133.0 million for FY2018 to RMB222.5 million for FY2019 and from RMB92.8 million for 6M2019 to RMB116.7 million for 6M2020, primarily due to our overall business growth. The table below sets forth the breakdown of the revenue by each business line during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Property management services	59,792	71.2	71,094	53.5	95,659	43.0	45,569	49.1	59,500	51.0
Value-added services to non-property owners	12,002	14.3	38,830	29.2	51,548	23.2	22,823	24.6	31,659	27.1
Community value-added services	11,380	13.6	17,283	13.0	54,587	24.5	14,730	15.9	19,656	16.8
Other businesses										
Hotel business	31	less than 0.1	3,561	2.7	18,570	8.3	8,729	9.4	5,111	4.4
Long-term rental apartment business	755	0.9	2,182	1.6	2,110	1.0	963	1.0	803	0.7
Total revenue	83,960	100.0	132,950	100.0	222,474	100.0	92,814	100.0	116,729	100.0

- Our revenue generated from our property management services increased from RMB59.8 million for FY2017 to RMB71.1 million for FY2018, and further increased to RMB95.7 million for FY2019. It increased from RMB45.6 million for 6M2019 to RMB59.5 million for 6M2020. Such continuous increase was primarily driven by the increase in our total GFA under management as a result of the increase in number of our managed properties.

- Our revenue generated from value-added services to non-property owners increased from RMB12.0 million for FY2017 to RMB38.8 million for FY2018, and further increased to RMB51.5 million for FY2019. It increased from RMB22.8 million for 6M2019 to RMB31.7 million for 6M2020. Such continuous increase was primarily driven by the increase in engagements for pre-delivery services, sale assistance services and consulting services.

- Our revenue generated from community value-added services increased from RMB11.4 million for FY2017 to RMB17.3 million for FY2018, and further increased to RMB54.6 million for FY2019. It increased from RMB14.7 million for 6M2019 to RMB19.7 million for 6M2020. Such continuous increase was primarily driven by increase in revenue from remodelling and decoration services and the increase in the number of our managed properties, which provided us with a larger customer base for using our community value-added services.

- Our revenue generated from other businesses (including hotel business and long-term rental apartment business) increased from RMB0.8 million for FY2017 to RMB5.7 million for FY2018, and further increased to RMB20.7 million for FY2019. It decreased from RMB9.7 million for 6M2019 to RMB5.9 million for 6M2020. Our revenue generated from hotel business increased by over 115 times from RMB31,000 for FY2017 to RMB3.6 million for FY2018, and increased to RMB18.6 million for FY2019, primarily attributable to our hotel business being commenced in October 2018. Our revenue generated from hotel business decreased from RMB8.7 million for 6M2019 to RMB5.1 million for 6M2020, which was primarily attributable to the various measures taken by the PRC government to combat the NCP, including border control in reducing people movement across cities, which led to a decrease in number of customers in our hotel business. Our revenue generated from long-term rental apartment business increased from RMB0.8 million for FY2017 to RMB2.2 million for FY2018, primarily attributable to our long-term apartment services commenced in July 2017; and remained stable at RMB2.1 million for FY2019 and at RMB1.0 million and RMB0.8 million for 6M2019 and 6M2020, respectively.

Gross profit and gross profit margin

Our gross profit margin remained relatively stable at 29.7%, 28.3% and 29.2% for FY2017, FY2018 and FY2019, respectively. It also remained relatively stable at 27.1% and 27.6% for 6M2019 and 6M2020, respectively. The following table sets out our gross profit and gross profit margin by business line and by types of customers for the periods indicated:

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* (*unaudited*)	%	%	*RMB'000*	%	%
Property management services															
Related parties	2,385	9.5	21.4	2,575	6.9	21.0	5,695	8.8	22.0	2,234	8.9	21.1	3,594	11.2	32.7
Independent third parties	10,084	40.4	20.7	11,841	31.5	20.1	14,406	22.2	20.7	6,995	27.8	20.0	8,740	27.1	18.0
Sub-total	12,469	49.9	20.9	14,416	38.4	20.3	20,101	31.0	21.0	9,229	36.7	20.3	12,334	38.3	20.7
Value-added services to non-property owners															
Related parties	3,884	15.6	35.0	13,892	37.0	35.9	17,892	27.6	37.9	7,562	30.0	34.2	11,766	36.5	37.7
Independent third parties	333	1.3	36.4	41	0.1	36.1	1,743	2.7	40.5	252	1.0	35.4	439	1.4	100.0
Sub-total	4,217	16.9	35.1	13,933	37.1	35.9	19,635	30.3	38.1	7,814	31.0	34.2	12,205	37.9	38.6
Community value-added services															
Related parties	1,009	4.0	44.3	1,881	5.0	48.2	3,793	5.9	26.8	2,504	9.9	45.6	4,294	13.3	37.9
Independent third parties	6,980	28.0	76.7	7,616	20.3	56.9	18,367	28.3	45.4	4,733	18.8	51.3	3,870	12.1	46.5
Sub-total	7,989	32.0	70.2	9,497	25.3	54.9	22,160	34.2	40.6	7,237	28.7	49.1	8,164	25.4	41.5

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* *(unaudited)*	%	%	*RMB'000*	%	%
Other businesses															
Hotel business															
Related parties	–	–	–	–	–	–	7	less than 0.1	12.0	3	less than 0.1	7.3	(6)	less than 0.1	(13.2)
Independent third parties	31	0.1	100.0	(1,156)	(3.1)	(32.5)	2,213	3.4	12.0	623	2.5	7.2	(669)	(2.1)	(13.2)
Sub-total	31	0.1	100.0	(1,156)	(3.1)	(32.5)	2,220	3.4	12.0	626	2.5	7.2	(675)	(2.1)	(13.2)
Long-term rental apartment business															
Related parties	–	–	–	–	–	–	85	0.1	35.7	21	0.1	17.7	–	–	–
Independent third parties	269	1.1	35.6	886	2.3	40.6	668	1.0	35.7	253	1.0	30.0	155	0.5	19.3
Sub-total	269	1.1	35.6	886	2.3	40.6	753	1.1	35.7	274	1.1	28.5	155	0.5	19.3
Total	**24,975**	**100.0**	**29.7**	**37,576**	**100.0**	**28.3**	**64,869**	**100.0**	**29.2**	**25,180**	**100.0**	**27.1**	**32,183**	**100.0**	**27.6**

Please refer to the paragraph headed "Financial Information — Description of selected consolidated statements of profit or loss and other comprehensive income items — Gross profit and gross profit margin" for further details.

- Gross profit of our property management services increased from RMB12.5 million for FY2017 to RMB14.4 million for FY2018 and increased to RMB20.1 million for FY2019. It increased from RMB9.2 million for 6M2019 to RMB12.3 million for 6M2020. Gross profit margin of our property management services remained relatively stable at 20.9%, 20.3%, 21.0%, 20.3% and 20.7% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. The higher gross profit margin derived from related parties for 6M2020 was mainly due to the exemption of social insurance premium pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (關於階段性減免企業社會保險費的通知) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and other issues (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the SAT during the outbreak of the epidemic caused by the NCP for 6M2020, which decreased our staff costs. Pursuant to the aforesaid notices, we were exempted from paying our portion of the basic pension insurance, unemployment insurance and work-related injury insurance from February 2020 to December 2020. As the growth in the number of confirmed NCP cases in the PRC has declined gradually, our Directors believe that such relief policy is unlikely to be continued after December 2020, and our gross profit margin to be derived from related parties is expected to become in line with that of FY2017, FY2018 and FY2019 if such relief policy is no longer implemented. The lower gross profit margin derived from independent third parties for 6M2020 was mainly contributed by one loss-making project and offset by the decrease in staff costs due to the exemption of social insurance premium. Please refer to the paragraph headed "Business — Property management services — Property management fees — Types of property management fees" in this document for more details about the loss-making project.

- Gross profit of our value-added services to non-property owners increased from RMB4.2 million for FY2017 to RMB13.9 million for FY2018, and increased to RMB19.6 million for FY2019. It increased from RMB7.8 million for 6M2019 to RMB12.2 million for 6M2020. Gross profit margin of our value-added services to non-property owners remained relatively stable at 35.1% and 35.9% for FY2017 and FY2018, respectively, and then increased to 38.1% for FY2019, primarily attributable to the increase in gross profit margin of pre-delivery services, sale assistance services and consulting services. It increased from 34.2% for 6M2019 to 38.6% for 6M2020, primarily attributable to the increase in gross profit margins of sales assistance services and consulting services and offset by the decrease in gross profit margin of pre-delivery services. The higher gross profit margin derived from independent third parties for 6M2020 was mainly due to contracts signed in June 2020, the revenue of which was recognised over time in accordance to the contract period. As such projects were at the initial stage, minimal costs were incurred for 6M2020.

- Gross profit to our community value-added services increased from RMB8.0 million for FY2017 to RMB9.5 million for FY2018, and increased to RMB22.2 million for FY2019, and increased from RMB7.2 million for 6M2019 to RMB8.2 million for 6M2020. Gross profit margin of our community value-added services decreased from 70.2% for FY2017 to 54.9% for FY2018 and decreased to 40.6% for FY2019, and decreased from 49.1% for 6M2019 to 41.5% for 6M2020, primarily attributable to the increase in revenue from remodelling and decoration services which had a relatively low gross profit margin, and have led to the decrease of overall gross profit margin in our community value-added services. The higher gross profit margin derived from independent third parties was mainly due to the relatively high gross profit margin of utility fee collection and community space services, in which the revenue was mainly contributed by independent third parties during the Track Record Period.

- Gross profit of our other businesses (including hotel business and long-term rental apartment business) decreased from RMB0.3 million for FY2017 to gross loss of RMB0.3 million for FY2018, and increased to gross profit of RMB3.0 million for FY2019. It decreased from gross profit of RMB0.9 million for 6M2019 to gross loss of RMB0.5 million for 6M2020. Gross profit margin for our other business decreased from 38.2% for FY2017 to gross loss margin of 4.7% for FY2018, and increased to gross profit margin of 14.4% for FY2019. It decreased from gross profit margin of 9.3% for 6M2019 to gross loss margin of 8.8% for 6M2020. Gross profit of our hotel business decreased from gross profit of RMB31,000 for FY2017 to gross loss of RMB1.2 million for FY2018 and increased to gross profit of RMB2.2 million for FY2019. Gross profit of our hotel business decreased from RMB0.6 million for 6M2019 to gross loss RMB0.7 million for 6M2020. Gross profit margin decreased from 100.0% for FY2017 to -32.5% for FY2018 and increased to 12.0% for FY2019, due to the gross loss during the early stage of operation of our hotel business being commenced in October 2018. It decreased from gross profit margin of 7.2% for 6M2019 to gross loss margin of 13.2% for 6M2020 due to the decrease in revenue as a result of the various measures taken by the PRC government to combat the NCP, including border control in reducing people movement across cities, which led to a decrease in number of customers in our hotel business. The higher gross profit margin of 100% derived from independent third parties for FY2017 was due to the leasing of commercial shopping arcades located within the hotel buildings prior to the commencement of our hotel business in October 2018, and no rental cost for the commercial shopping arcades was incurred prior to January 2018 as agreed between Sundy Land Group and us. As there was no related party transaction in our hotel business for FY2017, the gross profit margin derived from related parties was nil for FY2017. The gross loss margin derived from independent third parties for FY2018 was mainly due to the early stage of operation of our hotel business, which we focused primarily on promotion activities. The gross profit margin derived from related parties was nil for FY2018, as there was no revenue derived from related party in our hotel business for FY2018. Gross profit of our long-term rental apartment business increased from RMB0.3 million for FY2017 to gross profit of RMB0.9 million for FY2018 and remained stable at RMB0.8 million for FY2019 and at RMB0.3 million and RMB0.2 million for 6M2019 and 6M2020, respectively. Gross margin increased from 35.6% for FY2017 to 40.6% for FY2018, mainly due to the increase in revenue as a result of the increase in occupancy rate for FY2018; and decreased to 35.7% for FY2019 and from 28.5% for 6M2019 to 19.3% for 6M2020, mainly due to the decrease in our average contracted monthly rental per sq.m.. The gross profit margin derived from related parties was nil for FY2017, FY2018 and 6M2020 as there was no related party transaction in our long-term rental apartment business during the respective periods. The lower gross profit margin derived from related parties for 6M2019 was mainly due to the lower monthly rent for related parties when compared to that for independent third parties during the period, which led to a lower gross profit margin for related parties for 6M2019.

For further details, please refer to the paragraph headed "Financial Information — Description of selected consolidated statements of profit or loss and other comprehensive income items" in this document.

Selected items of consolidated statements of financial position

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	12,082	36,712	30,769	29,612
Current assets	90,413	133,977	184,889	223,039
Total assets	102,495	170,689	215,658	252,651
Current liabilities	60,033	157,815	128,263	152,253
Non-current liabilities	16,680	4,983	3,456	109
Total liabilities	76,713	162,798	131,719	152,362
Net current assets/(liabilities)	30,380	(23,838)	56,626	70,786
Total assets less current liabilities	42,462	12,874	87,395	100,398
Total equity attributable to equity shareholders of our Company	25,782	7,891	83,345	99,535
Non-controlling interests	–	–	594	754
Total equity/Net assets	25,782	7,891	83,939	100,289

We recorded net assets of RMB7.9 million as at 31 December 2018, compared with net assets of RMB25.8 million as at 31 December 2017, primarily attributable to the deemed distribution arising from the Reorganisation of RMB38.8 million (the consideration giving rise to such deemed distribution was determined with reference to the valuation appraised by an independent valuer in respect of the fair market value of Sundy Property as at 31 October 2017) and offset by the total profit and comprehensive income for FY2018 of RMB20.9 million.

We recorded net assets of RMB83.9 million as at 31 December 2019, compared with net assets of RMB7.9 million as at 31 December 2018, primarily attributable to the proceeds from issue of shares arising from the Reorganisation of RMB40.3 million for FY2019 and the total profit and comprehensive income for FY2019 of RMB35.2 million.

We recorded net assets of RMB100.3 million as at 30 June 2020, compared with net assets of RMB83.9 million as at 31 December 2019, primarily attributable to the total profit and comprehensive income for 6M2020 of RMB16.4 million.

We recorded net current liabilities of RMB23.8 million as at 31 December 2018, compared with net currents assets of RMB30.4 million as at 31 December 2017, primarily attributable to (i) the consideration of RMB36.8 million payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation; (ii) the decoration fees payable to third party subcontractors of RMB4.9 million as at 31 December 2018 in relation to the decoration works of our hotel; and (iii) the increase in current taxation of RMB5.4 million which was in line with our net profit growth. We recorded net current assets of RMB56.6 million as at 31 December 2019, compared with net current liabilities of RMB23.8 million as at 31 December 2018, primarily attributable to the increases in cash and cash equivalents, contract assets and restricted bank balances and the decreases in trade and other payables, contract liabilities and trade and other receivables. We recorded net current assets of RMB70.8 million as at 30 June 2020, compared with net current assets of RMB56.6 million as at 31 December 2019, primarily attributable to (i) the increase in trade and other receivables of RMB18.8 million due to the increase in trade receivable which according to CIA, property owners tend to settle the property management fees late in around the last quarter of a year; (ii) the increase in cash and cash equivalents of RMB15.3 million due to the increase in net profit for the period; (iii) the increase in contract assets of RMB3.6 million due to the performance under remodelling and decoration agreements in 6M2020; and partially offset by (iv) the increase in trade and other payables of RMB23.2 million due to the increase in trade payables as a result of the increase in our subcontracting costs which was in line with our business growth. For further details, please refer to the paragraphs headed "Financial Information — Description of selected items from consolidated statements of financial position" and "Financial Information — Current assets and current liabilities" in this document.

Summary of Consolidated Statements of Cash Flows

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating cash flows before movement in working capital	19,896	30,392	50,652	21,146	25,858
Change in working capital	33,759	21,595	(3,711)	(37,542)	(3,706)
PRC corporate income tax paid	(5,245)	(3,223)	(9,983)	(6,638)	(8,353)
Net cash generated from/(used in) operating activities	48,410	48,764	36,958	(23,034)	13,799
Net cash (used in)/generated from investing activities	(4,584)	(50,512)	34,895	(31,399)	2,303
Net cash used in financing activities	(170)	(934)	(132)	(1,281)	(839)
Effect of foreign exchange rate changes	–	–	(26)	–	–
Net increase/(decrease) in cash and cash equivalents	43,656	(2,682)	71,695	(55,714)	15,263
Cash and cash equivalents at 1 January	24,890	68,546	65,864	65,864	137,559
Cash and cash equivalents at 31 December/30 June	68,546	65,864	137,559	10,150	152,822

Note: For 6M2019, our net cash used in operating activities was approximately RMB23.0 million, representing our profit before taxation of approximately RMB18.5 million and adjusted by an increase in contract assets and trade and other receivables of approximately RMB39.4 million due to the increase in trade receivables of approximately RMB32.1 million, which was mainly attributable to the significantly lower collection rate of property management fees for 6M2019, due to the payment patterns of property owners and residents in the PRC, while according to CIA, the payments are usually settled around the last quarter of a year, and partially offset by an increase in contract liabilities and trade and other payables of approximately RMB3.5 million.

For further details of our cash flow during the Track Record Period, please refer to paragraph headed "Financial information — Liquidity and capital resources — Cash flows" in this document.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates for the years indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
Return on equity	74.3%	124.1%	76.7%	N/A
Return on total assets	19.1%	15.3%	18.2%	N/A
Current ratio	1.5x	0.8x	1.4x	1.5x
Gearing ratio *(Note 1)*	N/A	N/A	N/A	N/A

Note:

(1) Gearing ratio was not applicable to us as we recorded a net cash position during the Track Record Period.

For further details, please refer to paragraph headed "Financial Information — Key financial ratios" in this document.

[**REDACTED**] STATISTICS

We have prepared the following statistics on the basis of hypothetical [**REDACTED**] without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed no exercise of the [**REDACTED**] or options which may be granted under the Share Option Scheme.

	Based on [REDACTED] per Share of HK$[REDACTED]	Based on [REDACTED] per Share of HK$[REDACTED]
Market capitalisation of our Shares *(Note 1)*	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted consolidated net tangible asset value per Share *(Notes 2 & 3)*	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) Based on [**REDACTED**] Shares expected to be in issue immediately following the completion of the [**REDACTED**].

(2) The number of shares used for calculation of [**REDACTED**] consolidated net tangible assets attributable to equity shareholders of our Company per Shares is based on [**REDACTED**] Shares in issue immediately upon the completion of the [**REDACTED**], assuming that the [**REDACTED**] and the [**REDACTED**] have been completed on 30 June 2020, and taking no account of any shares which may fall to be issued upon the exercise of the [**REDACTED**].

(3) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2020.

DIVIDENDS

Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. Our Board has absolute discretion as to whether to declare any dividend and if any, when and the amount of dividend may declare. We did not declare nor pay any dividend to our Shareholders during Track Record Period. Our Company will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders save that interim dividend may be paid by our Board if our Board is satisfied that such payment is justified by our profits. Also, future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC, therefore the payment of the dividends will be subject to, among others, the PRC laws, as well as if our subsidiaries incur debts or losses as a result of any restrictive covenants in our bank credit facilities, or other agreements that we or our subsidiaries may enter into in the future. Please refer to the paragraph headed "Financial Information — Dividend policy and distributable reserve" in this document for further details.

[**REDACTED**]

We estimate the aggregate [**REDACTED**] from the [**REDACTED**], after deducting related [**REDACTED**] fees and estimated expenses in connection with the [**REDACTED**], assuming the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**]), will be approximately HK$[**REDACTED**]. Our Directors presently intend to apply such [**REDACTED**] as follows:

(a) Approximately [**REDACTED**]%, or HK$[**REDACTED**] will be used to expand our business scales, increase our market share and bolster our geographic presence across the Yangtze River Delta region, among which: (i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region. As at the date of this Document, we have not identified or committed to any acquisition targets; and (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to invest in and expand our services related to the Future Community Pilot Plan;

(b) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to create a smart community through utilisation of advanced technology and develop a mobile application for property owners and residents;

(c) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to explore, diversify and expand our community value-added services and our other businesses, in particular long-term rental apartment business; and

(d) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to provide funding for our working capital and other general corporate purposes.

Please refer to the section headed "Future Plans and [**REDACTED**]" in this document for further details.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this document. You should read the section headed "Risk Factors" in this document in its entirety before you decide to invest in the [**REDACTED**]. Some of the major risks we face include (i) our business strategies are subject to uncertainties and risks and our future growth may therefore not materialise as planned; (ii) our comparatively heavy reliance on Sundy Land Group and our future growth may be affected by the prospect of Sundy Land Group; (iii) we may not be able to procure new property management agreements as planned or in favourable terms; (iv) our preliminary property management agreements or property management agreements may be terminated or may not be renewed; and (v) fluctuations in staff and subcontracting costs may affect our growth rate and our profitability.

NON-COMPLIANCE

According to our PRC Legal Advisers, save for the disclosure in the paragraph headed "Business — Legal proceedings and compliance" in this document, as at the Latest Practicable Date, we had complied with relevant PRC laws in all material respects.

COMPETITION

According to CIA, the property management service industry in the PRC is highly competitive and fragmented with a large number of market participants. Our Directors consider that our major competitors include large regional and local property management companies. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition as well as financial resources. Our Directors consider that (i) for our value-added services to non-property owners, we primarily compete against other property management companies providing similar services; (ii) for our community value-added services, we primarily compete against a wide range of firms and individuals providing similar services; (iii) for our hotel business, we primarily compete with local hotels with similar charge; and (iv) for our long-term rental apartment business, we primarily compete with other local companies operating long-term rental apartments in nearby communities with similar rents. Please refer to the section headed "Industry Overview" in this document for more details about the property management industry and markets that we operate in.

[REDACTED]

The total amount of [**REDACTED**] that will be borne by us in connection with the [**REDACTED**], including [**REDACTED**] commission, is estimated to be RMB[**REDACTED**] (representing approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], based on the mid-point of the indicative [**REDACTED**] range, before the exercise of the [**REDACTED**]), of which RMB[**REDACTED**] is expected to be accounted for as a deduction from equity upon completion of the [**REDACTED**]. The remaining fees and expenses of RMB[**REDACTED**] were or are expected to be charged to our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB[**REDACTED**] was charged prior to the Track Record Period, RMB[**REDACTED**] was charged during the Track Record Period, and approximately RMB[**REDACTED**] is expected to be charged subsequent to the end of the Track Record Period and upon completion of the [**REDACTED**]. Our Directors expect that our [**REDACTED**] will have a material adverse impact on our financial performance for the year ending 31 December 2020.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

From 1 July 2020 and up to the Latest Practicable Date, we entered into eight new legally binding agreements and won two tenders for our property management services, details of which are summarised below:

No.	Property type	Type of property developer	Contract term	Commencement or delivery time	Approximate GFA under management/ Approximate contracted GFA/ Approximate expected contracted GFA
					'000 Sq.m.
1.	Residential	Solely developed by Sundy Land Group	No fixed term*(Note 1)*	July 2022	291
2.	Residential	Solely developed by Sundy Land Group	3 years and eleven months	May 2022	132
3.	Residential	Independent third party	3 years	September 2020	51
4.	Non-residential	Independent third party	1 year	October 2020	296
5.	Residential	Independent third party	3 years	October 2020	77
6.	Residential	Independent third party	6 months	October 2020	148
7.*(Note 2)*	Non-residential	Independent third party	3 years and 1 month	December 2020	53
8.	Residential	Co-developed by Sundy Land Group	5 years	September 2023	246
9.	Residential	Independent third party	1 year	October 2020	112
10.*(Note 3)*	Residential	Independent third party	6 months	January 2021	9

Note:

(1) The preliminary property management agreement will be effective until the formation of the property owners' association and signing of new property management agreement.

(2) We have won the tender for the provision of property management services for this property. However, we have not entered into formal agreement with the relevant party. We expect to enter into a legally binding agreement for this property in or before January 2021. The contract term is expected to be 37 months.

(3) We have won the tender for the provision of property management services for this property. However, we have not entered into formal agreement with the relevant party. We expect to enter into a legally binding agreement for this property in or before January 2021. The contract term is expected to be six months.

Our Directors are of the view that the material terms of the said new agreements and tenders are comparable to those entered into during the Track Record Period. Also, from 1 July 2020 and up to the Latest Practicable Date, for value-added services to non-property owners, we entered into new agreements or won tenders for five properties.

As at the Latest Practicable Date, (i) for property management services, we provided services to 45 properties, with a total GFA under management of approximately 8.0 million sq.m., and the number of our pipeline properties amounted to 20, with contracted GFA of approximately 3.3 million sq.m.; (ii) for value-added services to non-property owners, our current projects involved 39 properties, and our pipeline project involved one property; and (iii) for our community value-added services, our current projects involved 23 properties, and our pipeline projects involved 20 properties.

Subsequent to 30 June 2020 and up to the Latest Practicable Date, our Group continued to focus on our business operations. Our revenue increased by 6.5% from approximately RMB106.7 million for the five months ended 30 November 2019 to approximately RMB113.6 million for the five months ended 30 November 2020, primarily attributable to (i) the increase in revenue derived from property management services by approximately RMB14.9 million; (ii) the increase in revenue derived from value-added services to non-property owners by approximately RMB8.5 million; (iii) the decrease in revenue derived from community value-added services by approximately RMB16.1 million; and (iv) the decrease in revenue derived from other businesses by approximately RMB0.4 million. Our gross profit increased by 16.8% from approximately RMB32.8 million for the five months ended 30 November 2019 to approximately RMB38.3 million for the five months ended 30 November 2020, primarily attributable to the increase in revenue by approximately RMB6.9 million due to our business growth and offset by the increase in cost of sales by approximately RMB1.4 million which was in line with our revenue growth. Our gross profit margin remained relatively stable at approximately 30.7% and 33.7% for the five months ended 30 November 2019 and the five months ended 30 November 2020, respectively. The aforementioned selected unaudited financial information is derived from our unaudited interim financial statements for the five months and eleven months ended 30 November 2020, which have been reviewed by our reporting accountants 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.

Since the recent outbreak of the epidemic caused by the NCP which was first reported in December 2019, various cities in the PRC have taken emergency public health measures, such as travel restrictions to control the NCP epidemic. Citizens in the PRC also adopt enhanced prevention measures, such as use of masks and frequent hand-washing. In the scenario where we only maintain minimal business operations as a result of the NCP, we would reduce the number of our employees by 40% and our subcontractors by 40% in order to maintain our minimal operations. Also, we would reduce the salaries of our remaining employees by 30%. Accordingly, the minimum fixed costs to be incurred for our property management services, value-added services to non-property owners, community value-added services and other services would be approximately RMB3.2 million, RMB1.3 million, RMB1.4 million and RMB0.3 million per month, respectively. Assuming that (i) no revenue would be generated; (ii) only minimal staff would be retained; (iii) the impact of the outbreak of the NCP at its peak was used for projection of additional costs to be incurred for relevant expenses; (iv) we would only use our cash and cash equivalents; and (v) we would not receive [**REDACTED**] from the [**REDACTED**]; and taking into account of prudent estimates of settlement of trade receivables based on historical settlement pattern and settlement of trade payables when due, our Directors are of the view that our Group will remain financially viable for not less than 30 months from 30 November 2020 in the case scenario with minimal business operations. If all assumptions mentioned above remained unchanged except that we would receive approximately 10% of the [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**], for our working capital and other general corporate purposes, our Directors are of the view that our Group will remain financially viable for not less than 32 months from 30 November 2020.

Our Directors confirmed that our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and there was no material change to our general business model up to the Latest Practicable Date, save as disclosed herein. Local authority in Zhejiang province required enterprises to delay the resumption of work from the Lunar New Year. As at the Latest Practicable Date, our Directors confirmed that our Group has resumed normal work. Our Group has implemented various measures in response to the NCP. For details, please refer to the paragraph headed "Business — Social, health, work safety and environmental matters" in this document.

Since the outbreak of the NCP, the delivery of (i) one residential property solely developed by Sundy Land Group; and (ii) three residential properties co-developed by Sundy Land Group was delayed due to the extended suspension of work after Lunar New Year. The said properties were subsequently delivered during the period from August 2020 to November 2020. As a result from the delay in delivery, our revenue from the four aforesaid properties for the year ending 31 December 2020 would be approximately RMB4.8 million less than originally expected, out of which (i) approximately RMB0.3 million would be attributable to our property management services; (ii) approximately RMB4.5 million would be attributable to our value-added services to non-property owners; and (iii) approximately less than RMB0.1 million would be attributable to our community value-added services. Our Directors consider the said decrease in expected revenue of RMB4.8 million for the year ending 31 December 2020 to be immaterial to our overall financial performance and financial position.

Furthermore, our hotel business has been affected due to the outbreak of the NCP. However, as the revenue from our hotel business contributed a relatively small portion of our total revenue during the Track Record Period, our Directors consider that the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance. From 1 July 2020 and up to the Latest Practicable Date, the operations of our hotel business remained stable with the occupancy rate of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) of approximately 82.4%, which was higher than the occupancy rate of the hotel during the Track Record Period.

Given that (i) the decrease in expected revenue for the year ending 31 December 2020, which resulted from the delay in property delivery, was immaterial to our overall financial performance and financial position; (ii) the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance; (iii) the policies implemented by the PRC government on supporting enterprises after the outbreak of the NCP; and (iv) as advised by CIA, the impact on the real estate market in PRC has gradually recovered since the second quarter in 2020, our Directors consider there has been no material impact of each of our business lines due to the outbreak of the NCP after the Track Record Period and up to the Latest Practicable Date. Our Directors and senior management members will continue assessing the impact of the NCP on our business, result of operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the NCP.

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2020, being the date of the latest consolidated statement of financial position of our Company and up to the date of this document, and there is no event since 30 June 2020 which would materially affect the information shown in our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document up to the date of this document.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming no Shares are to be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme), Sundy Heye will be interested in approximately [**REDACTED**]% of the issued share capital of our Company. As at the Latest Practicable Date, Sundy Heye is owned as to 100% by CMB Wing Lung (Trustee) Limited (through its nominee companies) as trustee of The Jianwu Yu's Trust and Mr. Yu as settlor. Mr. Yu and his family members are the discretionary beneficiaries of The Jianwu Yu's Trust. Accordingly, Sundy Heye and Mr. Yu will be our Controlling Shareholders within the meaning of the Listing Rules. For details, please refer to the section headed "Relationship with Controlling Shareholders" in this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

"Accountants' Report"	the accountants' report on our Group as set out in Appendix I to this document
"Application Form(s)"	[**REDACTED**], [**REDACTED**] and **GREEN** [**REDACTED**] or, where the context so requires, any of them to be used in connection with the [**REDACTED**]
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on 21 December 2020, which will become effective on the [**REDACTED**], a summary of which is set out in Appendix III to this document
"Audit Committee"	the audit committee of our Board
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"[**REDACTED**]"	the allotment and issue of [**REDACTED**] Shares to be made upon [**REDACTED**] of certain sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of all our Shareholders passed on 21 December 2020" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China and, except where the context otherwise requires and only for the purpose of this document, and for geographical reference only, references in this document to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan region
"Chinese Government" or "PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"CIA" or "Industry Consultant"	China Index Academy, a market research and consulting company and an independent third party
"CIA Report"	a report commissioned by CIA, an extract of which is set out in the section headed "Industry Overview" in this document
"Cinda International" or "Sole Sponsor"	Cinda International Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities for the purpose of SFO
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Company" or "our Company"	Sundy Service Group Co. Ltd (宋都服务集团有限公司) (formerly known as SUNDY HUIDU LIMITED (宋都汇都有限公司)), incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of our Board, which as at the Latest Practicable Date, refer to Mr. Yu and Sundy Heye
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	the deed of indemnity dated 21 December 2020 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the paragraph headed "Statutory and General Information — D. Other information — 2. Tax and other indemnities" in Appendix IV to this document
"Deed of Non-competition"	the deed of non-competition dated 21 December 2020 executed by each of the Controlling Shareholders in favour of our Company (for ourselves and as trustee of our subsidiaries), particulars of which set out in the paragraph headed "Relationship with Controlling Shareholders — Non-competition undertakings" in this document
"Director(s)"	the director(s) of our Company
"EIT Implementation Rules"	Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅實施條例》), as amended, supplemented or modified from time to time
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

"Future Community Pilot Plan"	Pilot Plan for Development of Future Community in Zhejiang Province* (《浙江省未來社區建設試點工作方案》)
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"**GREEN [REDACTED]**"	the [**REDACTED**] to be completed by [**REDACTED**] Service Provider, [**REDACTED**]
"Greenland Property Services"	Shanghai Greenland Property Services Co., Ltd. (上海綠地物業服務有限公司), a company established in the PRC with limited liability on 25 November 2010
"Group", "our Group", "we", "our" and "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company's subsidiaries at the relevant time, or the businesses acquired or operated by them or (as the case may be) their predecessors
"Hangzhou Herui"	Hangzhou Herui Living Service Co., Ltd.* (杭州和瑞生活服務有限公司), a company established in the PRC with limited liability on 7 November 2019, which is an indirect wholly-owned subsidiary of our Company
"Hangzhou Xingrun"	Hangzhou Xingrun Enterprise Management Co., Ltd.* (杭州興潤企業管理有限公司), a company established in the PRC with limited liability on 28 December 2017, which is an indirect wholly-owned subsidiary of our Company

"Heye Investment"	Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司), a company established in the PRC with limited liability on 10 March 2010, which is owned as to 90% by Sundy Holdings and 10% by Zhejiang Yingtong
"HK$" or "Hong Kong dollars" or "HK dollars" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hongdu Information"	Hangzhou Hongdu Information Engineering Co., Ltd.* (杭州鴻都信息工程有限公司) (previously known as Hangzhou Sundy Information Engineering Technology Co., Ltd.* (杭州宋都信息化工程技術有限公司)), a company established in the PRC with limited liability on 20 August 2019, which is an indirect wholly-owned subsidiary of our Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"[**REDACTED**]"	[**REDACTED**]
"[**REDACTED**]"	the [**REDACTED**] Shares initially [**REDACTED**] for subscription pursuant to the [**REDACTED**], subject to reallocation as described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] by our Company of the [**REDACTED**] for [**REDACTED**] in Hong Kong, as further described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] of the [**REDACTED**] listed in the paragraph headed "[**REDACTED**] — [**REDACTED**]" in this document

DEFINITIONS

"[**REDACTED**]"	the [**REDACTED**] dated [**REDACTED**] relating to the [**REDACTED**] and entered into by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] and our Company, as further described in the paragraph headed "[**REDACTED**] — [**REDACTED**] arrangements and expenses — [**REDACTED**] — [**REDACTED**]" in this document
"Hui Du"	HUI DU GROUP CO. LTD (汇都集团有限公司), a company incorporated in the BVI with limited liability on 26 October 2017, which is a wholly-owned subsidiary of our Company
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"independent third party(ies)"	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are independent and not a connected person of our Company
"[**REDACTED**]"	the conditional [**REDACTED**] of the [**REDACTED**] by the [**REDACTED**], as further described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] Shares initially [**REDACTED**] for [**REDACTED**] pursuant to the [**REDACTED**], subject to the [**REDACTED**] and reallocation as described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] of the [**REDACTED**] that are expected to enter into the [**REDACTED**]

DEFINITIONS

"[**REDACTED**]"	the [**REDACTED**] expected to be entered into on or around [**REDACTED**] by our executive Directors, our Controlling Shareholders, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] and our Company in respect of the [**REDACTED**], as further described in the paragraph headed "[**REDACTED**] — [**REDACTED**] arrangements and expenses — The [**REDACTED**]" in this document
"Jilin Sundy"	Jilin Sundy Property Management Service Co., Ltd.* (吉林宋都物業服務有限公司), a company established in the PRC with limited liability on 23 June 2020, which is an 51% indirect owned subsidiary of our Company
"[**REDACTED**]"	[**REDACTED**]
"[**REDACTED**]"	[**REDACTED**]
"[**REDACTED**]"	[**REDACTED**]
"Latest Practicable Date"	[**REDACTED**], being the latest practicable date prior to the printing of this document for ascertaining certain information in this document
"Liaoyuan Modern"	Liaoyuan Modern Vocational Education Group Co., Ltd.* (遼源現代職業教育集團有限公司), a company established in the PRC with limited liability on 17 May 2019
"[**REDACTED**]"	the [**REDACTED**] of the Shares on the Main Board
"[**REDACTED**]"	the date expected to be on [**REDACTED**], [**REDACTED**], on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Lusong Property"	Hangzhou Lusong Property Service Co., Ltd.* (杭州綠宋物業服務有限公司), a company established in the PRC with limited liability on 6 May 2019, which is a 50% indirectly owned subsidiary of our Company
"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on 21 December 2020, which will become effective on the [**REDACTED**], a summary of which is set out in Appendix III to this document
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部)
"Mr. Yu"	Mr. Yu Jianwu (俞建午), one of our Controlling Shareholders
"NCP"	novel coronavirus pneumonia (COVID-2019), an infectious respiratory illness that was first reported in December 2019
"Ningbo Sundy"	Ningbo Fenghua Sundy Property Service Co., Ltd.* (寧波奉化宋都物業服務有限公司), a company established in the PRC with limited liability on 23 November 2020
"Nomination Committee"	the nomination committee of our Board
"NPC" or "National People's Congress"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"[**REDACTED**]"	the final [**REDACTED**] per [**REDACTED**] in Hong Kong dollar (excluding brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$[**REDACTED**] per [**REDACTED**] and expected to be not less than HK$[**REDACTED**] per [**REDACTED**] at which [**REDACTED**] are to be issued pursuant to the [**REDACTED**], to be subscribed, to be determined in the manner further described in the section headed "Structure and Conditions of the [**REDACTED**]" in this document

DEFINITIONS

"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**], collectively, and where relevant, together with any additional Shares which may be issued pursuant to the exercise of the [**REDACTED**]
"[**REDACTED**]"	the option expected to be granted by our Company to the [**REDACTED**], exercisable at the sole discretion of the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) pursuant to which our Company may be required to allot and issue to [**REDACTED**] Shares at the [**REDACTED**] (representing 15% of the Shares initially being [**REDACTED**] under the [**REDACTED**]) to cover over-allocation in the [**REDACTED**], the details of which are described in the section headed "[**REDACTED**]" in this document
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisers"	AllBright Law Offices, the legal advisers to our Company as to the PRC law
"[**REDACTED**]"	Yuan Rui, background and information of which are set out in the paragraph headed "History, Reorganisation and Development — [**REDACTED**]" in this document
"[**REDACTED**]"	the [**REDACTED**] to be entered into between our Company and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) on the [**REDACTED**] to record and fix the [**REDACTED**]
"[**REDACTED**]"	the date, expected to be on or around [**REDACTED**], [**REDACTED**] but no later than [**REDACTED**], [**REDACTED**], on which the [**REDACTED**] is fixed for the purposes of the [**REDACTED**]
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation we have undergone in preparation for the [**REDACTED**] which are more particularly described in the section headed "History, Reorganisation and Development" in this document
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are set out in the paragraph headed "Statutory and General Information — A. Further information about our Group — 6. Repurchase of Shares by our Company" in Appendix IV to this document

DEFINITIONS

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rong Du"	RONG DU GROUP CO. LIMITED (榮都集團有限公司), a company incorporated in Hong Kong with limited liability on 20 November 2017, which is an indirect wholly-owned subsidiary of our Company
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SAFE Circular 37"	The Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
"Share(s)"	ordinary share(s) with a nominal value or par value of US$0.00001 each in the share capital of our Company
"Share Option Scheme"	the share option scheme of our Company conditionally adopted by our Company on 21 December 2020, the principal terms of which are summarised in the paragraph headed "Statutory and General Information — D. Other information — 1. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	holder(s) of the Share(s)

"Songdu Construction"	Hangzhou Songdu Construction and Renovation Engineering Co., Ltd.* (杭州頌都建築裝修工程有限公司), a company established in the PRC with limited liability on 20 August 2019
"Songdu Exhibition"	Hangzhou Songdu Exhibition Co., Ltd.* (杭州頌都會展有限公司), a company established in the PRC with limited liability on 15 June 2016, which is an indirect wholly-owned subsidiary of our Company
"[**REDACTED**]"	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"[**REDACTED**]"	the [**REDACTED**] expected to be entered into between the [**REDACTED**] and Sundy Heye on or about the [**REDACTED**] pursuant to which Sundy Heye will agree to lend the [**REDACTED**] up to [**REDACTED**] Shares on the terms set out therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sundy Agency"	Hangzhou Sundy Real Estate Agency Co., Ltd* (杭州宋都房地產代理有限公司), a company established in the PRC with limited liability on 7 March 2017, which is an indirect wholly-owned subsidiary of our Company
"Sundy Heye"	SUNDY HEYE LIMITED (宋都和业有限公司), a company incorporated in the BVI with limited liability on 21 March 2017, one of our Controlling Shareholders
"Sundy Holdings"	Zhejiang Sundy Holdings Co., Ltd.* (浙江宋都控股有限公司), a company established in the PRC with limited liability on 29 December 2006, which is wholly owned by Mr. Yu
"Sundy Holdings Group"	Sundy Holdings and its subsidiaries (including but not limited to Sundy Land Group and Zhizhonghe Group)
"Sundy Jiahe"	Hangzhou Sundy Jiahe Hotel Management Co., Ltd.* (杭州宋都嘉和酒店管理有限公司) (formerly known as Hangzhou Qiyu Internet Technology Co., Ltd.* (杭州琪寓網絡科技有限公司)), a company established in the PRC with limited liability on 24 January 2017, which is an indirect wholly-owned subsidiary of our Company

DEFINITIONS

"Sundy Land"	Sundy Land Investment Co., Ltd.* (宋都基業投資股份有限公司), a company established in the PRC with limited liability on 22 March 1999 and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600077), an associate of our Controlling Shareholder, Mr. Yu, and is therefore our connected person
"Sundy Land Group"	Sundy Land and its subsidiaries (including but not limited to Sundy Real Estate)
"Sundy Property"	Hangzhou Sundy Property Management Co., Ltd.* (杭州宋都物業經營管理有限公司) (formerly known as Hangzhou Shenye Sundy Property Management Co., Ltd.* (杭州深業宋都物業經營管理有限公司)), a company established in the PRC with limited liability on 8 January 1995, which is an indirect wholly-owned subsidiary of our Company
"Sundy Real Estate"	Hangzhou Sundy Real Estate Group Co., Ltd.* (杭州宋都房地產集團有限公司), a company established in the PRC with limited liability on 8 May 1996, which is a wholly-owned subsidiary of Sundy Land
"Sundy Xingye"	SUNDY XINGYE LIMITED (宋都兴业有限公司), a company incorporated in the BVI with limited liability on 28 March 2017, which is wholly owned by Mr. Yu
"Sundy Yangguang Kindergarten"	Hangzhou Sundy Yangguang Kindergarten Co., Ltd.* (杭州宋都陽光幼兒園有限公司), a company established in the PRC with limited liability on 16 August 2018 and an associate of Mr. Yu, which is indirectly owned as to 40% by Heye Investment, a non-wholly owned subsidiary of Sundy Holdings, and the remaining 60% by independent third parties
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"The Jianwu Yu's Trust"	a discretionary trust established by Mr. Yu with CMB Wing Lung (Trustee) Limited acting as trustee, the beneficiaries of which are Mr. Yu and his family members
"Track Record Period"	the period comprising FY2017, FY2018, FY2019 and 6M2020

DEFINITIONS

"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"United States" or "U.S."	the United States of America
"US dollars" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"[**REDACTED**]"	the [**REDACTED**] for [**REDACTED**] for use by the public who require(s) such [**REDACTED**] to be issued in the applicant's or applicants' own name(s)
"[**REDACTED**]"	the application for [**REDACTED**] to be issued in the applicant's own name by submitting application online through the designed website at [**REDACTED**]
"[**REDACTED**] Service Provider"	[**REDACTED**]
"[**REDACTED**]"	the [**REDACTED**] for [**REDACTED**] for use by the public who require(s) such [**REDACTED**] to be issued in the name of HKSCC Nominees and deposited directly into CCASS
"Yuan Rui"	YUAN RUI GROUP COMPANY LIMITED (源瑞集團有限公司), a company incorporated in Hong Kong with limited liability on 25 September 2017, one of our Shareholders and is wholly owned by Mr. Cheung Yue Kwong (張裕光)
"Zhizhonghe Group"	Zhizhonghe Industry and its subsidiaries
"Zhejiang Yingtong"	Zhejiang Yingtong Technology Development Co., Ltd.* (浙江盈通科技發展有限公司), a company established in the PRC with limited liability on 12 April 2011, which is owned as to 90% by Sundy Holdings and 10% by Ms. Guo Yijuan (郭軼娟), spouse of Mr. Yu

"Zhizhonghe Industry"	Zhejiang Zhizhonghe Industry Co., Ltd.* (浙江致中和實業有限公司), a company established in the PRC with limited liability on 15 December 2010, an associate of our Controlling Shareholder, Mr. Yu, and is therefore our connected person
"%"	per cent
"2H2020"	the six months ending 31 December 2020
"6M2019"	the six months ended 30 June 2019
"6M2020"	the six months ended 30 June 2020

Unless expressly stated or the context otherwise requires:

- *all times refer to Hong Kong time and references to years in this document are to calendar years;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules;*
- *all data in this document is as at the Latest Practicable Date;*
- *certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- *all relevant information in this document assumes no exercise of any of the* [**REDACTED**].

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this document, including those marked with "", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain technical terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"average property management fee(s)"	revenue from property management services projects which produce revenue under lump sum basis for a period divided by the corresponding GFA under management of those property management services projects during the same period adjusted by (a) our revenue-bearing GFA during the Track Record Period, and (b) the actual number of months under management for each project
"CAGR"	compound annual growth rate
"commercial properties"	properties which are used primarily for commercial purposes
"commission basis"	a revenue generating model for our property management services whereby our fee income from property management services consists only of a specified percentage, or a fixed amount, of the total management fees payable by the property owners or property developers, or cost of sales
"common area"	common areas in residential properties, mainly include green spaces, walkway, water storage facilities, waste collection facilities, fire facilities, public lighting facilities, security monitoring facilities, parking lots and lifts
"contracted GFA"	GFA managed or to be managed by us under signed property management agreements
"GFA"	gross floor area
"GFA under management"	GFA currently being managed by us under signed property management agreements and cooperation agreement
"lump sum basis"	when the management fees are charged on a lump sum basis, all property management fees collected will be recorded as revenue and all expenses incurred in providing property management services will be recorded as costs or expenses
"renewal rate"	calculated as the number of renewed property management agreements in a given period divided by the number of expiring property management agreements in the same period

"residential properties"	properties which are purely residential or mixed-use properties containing residential units and ancillary facilities that are non-residential in nature such as commercial or office units but excluding pure commercial properties
"sq.m."	square metres
"Top 100 Property Management Companies in China"	an annual ranking of China-based property management companies by overall strength published by CIA based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility
"Yangtze River Delta"	as at the Latest Practicable Date, includes Shanghai, Jiangsu province, Zhejiang province and Anhui province for the purpose of this document

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, including, without limitation, words and expressions such as "aim", "expect", "believe", "consider", "continue", "intend", "plan", "project", "anticipate", "seek", "may", "might", "will", "would", "should", "ought to", "could", "estimate", "potential", "predict" or similar words or statements, in particular, in the sections headed "Industry Overview", "Business" and "Financial Information" in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document, and the following:

- our business and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain factors set out in the sections headed "Industry Overview", "Business" and "Financial Information" in this document.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

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

Potential investors of the [**REDACTED**] *should carefully consider all of the information set out in this document and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decisions in relation to our Company. If any of the possible events as described below materialises, our Group's business, financial position, results of operations and prospects could be materially and adversely affected and the market price of the* [**REDACTED**] *could fall significantly and you may lose all or part of your investment.*

This document contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this document. Factors that could cause or contribute to such differences are set out below as well as in other parts in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business strategies are subject to uncertainties and risks and our future growth may therefore not materialise as planned

We seek to expand our business through, among others, expansion of our property management service portfolio and acquisition of other property management companies. Please see the paragraph headed "Business — Our business strategies — Further expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region through multiple channels" in this document for further details. However, as our expansion depends on our assessment of market prospects, we cannot assure you that our assessment will always be correct, or we are able to grow our business as planned due to various factors, some of which are beyond our control, including but not limited to change in the PRC's economic conditions in general and real estate market in particular, changes in disposable personal income in the PRC, change in government regulations and policies, and change in supply of and demand for property management services.

Also, we may not be able to timely recruit and train enough competent and qualified employees or improve our administrative, technical, operational and financial infrastructure for supporting the future growth and expansion of business. We may not fully understand the needs of the residents in the properties which we manage, so that our growth strategy may not execute effectively. Further, when we expand to a new market or new business, such as our long-term rental apartment business, hotel business and remodelling and decoration services which were only commenced during the Track Record Period, sometimes due to lack of understanding of the local market or such new business (as the case may be), we may have to face intense competitions with other existing property management companies or service providers (as the case may be). We may not be able to leverage our brand names and to compete successfully in new markets, particularly against the existing players in such markets who may have more resources and experience than we do.

All the above indicate that our business strategies are subject to certain uncertainties and risks, therefore we cannot assure that our future growth will materialise as planned. Our business, financial position and results of operations could be materially and adversely affected if our future plans fail to achieve our expected results.

Our comparatively heavy reliance on Sundy Land Group and our future growth may be affected by the prospect of Sundy Land Group

During the Track Record Period, a significant portion of our revenue were generated from properties that were solely developed or co-developed by Sundy Land Group. For FY2017, FY2018, FY2019 and 6M2020, 98.2%, 96.6%, 91.7% and 69.7% of revenue from our property management services, 91.1%, 98.9%, 91.6% and 98.6% of revenue from our value-added services to non-property owners and 93.1%, 95.2%, 97.8% and 98.3% of revenue from our community value-added services were generated from properties solely developed or co-developed by Sundy Land Group. Please refer to the paragraph headed "Business — Property management services — Type of property developers" in this document for further details.

While we believe that we will continue being a competitive candidate with our stable and long-term business cooperation with Sundy Land Group, we will aim to gradually decrease our reliance on Sundy Land Group by increasing the number of engagements with independent third-party property developers and/or independent third-parties. However, we cannot assure you that Sundy Land Group will actually engage us or select us with priority as their service provider nor our existing agreements with Sundy Land Group will be renewed upon their expirations. Further, we have no control over the Sundy Land Group's management strategy, economic conditions in the PRC or other factors that may affect its business operations. Also, if we are not able to develop business with properties developed by other independent third-party property developers and successfully diversify our customer base, our growth prospect may be materially and adversely affected.

We may not be able to procure new property management agreements as planned or on favourable terms

We believe that our ability to expand our portfolio of property management agreements is one of the key factors to sustaining growth of our business. During the Track Record Period, we procured various new property management agreements through tender. Depending on the stage of the development of the property, property management companies would be appointed by property developers through tender or through general meetings of the property owners' association, taking into consideration, such as service quality, service fee, operating history and reputation of the property management company. We cannot assure you that we will be able to procure new property management agreements as planned or on favourable terms. Our efforts may be hindered by factors beyond our control, which may include changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. As a result, our growth prospect may be materially and adversely affected.

Our preliminary property management agreements or property management agreements may be terminated or may not be renewed

During the Track Record Period, we entered into preliminary property management agreements with property developers during the later stages of property development. Preliminary property management agreements typically expire when property owners' associations of properties are established, and new property management agreements are entered accordingly. Please refer to paragraph headed "Business — Property management services — Property management agreements — Residential properties" in this document for further details. To continue managing the property after the delivery of the properties to property owners and establishment of property owners' association, we have to enter into property management agreements with the property owners' associations. Property owners' association may take into account of various parameters, such as service quality, service fee, operating history and reputation and any other parameters they consider applicable, to select their property management service providers. We cannot assure you that the property owners' associations will enter into property management agreements with us instead of our competitors.

Even where we succeed in entering into property management agreements with property owners' associations, we cannot assure you that they will be renewed upon expiration. During the Track Record Period, the renewal rate with respect to property management services reached 100%, 75.0%, 63.6% and 100%. In other words, during the Track Record Period, the number of expiring property management agreements were two, four, 11 and four, out of which, excluding agreements that our Group chose not to renew voluntarily or terminated due to the operator's cessation of business operation on the relevant property, there was no expiring property management agreement not renewed for FY2017, FY2018 and 6M2020 and two expiring property management agreements were not renewed for FY2019 because the owners' association of the relevant properties decided to engage other property management companies, which offered lower property management fees to the owners' association than our Group. Renewal of the property management agreements are subject to commercial decision made by the relevant customers, based on their own considerations. If other property management companies are willing to offer prices at lower profitability to owners' association due to the intention of expanding their portfolio of properties, our existing customers may decide to engage such property management companies. It is also possible that property management agreements may be terminated for cause. In such cases, our business and results of operations may be adversely affected. In addition, either termination or non-renewal of property management agreement could potentially be detrimental to our reputation and diminish our competitiveness within the industry.

We may encounter relatively intense competition from other property management companies for non-residential properties

We compete with a relatively large number of competitors in providing services to non-residential properties. Please refer to the paragraph headed "Business — Competition" in this document for further details. During the Track Record Period, our renewal rate of non-residential properties was 100.0%, 75.0%, 60.0% and 100.0%, respectively. For further details, please refer to the paragraph headed "Business — Property management services — Key terms of our property management agreements" in this document. With the relatively intense competition with other non-residential property management services providers, we cannot assure you that we will be able to compete successfully against them for non-residential properties to procure new property management agreements or renew our existing property management agreements upon their expiration. If we fail to compete against the other property management companies for non-residential properties, our business, financial position, results of operations and prospects may be materially and adversely affected.

Our value-added services to non-property owners, remodelling and decoration services and hotel businesses are non-recurring in nature

Given that our revenue from value-added services to non-property owners and remodelling and decoration services is typically derived from projects which are of non-recurring nature and on project-by-project basis, we generally do not enter into any long-term contracts or agreements with our customers from these segments of business, and the number and scale of projects and the amount of revenue from which we are able to derive may vary significantly from period to period. In other words, customers from these segments of business that account for a significant portion of our revenue for a particular period may not generate any revenue to us in the subsequent periods. Also, our customer base for hotel business primarily consists of walk-in hotel guests, and guests making reservations through third party booking networks and travel agency, and our engagements with such guests are generally non-recurring in nature as well.

With the non-recurring nature of our revenue from value-added services to non-property owners, remodelling and decoration services and hotel businesses, we cannot assure you that our customers of such services or businesses will continue to engage us in the future. If we are not able to secure or enter into new contracts or agreements on our value-added services to non-property owners or remodelling and decoration services or secure or attract guests for our hotel businesses, our business, financial position and results of operations may be materially and adversely affected.

Fluctuations in staff and subcontracting costs may affect our growth rate and our profitability

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, staff costs included in our cost of sales amounted to approximately RMB38.9 million, RMB38.3 million, RMB43.2 million, RMB20.5 million and RMB21.6 million, representing approximately 65.9%, 40.1%, 27.4%, 30.4% and 25.5% of our total costs of sales for the same periods. Staff costs included in our administrative expenses amounted to approximately RMB3.3 million, RMB5.5 million, RMB6.5 million, RMB3.0 million and RMB2.9 million, accounted for approximately 55.1%, 60.3%, 34.0%, 45.9% and 24.4% of our administrative expenses for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. In addition to our staff costs, we also incur costs by outsourcing some services, such as cleaning, security, remodelling and decoration service, maintenance and gardening services, to subcontractors. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our subcontracting costs amounted to approximately RMB12.0 million, RMB45.6 million, RMB89.3 million, RMB35.2 million and RMB51.1 million, constituted approximately 20.3%, 47.8%, 56.7%, 52.0% and 60.4% of our total costs of sales for the same periods.

With the relatively high proportion of staff and subcontracting costs to our total costs of sales, we believe it is crucial for us to control and reduce our staff and subcontracting costs to maintain and improve our profitability. However, we face pressure of increasing staff and subcontracting costs with the increase of wages in the PRC in general, as well as the implementation of minimum wage in certain regions in the PRC. Also, with expansion of our operations and business, more staff and subcontractors may be required, which in turn increase our staff costs and subcontracting costs. In particular, higher wages may have to be offered during the recruitment and retention of talented and qualified employees. The increasing headcount may also increase other associated costs, such as those related to the implementation of training and quality control measures. If we cannot cut down our other costs or shift such costs to our customers, our total costs of sales may be substantially increased. We cannot assure that we can control our staff and subcontracting costs, nor we can recruit, engage or retain talented and qualified employees and subcontractors, our business, financial position and results of operations may be materially and adversely affected.

We recorded net current liabilities as at 31 December 2018. We may be exposed to liquidity risks where our business operations and financial performance may be materially and adversely affected

We recorded net current liabilities of RMB23.8 million as at 31 December 2018, primarily attributable to (i) the consideration of RMB36.8 million payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation; (ii) the decoration fees payable to third party subcontractors of RMB4.9 million as at 31 December 2018 in relation to the decoration works of our hotel; and (iii) the increase in current taxation of RMB5.4 million which was in line with our net profit growth. Despite the record of net current liabilities as at 31 December 2018, we recorded net current assets of RMB56.6 million and RMB70.8 million as at 31 December 2019 and 30 June 2020, respectively. Please refer to the paragraph headed "Financial Information — Current assets and current liabilities" in this document for further details.

There is no assurance that we will not record net current liabilities in the future. Having significant net current liabilities could constrain our operation flexibility and adversely affect our ability to expand our business. If our net current liabilities become due and payable, we may not have sufficient internal resources to fully repay them, and any repayment may disrupt our cash flow and liquidity plans, which could in turn materially and adversely affect our business operations and financial performance.

We experienced a mismatch in the growth of operating cash flow and the growth of revenue and net profit during the Track Record Period which may have an adverse effect on our liquidity position, and future business and prospects

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services. Cash flow from operating activities reflects profit before income tax adjusted for non-cash and non-operating items, movements in working capital, and income tax paid.

For FY2017, FY2018 and FY2019, our net cash generated from operating activities amounted to approximately RMB48.4 million, RMB48.8 million and RMB37.0 million, respectively. For 6M2019 and 6M2020, our net cash used in operating activities amounted to approximately RMB23.0 million and our net cash generated from operating activities amounted to approximately RMB13.8 million, respectively. However, our revenue amounted to approximately RMB84.0 million, RMB133.0 million, RMB222.5 million, RMB92.8 million and RMB116.7 million, and our profit for the year/period amounted to approximately RMB14.0 million, RMB20.9 million, RMB35.2 million, RMB13.9 million and RMB16.4 million, respectively, during the same periods. The mismatch in the growth of our operating cash flow and the growth of our revenue and net profit during the Track Record Period was mainly attributable to the timing difference between revenue recognition and cash collection and fluctuations in our other working capital items, in particular the contract liabilities, other payable, contract assets and trade and other receivables during each of the year. There is no assurance that the growth of our operating cash flow will be in line with the growth of our revenue and net profit in the future. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity position, and future business and prospects may be materially and adversely affected.

We may not recover the full amount for the contract assets from customers

Our contract assets mainly represent revenue earned from the standardised remodelling and decoration services provided to Sundy Holdings Group on behalf of individual property owners before the properties are sold to individual property owners. Our Group recorded contract assets which amounted to nil, nil, approximately RMB7.6 million and approximately RMB11.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Please refer to the paragraph headed "Financial information — Description of selected items from consolidated statements of financial position — Contract assets" in this document for further details. We cannot assure you that we will be able to recover or receive the full amount or part of the contract assets from our customers. If we are unable to do so, our results of operation, liquidity and financial position may be adversely affected.

We may not be able to honour obligation in respect of our contract liabilities

Our contract liabilities mainly represent payments in advance from customers for property management services, value-added services to non-property owners, community value-added services and other businesses. Our Group recorded contract liabilities which amounted to approximately RMB25.8 million, RMB47.8 million, RMB43.0 million and RMB43.2 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. Please refer to the paragraph headed "Financial information — Description of selected items from consolidated statements of financial position — Contract liabilities" in this document for further details. In the event that we are unable to honor obligations according to the contracts entered into with our customers, we may be required to refund a portion of such payments in advance. It may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition.

We may encounter difficulties collecting property management fees from customers and recovering payment made on behalf of customers which may incur impairment of our receivables

We may encounter difficulties in collecting property management fees from customers. Before we renew any property management agreements, we will assess the historical collection rates of the corresponding property developers and property owners' association (where applicable). However, we cannot assure that our assessment will be accurate. Also, although we have implemented various collection measures to collect overdue property management fees, we cannot assure you that such measures will be effective.

During the Track Record Period, we sometimes made payments on behalf of customers for properties which we managed. Management judgement is required to determine our ability to settle such payment on behalf of customers as we may not be able to cover such payments. We may consider such payments not being recovered taking into account of factors, such as settlement status, creditworthiness of such customers and collection rate of the property management fee.

Our allowance for impairment of trade receivables amounted to approximately RMB2.4 million, RMB4.8 million, RMB5.3 million and RMB6.5 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. For FY2017, FY2018, FY2019 and 6M2020, our impairment loss recognised on trade receivables amounted to approximately RMB1.0 million, RMB2.4 million, RMB0.5 million and RMB1.3 million, respectively. Additional allowance may have to be prepared in case our actual recovered amount is lower than expected or our past allowance for impairment of trade receivables becomes insufficient, in light of information being available. As a result, our business, financial position and results of operations may be materially and adversely affected.

We generally charge on a lump sum basis and may be subject to losses if we are not able to effectively control our costs in performing our property management services

During the Track Record Period, we charged a majority of our property management fees on a lump sum basis. For FY2017, FY2018, FY2019 and 6M2020, revenue generated from property management services on a lump sum basis accounted for approximately 99.8%, 99.6%, 99.9% and 99.9%, respectively, of our total revenue from property management services. As we charge at a fixed and "all-inclusive" fee, we may incur more costs for the property management services provided than our service fee charged to our customers. If we fail to accurately anticipate our costs before entering into the property management agreements, our fees may not be sufficient to cover all costs we actually incur for providing such property management services and we may not be able to collect the shortfall from the relevant customers, and may suffer losses accordingly.

During Track Record Period, we incurred losses for certain residential properties. For further details, please refer to the paragraph headed "Business — Property management services — Property management fees — Types of property management fees". If we continue to suffer loss for such projects, our business, financial position and results of operations may be materially and adversely affected.

Our property management projects for old residential communities under the Future Community Pilot Plan may lower our gross profit margin and collection rate

In December 2019, we commenced our first property management project for an old community under the Future Community Pilot Plan located in Hangzhou, with GFA under management of approximately 1.4 million sq.m. At the early stage of management of the said residential community, greater labour force was required. As a result, we incurred larger labour and subcontracting costs for the said residential community comparing to other properties developed by independent third-party property developers in general, and recorded a gross loss margin for this property for 6M2020. For further details, please refer to the paragraph headed "Business — Property management services — Type of property developers" in this document. However, with our participation in more property management projects for old communities under the Future Community Pilot Plan, despite the fact that we can leverage our experiences in previous projects, we cannot assure that we can obtain profits in such projects. If we continue to suffer loss for such projects, our business, financial position and results of operations may be materially and adversely affected.

Also, under the agreement of this residential property, the property management fees for each quarter shall be settled in the first month of the next quarter, which is different to most other projects managed by our Group. This may lower the trade receivables collection rate of our Group's property management fees. As we continue to participate in the Future Community Pilot Plan, our business, financial position and results of operations may be materially and adversely affected.

We are exposed to risks associated with relying on subcontractors to perform some of our services

We engage subcontractors for the performance of certain property management services, including security, cleaning, gardening, remodelling and decoration service, repair and maintenance of common areas and common facilities and ancillary services. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our subcontracting costs amounted to approximately RMB12.0 million, RMB45.6 million, RMB89.3 million, RMB35.2 million and RMB51.1 million, representing approximately 20.3%, 47.8%, 56.7%, 52.0% and 60.4% of our total costs of sales for the same periods.

Despite the fact that we select our subcontractors based on various factors, such as professional qualifications, industry reputation, quality of service and price competitiveness, we cannot assure that their performance will always be up-to-standard. Even though we monitor and evaluate their performance, we may not monitor their services efficiently as with our own employees, and our subcontractors may act in contrary to our customers' instructions. Our subcontractors' service quality may be inferior to our own standards, or they may be unable or unwilling to fulfil their contractual obligations timely, or at all. If they deliver substandard services, it may damage our reputation, cause business disruption, expose us to potential claims from our customers and lead to termination or non-renewal of property management agreements with our customers. We may have to indemnify customers for services provided by the subcontractors while we cannot assure that we can fully recover such amount from the subcontractors. We may also incur additional expenses for replacements of such subcontractors which do not perform up to our standard. Any of such events could materially and adversely affect our service quality and reputation, as well as our business, financial position and results of operations.

Future acquisitions, investment and expansion may not be successful and may expose us to associated uncertainties and risks to integrate the acquired companies to our existing business

We plan to seek and evaluate opportunities to acquire or invest in other property management companies to expand our business scales, increase our market share and bolster our geographic presence across the Yangtze River Delta region. However, we cannot assure that we will identify suitable opportunities and complete the acquisitions or investment on terms favourable to us at the right time. Furthermore, acquisition or investments in target companies may expose us to new operational, regulatory and market risks, as well as risks associated with additional capital requirements. The inability to identify suitable targets or complete such transactions and the failure to take proper measures when dealing with the risks in relation to such transactions could materially and adversely affect our competitiveness and growth prospects. Approximately [**REDACTED**]%, or HK$[**REDACTED**], of the [**REDACTED**] raised from the [**REDACTED**] will be used to acquire, invest in or form strategic alliance with property management companies. Please refer to paragraph headed "Future Plans and [**REDACTED**] — [**REDACTED**]" in this document for further details. If we fail to identify suitable acquisition opportunities or our future acquisitions do not complete due to other reasons which may be beyond our control, our [**REDACTED**] from the [**REDACTED**] may not be effectively used.

Even if we are able to find suitable target companies, there may be uncertainties and inherent risks, including potential ongoing financial obligations and hidden liabilities of the target companies. Also, we may not be able to achieve the intended objectives or benefits, such as failing to apply our existing business model to the target companies leading to difficulties in integrating the target companies to our Group and hindering the development of our existing business due to the diversion of resources and management attention. Any of the above could materially and adversely affect our business, financial position and results of operations.

Our gross profit margin for 6M2020 may not be indicative of our future financial performance

For our property management services, the gross profit margin derived from related parties were 21.4%, 21.0%, 22.0%, 21.1%, and 32.7% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, and the gross profit margin derived from non-residential properties were 17.6%, 16.0%, 20.2%, 18.9% and 35.6% for the same periods, respectively. Our higher gross profit margin for 6M2020 was mainly due to the exemption of social insurance premium pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (關於階段性減免企業社會保險費的通知) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and other issues (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the SAT during the outbreak of the epidemic caused by the NCP for 6M2020, which decreased our staff costs. Pursuant to the aforesaid notices, we were exempted from paying our portion of the basic pension insurance, unemployment insurance and work-related injury insurance from February 2020 to December 2020. As the growth in the number of confirmed NCP cases in the PRC has declined gradually, our Directors believe that such relief policy is unlikely to be continued after December 2020, and our gross profit margin is expected to become in line with that of FY2017, FY2018 and FY2019 if such relief policy is no longer implemented. Therefore, our gross profit margin for 6M2020 may not be presented as an indicator of our future financial performance.

We face risks associated with damages to the common areas of properties we manage

The common areas of properties we manage, such as green spaces, walkway, lifts and other facilities, may be damaged as a result of events out of our control, including but not limited to natural disasters, accidents, intentional or unintentional actions. Where it involves criminal action, we may have to allocate resources to assist the police or government authorities on the investigation. Further, despite the fact that each residential community has to establish a special fund for payment of repair and restoration costs of such common areas as stipulated under the PRC laws, it may not be sufficient for such costs. We may have to pay for the differences by our own resources first and collect the shortfall from the property owners thereafter. As at 30 June 2020, repair and maintenance costs of common areas of a sum of approximately RMB39,000 paid on behalf of property owners were pending settlement by the relevant property owners. As we intend to expand our businesses and the property management portfolio, the likelihood of failure to recover such costs may increase. If we are not able to recover the shortfall of repair and restoration costs in a significant amount, our business, financial position and results of operations may be materially and adversely affected.

We may experience intense competitions and may not effectively compete against our competitors

According to the CIA Report, the property management service market remains a competitive and fragmented industry, but the trend has been moving towards a higher degree of concentration. The market share of Top 100 Property Management Companies in terms of total GFA under management amounted to 43.6% in 2019, compared with 38.9% in 2018. Our major competitors include large regional and local property management companies. Please refer to paragraph headed "Business — Competition" in this document for further details of our competitors. Competition may intensify as our competitors expand their service offerings or as new competitors enter our existing markets. We believe that we compete with our competitors on a number of factors, including operation scale, price and quality of services, brand recognition and financial resources. They may have better track records, greater financial and other resources, greater name recognition and greater economies of scale than us. Our competitors may devote more resources to development, promotion and sale of their service, thus we may lose our competitive advantage as a result of their enhanced service quality. In order to compete with other service providers, we may have to further enhance our service quality, which may increase our costs of services. Accordingly, we cannot assure that we will compete effectively or be able to maintain our market share and profitability, which may materially and adversely affect our business, financial position and results of operations.

We may be susceptible to industry trends and development in Zhejiang province

Our operations are primarily concentrated in Zhejiang province. The revenue generated from our properties we managed in Zhejiang province amounted to approximately 82.0%, 82.8%, 82.0% and 85.4% of the total revenue of our property management services for FY2017, FY2018, FY2019 and

6M2020, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the total GFA under our management in Zhejiang province amounted to approximately 91.4%, 83.9%, 86.6% and 85.1% of the total GFA under our management, respectively. We expect that our operations in Zhejiang province will continue to account for a significant portion of our operations in the near future. Therefore, any adverse economic and regulatory development in Zhejiang province may lead to decrease in demand or prices of our services, thereby may materially and adversely affect our business, financial position and results of operations.

Our historical growth may not be indicative of our future prospects and results of operations

Despite the fact that we experienced a relatively rapid revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability partly depends on how we control the increase in our costs and operating expenses with the expansion of our business. There is no guarantee that we will continue to enter into new contracts or increase our total GFA under management at the same pace in future. Also, we will continue to face challenges related to increasing labor and subcontracting costs, intensive competition for employees and business opportunities. The effects of changing economic or other factors beyond our control may also have material adverse effects on our business. If our operating expenses increase faster than our revenue, our business, financial position and results of operations may be negatively affected.

Our employees and employees of our subcontractors may get injured during work

Injuries may cause to our employees and employees of our subcontractors in the course of the provision of our services. For example, there may be inherent occupational risks of work injuries or accident when our employees or employees of our contractors handle tools and machinery. During the Track Record Period and up to the Latest Practicable Date, there was no work injuries or accident in the course of provision of our services that materially and adversely affected our business, financial condition and results of operations. However, even though we have implemented safety measures, we cannot assure that there will be no incident causing injuries, fatal or otherwise, to our employees and employees of our subcontractors. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC, but we cannot assure that the coverage will be sufficient for all the damages, liabilities or losses which we may be liable as a result of such incidents or accidents. The occurrence of any such incident or accident may also damage our reputation within the property management industry. Any of the above may materially and adversely affect our business, financial position and results of operations.

We may encounter the resignation of our key management team members and be unable to attract and retain qualified and experienced employees

Our performance and success depend on the efforts of our Directors, senior management members and other key employees. For example, Ms. Zhu Jin, our executive Director and chief executive officer of our Group, has over 12 years of experience in property management. She was the manager of Sundy Property, primarily responsible for its daily operation and management from August 2007 to December 2016. She has been the chairman of the board of Sundy Property and responsible for overall strategic planning, overall management, operation and business development of Sundy Property since March 2018. For further details relating to our Directors and senior management, please refer to the section headed "Directors and Senior Management" in this document. If any of our Directors, members of the senior management or key and experienced employees resign, we cannot assure we can promptly recruit a qualified replacement and even if so, it will take time for such personnel to learn about our operations. Our service quality and business efficiency may be adversely affected, which may in turn adversely affect our business, financial portion and results of operations.

Further, expansion of our business will depend on our ability to attract and retain qualified personnel in all aspects of our business, including but not limited to corporate management, property management and information technology personnel. We strive to attract, recruit, cultivate and retain talents. Please refer to the paragraph headed "Business — Our business strategies — Continue to attract, recruit, cultivate and retain talents to support our growth" in this document for further details. However, if we are unable to do so, our growth may be limited and our business, financial position and results of operations may be materially and adversely affected.

We may fail to effectively protect our intellectual property rights

Our trade name and trademarks are essential to build our brand value and recognition, which we consider to be critical for our future growth and fostering our customers' loyalty. Any unauthorised use or infringement of our trade name and trademarks may impair our reputation. We are authorised by Sundy Real Estate and Yaduo Shanghai to use certain trademarks in the PRC and registered our own trademarks in Hong Kong and the PRC. Please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group" in Appendix IV of this document for further details. However, we cannot assure our measures will effectively protect our intellectual property rights and will be able to timely identify unauthorised use or misappropriation of our intellectual property rights. Further, the enforceability and scope of protection of the PRC laws and regulations regarding intellectual property are still evolving. We also cannot assure we will succeed in the proceedings to enforce our intellectual property rights for any such unauthorised use or misappropriation, should such proceedings arise. Failures to identify unauthorised use of intellectual property rights or take appropriate steps to enforce our rights may materially and adversely affect our business, financial position and results of operations.

Our information technology systems may not operate properly

We rely on information technology systems for performing some of our operations, including communication among internal departments, processing of financial data, surveillance system and access control of our managed properties. The operations of our information technology system and corresponding equipment may be interrupted or damaged due to power outages, computer viruses, hardware and software failures, natural disasters, accidents and any other incidents causing our information technology systems not operating properly. With the expansion of our business and development of information technology, we cannot assure that our system is always up-to-date and sufficient for our business operations. We may incur extra costs for any associated claims as a result of our disrupted operations, restoration of damaged system and upgrade of our system for catering the growth of our business. All of the above may materially and adversely affect our business, financial position and results of operations.

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

We are required to fully contribute social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute social insurance and housing provident funds for some of our employees. The outstanding amount of our provisions for social insurance and housing provident fund contributions amounted to approximately RMB3.2 million, RMB1.8 million, RMB0.9 million and nil for FY2017, FY2018, FY2019 and 6M2020, respectively.

As advised by our PRC Legal Advisers, (i) for social insurance, if any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day and if we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution; and (ii) for housing provident funds, if any competent authority is of the view that the housing provident fund we made did not satisfy the requirements under PRC laws and regulations, we may be subject to the unpaid amount to the relevant local authorities within a certain period. For further details, please see paragraph headed "Business — Legal proceedings and compliance" in this document.

Our insurance coverage may not adequately cover all claims related to our business

We purchase and maintain insurance policies which we believe to be in line with the standard industry practice and as required under the relevant laws and regulations in the PRC. For further details of the insurance policies which we maintain, please refer to the paragraph headed "Business — Insurance" in this document. Despite the fact that we believe our insurance coverages being in line with industry practice for similar property management companies in the PRC, we cannot assure that our insurance policies will provide sufficient coverage for all potential claims, losses and liabilities as a result of our business operations. Further, insurance policies against disruption or damage as a result of natural disasters, war, civil disorders and acts of terrorism are not available in the PRC. If we are liable for substantial damages, losses and liabilities that are not covered by our insurance policies, our business, financial position and results of operations may be materially and adversely affected.

We may be affected by the regulatory environment and measures affecting the PRC property management industry

Our operations may be affected by the regulatory environment and measures affecting the property industry in the PRC. For FY2017, FY2018, FY2019 and 6M2020, seven, 10, 10 and eight residential properties under our management with an aggregated GFA of approximately 1.7 million sq.m, 2.3 million sq.m, 2.2 million sq.m. and 1.2 million sq.m. and total revenue contribution of approximately RMB34.4 million, RMB43.7 million, RMB41.7 million and RMB10.5 million were subject to price control polices. Such policies include policies on preliminary properties implemented by government authorities of Hangzhou city and Zhoushan city and on comprehensive property management service fee (物業綜合服務費) and car parking charges implemented by Hefei city. The relevant government authorities may revise the applicable government guidance prices from time to time, taking into account of factors, such as service quality, costs of sales and reasonable level of profit. Our Directors and our PRC Legal Advisers confirm that during the Track Record Period, the level of property management fees we charged comply with the relevant local price control policies. Please refer to paragraph headed "Regulatory Overview — Laws and regulations in relation to property management services — Property management service charges" in this document. In particular, property management fees for government-subsidised houses, housing-reform properties, properties in old residential areas and preliminary properties are subject to government guidance prices by price departments of provincial level and the administrative departments of housing and urban-rural development for price control policies for provincial level. Such price control policies may negatively affect our profitability as it may lower the fees which we may charge, in particular when the relevant government authorities fail to timely revise the applicable government guidance prices with the increasing costs of sales. If we are not able to effectively cut down our costs for the decrease of our service fees or transfer our costs of sales to our customers in a timely manner, our business, financial position and results of operations may be materially and adversely affected. Further, if the PRC Government unexpectedly promulgates new laws, regulations or measures on property management industry, this may increase our compliance and operation costs, thereby materially and adversely affecting our business, financial conditions and results of operations.

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

We may, from time to time, be involved in disputes with and subject to claims by our customers, such as property developers, property owners or residents, to whom we provide property management and value-added services. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties involved in our business, including our employees, subcontractors, suppliers, other third parties who sustain injuries or damages while visiting properties under our management or operation (where applicable). All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs as well as diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We may be affected by development of real estate industry in the PRC

During the Track Record Period, a significant amount of our revenue was generated from the provision of property management services in the PRC. Our performance on property management services depends on the number of properties and the GFA under our management. Therefore, our business development and growth are heavily relied on the performance of the real estate market in the PRC, which may be affected by, among others, economic and regulatory development in the PRC. The PRC Government has adopted various measures, such as imposing control on land supply for property development, restricting property development financing, and increasing tax and levies on sales of real property. Therefore, any adverse economic and regulatory development to the real estate industry in the PRC may materially and adversely affect our business, financial position and results of operations.

Our business operations may be affected by the outbreak of the NCP

Our business is subject to the real estate market and general economic condition in the PRC. With the outbreak of the NCP, the real estate market may be adversely impacted. The outlook of the real estate market, economy slowdown and/or negative business sentiment in the PRC could potentially have an indirect impact on the property management market. We are uncertain as to when the NCP will be constrained. If the NCP continues without being effective controlled in the future, our business operation and financial performance may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

We are subject to the political, economic and social development as well as laws, rules, regulations and licensing requirements in the PRC

All of our businesses, assets, operations and our revenue are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, control of foreign exchange and the allocation of resources. The PRC Government has in recent years implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which has slowed down in recent years. The PRC's economic growth is also influenced by the global factors. The US-China trade war has added downward pressure to the PRC's economic growth.

Any unfavourable political, economic or social development in the PRC, or an unfavourable change in the PRC's laws, regulations, rules and licensing requirements, may adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

We may be considered a "PRC resident enterprise" under the EIT Law, which could result in our global income being subject to a 25% PRC enterprise income tax

Pursuant to the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and are generally subject to the uniform 25% EIT on their global income. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009 and July 2011, 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 substantially all of our operations are in the PRC. It is uncertain as to whether we will be considered as a PRC residential enterprise. If we are regarded as a PRC resident enterprise, it may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

The payment of dividends by our subsidiaries in the PRC is subject to restrictions under the PRC laws

We operate our business through our subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The PRC laws require the PRC companies, including the foreign-invested enterprises, to set aside 10.0% of their net profit as statutory reserves until the accumulated statutory reserves account for 50.0% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to serve our indebtedness, to a certain extent, depends upon dividends received from our PRC subsidiaries, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to serve our indebtedness.

Gains on the sale of Shares and dividends distributed by us may be subject to the PRC income tax

Under the EIT Laws, EIT Implementation Rules and Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法), dividends payable by the PRC tax resident enterprises to the non-PRC residents are subject to the PRC withholding tax at the rate of 10% for non-PRC resident enterprises and 20% for the non-PRC resident individuals, to the extent such dividends are with "source within the PRC". Similarly, any gain realised on the transfer of shares of the PRC resident enterprise by such investors is also subject to the PRC income tax, usually at a rate of 10% for the non-PRC resident enterprises and 20% for the non-PRC resident individuals, if such gain is regarded as income derived from sources within the PRC. If we are considered as the PRC resident enterprise, any dividends paid to our Shareholders and any gains realised by them from the transfer of our Shares may be regarded as income derived from the PRC sources and would be subject to the PRC income tax. In such cases, unless otherwise exempted by relevant tax treaties or similar arrangements, the value of your investment in our Shares may be materially and adversely affected.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than what we currently anticipate

Under the EIT Law and EIT Implementation Rules, if a foreign shareholder is not deemed a PRC resident enterprise under the EIT Law, dividend payments from the PRC subsidiary to its foreign shareholder are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholder has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities in accordance with such tax treaty or similar arrangement. Pursuant to Arrangement between the Mainland of China and the HKSAR for the Avoidance of Double Taxation and Prevention in 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 withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties* (非居民納稅人享受稅收協定待遇管理辦法) (the "**2015 Administration Measures**"), which was amended on 14 October 2019 by the SAT and became effective on 1 January 2020, prior approval from or filings with the PRC competent tax authority is no longer required before a non-resident taxpayer can enjoy the preferential tax treatment under the relevant treaties. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the 2015 Administration Measures with tax authority when filing tax returns or withholding and declaration through a withholding agent, among which is the tax resident identity issued by the tax authority of the counter party to the treaty.

During the follow-up administration, the PRC tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment, ask for supplemental documents from the non-resident taxpayer or, if the non-resident taxpayer is deemed not eligible for the preferential tax treatment, require the non-resident taxpayer to pay up the non-payment or underpayment of the tax within specified timeframe. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the SAT on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividend paid by Sundy Property, Sundy Jiahe, Songdu Exhibition, Lusong Property, Hangzhou Herui, Hongdu Information and Jilin Sundy, our PRC operating subsidiaries, and received by Rong Du, our Hong Kong subsidiary.

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

Our business is in the PRC and is governed by the PRC laws and regulations. Our operating subsidiaries, Sundy Property, Sundy Jiahe, Songdu Exhibition, Lusong Property, Hangzhou Herui, Hongdu Information and Jilin Sundy, are located in the PRC and subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as references. Additionally, the PRC written statutes are principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favourable interpretation of laws and regulations than our competitors. In addition, any litigation in China could be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to the foreign investors.

Governmental control of currency conversion may limit our ability to utilise our cash effectively, which may adversely affect the value of your investment

The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. We receive significant portion of our revenue in Renminbi, which is currently not a freely convertible currency. As a Cayman Islands holding company, we may, to a certain extent, rely on dividend payments from our subsidiaries in the PRC, to fund any cash and financing requirements we may have. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividend, or otherwise satisfy foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from the trade-related transactions, can be made in foreign currencies without the prior approval from the SAFE, by complying with certain procedural requirements. However, payments under the capital account items, including capital transfers, direct investment, securities investment, and the repayment of the principal amount of the borrowings, are subject to significant foreign exchange controls and require the prior approval from the SAFE or the registration with the SAFE or the banks. Furthermore, the PRC Government may also at its discretion restrict access to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

You may encounter difficulties in effecting service of legal process and enforcing foreign judgements against us, our Directors or senior management residing in the PRC

Since most of our assets are located in the PRC and most of our Directors and senior management reside in the PRC, you may encounter difficulties to effect service of process within Hong Kong or elsewhere outside of the PRC upon us, our Directors or senior management. Further, the PRC has not entered into treaties for reciprocal recognition and enforcement of judgement in many countries, including Japan, the United Kingdom, the United States.

On the other hand, judgements rendered by Hong Kong courts may be recognised and enforced in the PRC, if the requirements as set out in the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**") are fulfilled. However, one of the requirements is that a choice of law agreement has to be entered into between the parties in which a Hong Kong or the PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, if the parties in dispute do not agree to enter into a choice of court agreement in writing, it may not be possible to enforce a judgement pursuant to the Arrangement.

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 3 February 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 (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**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 (《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》) (the "**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 (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 Reorganisation, 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, or 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.

Inflation in the PRC could negatively affect our profitability and growth

Economic growth in the PRC has been accompanied by periods of high inflation in the past. As a result, the PRC Government has, from time to time, implemented various policies to control inflation, such as imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures to future inflationary pressure. On the other hand, if the PRC Government does not adopt any mitigation policies or measures, our costs will likely be increased, which will reduce our profitability.

Fluctuations in the value of Renminbi may have a material and adverse impact on your investment

A significant portion of our revenue and almost all of our cost of sales and expenses are denominated in Renminbi, while the [**REDACTED**] from the [**REDACTED**] and dividends, if any, declared by us will be in Hong Kong dollars. Any depreciation in the Renminbi against foreign currencies will materially and adversely affect the relative value of the [**REDACTED**] we will receive from the [**REDACTED**]. A depreciation in the Renminbi, on the other hand, would materially and adversely affect the value of dividends, if any, we pay our Shareholders in foreign currencies, or require us to use more Renminbi funds to pay for the same amount.

RISKS RELATING TO THE [REDACTED]

There is no prior public market for our Shares

Prior to the [**REDACTED**], there has been no public market for our Shares. The initial issue price range to the public for our Shares was the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active trading market for the Shares will develop, or if it does develop, will be sustained following the [**REDACTED**], or that the market price of the Shares will not decline following the [**REDACTED**].

The market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the [REDACTED]

The price and trading volume of our Shares may be volatile. The price at which our Shares will trade after the [**REDACTED**] will be determined by the market price of our Shares, which may be influenced by many factors some of which are beyond our control, including:

- our financial results;

- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our customers;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- addition or departure of key personnel;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, shares of some companies listed on the Stock Exchange have experienced unusual price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Since there will be a gap of several days between the pricing and trading of our [REDACTED], the price of our [REDACTED] Shares could fall below the [REDACTED] when trading commences

The [**REDACTED**] of our Shares will be determined on the [**REDACTED**], which is expected to be on or around [**REDACTED**], [**REDACTED**], but in any event, no later than [**REDACTED**], [**REDACTED**]. However, our Shares will not commence trading on the Stock Exchange until the [**REDACTED**], which is expected to be on [**REDACTED**], [**REDACTED**]. Accordingly, investors may not be able to sell or deal in our Shares during the period between the [**REDACTED**] and the [**REDACTED**]. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the [**REDACTED**] and the [**REDACTED**].

Shareholders may face difficulties in protecting their interests because we are incorporated under Companies Law which may provide different protection to minority Shareholders than the laws of Hong Kong and other jurisdictions

We are incorporated in the Cayman Islands as an exempted company and substantially all of our assets are located outside of Hong Kong. Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in certain respects from those in Hong Kong and other jurisdictions. This may mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

Declaration and payment of dividend will be determined by the Board taking into account of various factors at the material time, so we cannot assure if and when we will declare and pay dividends in the future

During the Track Record Period, our Company did not declare any dividend to our Shareholders. In the future, if, when and the amount of dividends our Company may declare and pay will be subject to, among others, our earnings and financial condition, operating requirements, capital requirements and other conditions that our Directors may deem relevant. Accordingly, the dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

Our Controlling Shareholders have substantial influence over our Company and may not align with the interests of our other Shareholders

Immediately after the [**REDACTED**], our Controlling Shareholders will directly or indirectly control approximately [**REDACTED**]% of our entire issued share capital and will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, such as mergers, disposal of all or substantially all of our assets and election of Directors. In addition, the interests of our Controlling Shareholders may differ from the other Shareholders and may not align with or in conflict with those of our other Shareholders.

Any disposal or market perception of any disposal of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

Our Shares held by the Controlling Shareholders are subject to a lock-up period of 12 months after the [**REDACTED**]. However, we cannot assure that the Controlling Shareholders will not dispose of any Shares after the lock-up period. Further, our Group cannot predict the effect, if any, of any future sales of Shares may have on the market price of the Shares. Disposals of a substantial number of Shares or the market perception that such disposals may occur could materially and adversely affect the prevailing market price of the Shares.

Investors may experience dilution if we issue additional Shares or other securities in the future

We may require additional funds in the future to finance the expansion of the business and operations of our Group. If additional funds are raised through the issue of new Shares or other equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of our Shareholders in our Company may be diluted.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

Certain statistics contained in this document are derived from the CIA Report and publicly available official sources

Certain statistics contained in this document relating to the PRC economies, the PRC property management industry and the PRC real estate market, particularly in the section headed "Industry Overview" in this document, have been derived from various official government publications or the CIA Report we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of such report for the purpose of disclosure in this document. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the Sole Sponsor, the [**REDACTED**] or any of their respective affiliates or advisers, directors, officers or representatives or any other person involved in the [**REDACTED**] and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give consideration as to how much weight or importance they should attach to or place on such facts, and you should not unduly rely upon the industry facts and statistics contained in this document.

Our Group's future results could differ materially from those expressed in or implied by the forward-looking statements

This document includes various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed in or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this document.

You should rely on this document, and should not rely on any information contained in press articles or other media regarding our Company, in making your investment decision

Prior or subsequent to the publication of this document, there may have been or may be certain press and media coverage regarding our Group, our services and the [**REDACTED**]. We have not authorised the disclosure of any such information in the press or media which may be untrue and may not reflect what is disclosed in this document and accordingly do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. You should not rely on any such information contained in any press articles or other media and, in making your decision whether to purchase our Shares, you should rely only on the information included in this document and the [**REDACTED**].

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. Since our operations are based in the PRC and our headquarters situate in and all of our executive Directors currently reside in the PRC, we do not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and us:

(a) we have appointed Ms. Zhu Jin ("**Ms. Zhu**"), our executive Director and Mr. Tsang Ho Yin ("**Mr. Tsang**"), a permanent resident in Hong Kong and one of our joint company secretaries, as our authorised representatives (the "**Authorised Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange and will ensure that our Group complies with the Listing Rules at all times. Although Ms. Zhu resides in the PRC, she possesses valid travel documents to visit Hong Kong and would be able to renew such travel documents when they expire. Both Authorised Representatives will be available to meet with the Stock Exchange within a reasonable time period at the request of the Stock Exchange and will be readily contactable by phone, facsimile and email. Our Company will only change the Authorised Representatives after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and a representative of our Company has been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company;

(b) each of the Authorised Representatives has means to contact all members of our Board (including our independent non-executive Directors) and of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication among the Stock Exchange, the Authorised Representatives and our Directors, our Company has implemented a policy that (a) each Director will provide his/her mobile phone number, office phone number, email address and fax number (if any) to the Authorised Representatives and the Stock Exchange; and (b) in the event that a Director expects to travel and be out of the office, he/she will provide the contact details to the Authorised Representatives. In addition, all of our Directors who are not ordinarily residents in Hong Kong possess or will be able to apply for valid travel documents for travelling to Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period, when required. We have one independent non-executive Director, namely, Mr. Lau Kwok Fai Patrick, who is ordinarily resident in Hong Kong and will act as additional channel of communication between the Stock Exchange and us;

(c) we have appointed Cinda International as our compliance adviser (the "**Compliance Adviser**") upon [**REDACTED**] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the date of [**REDACTED**]. The Compliance Adviser will have access at all times to the Authorised Representatives, our Directors and other members of the senior management of our Company, and will act as the alternative channel of communication with the Stock Exchange when the Authorised Representatives are not available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among ourselves, the Authorised Representatives, our Directors, other officers and the Compliance Adviser;

(d) we will appoint other professional advisers (including legal advisers and accountants) after the [**REDACTED**] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be sufficient communication with the Stock Exchange; and

(e) meeting between the Stock Exchange and our Directors can be arranged through the Authorised Representatives or the Compliance Adviser, or directly with our Directors within a reasonable period. We will inform the Stock Exchange promptly in respect of any change in the Authorised Representatives and or/the Compliance Adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Zhang Qisi ("**Ms. Zhang**") to act as one of our joint company secretaries. For details of Ms. Zhang, please refer to the paragraph headed "Directors and Senior Management — Joint company secretaries" in this document. Since Ms. Zhang does not possess qualifications stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfil the requirement as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

(a) we have appointed Mr. Tsang, who possesses the requisite academic and professional qualifications and relevant experience as required under Rule 3.28 of the Listing Rules, as a joint company secretary to provide assistance to Ms. Zhang for an initial period of three years commencing on the [**REDACTED**] so as to communicate regularly with Ms. Zhang on matters relating to the Listing Rules as well as other applicable laws and regulations, to inform Ms. Zhang on a timely basis of any amendment to the Listing Rules and any new or amended laws, regulations and codes that are applicable to our Company and to enable Ms. Zhang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary;

(b) each of Ms. Zhang and Mr. Tsang will attend in each financial year no less than 15 hours of relevant training to familiarise themselves with the Listing Rules and other relevant laws and regulations, as well as the duties required of a company secretary of an issuer listed on the Stock Exchange;

(c) our Company has appointed Cinda International as our compliance adviser to assist Ms. Zhang in relation to corporate governance practices and ongoing compliance with the Listing Rules and the applicable laws and regulations; and

(d) before expiry of the three-year period, the qualifications and experience of Ms. Zhang will be re-evaluated. Ms. Zhang is expected to demonstrate to the Stock Exchange's satisfaction that she, having had the benefit of Mr. Tsang's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver of three years from the [**REDACTED**] from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, subject to the condition that we do not commit material breaches of the Listing Rules during the said period. In case of any material breaches, the said waiver can be revoked immediately. Before the expiry of the initial three-year period, the qualifications of Ms. Zhang will be re-evaluated to determine whether the appointment of Ms. Zhang as the company secretary of our Company will satisfy the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules. In the event that Ms. Zhang has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as set out in the paragraph headed "Connected Transactions – Continuing connected transactions exempt from independent shareholders' approval" in this document; and (ii) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as set out in the paragraph headed "Connected Transactions – Non-exempt continuing connected transactions" in this document.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Ms. Yu Yun (俞昀)	Room 501, Unit 1, Building 23 Liulangxinyuan, Shangcheng District Hangzhou Zhejiang province PRC	Chinese
Ms. Zhu Jin (朱瑾)	Room 901, Unit 1, Building 11 Tingtao Garden Yangguang International Garden Jianggan District Hangzhou Zhejiang province PRC	Chinese
Mr. Cheng Huayong (程華勇)	Room 601, Building 4 Shushan New Village, Guanting Road Shushan District Hefei Anhui province PRC	Chinese
Mr. Shen Guangming (沈光明)	Room 2902, Building 19 Poly Dongwan Hangzhou Zhejiang province PRC	Chinese
Independent non-executive Directors		
Mr. Zhang Jingzhong (章靖忠)	Room 1902, Unit 2, Building 1 Yinxing Yuan, Green Garden Community Hangzhou Zhejiang province PRC	Chinese
Mr. Xu Rongnian (許榮年)	Room 201, Unit 1, Building 22 Hanlin Garden, Shangcheng District Hangzhou Zhejiang province PRC	Chinese

Name	Residential Address	Nationality
Mr. Lau Kwok Fai Patrick (劉國煇)	Flat D, 23/F Downtown 38 38 Pak Tai Street To Kwa Wan, Kowloon Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Cinda International Capital Limited** *A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* 45/F, COSCO Tower 183 Queen's Road Central Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[**REDACTED**]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[**REDACTED**]

Legal advisers to our Company	*As to Hong Kong laws:* **Stevenson, Wong & Co.** **in association with AllBright Law Offices** 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **AllBright Law Offices** 11/F and 12/F Shanghai Tower No. 501 Yincheng Middle Road Pudong New Area Shanghai 200120 PRC

	As to Cayman Islands laws: **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws* **[REDACTED]**
	As to PRC laws **[REDACTED]**
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Compliance adviser	**Cinda International Capital Limited** 45/F, COSCO Tower 183 Queen's Road Central Hong Kong
Industry consultant	**China Index Academy** Tower A No. 20 Guogongzhuang Middle Street Fengtai District Beijing
Property valuer	**AVISTA Valuation Advisory Limited** 23rd Floor, Siu On Centre No.188 Lockhart Road Wan Chai Hong Kong

Tax adviser	**Ernst & Young (China) Advisory Limited** 50/F, Shanghai World Financial Center 100 Century Avenue Pudong New Area Shanghai, China 200120
Receiving bank	[**REDACTED**]

CORPORATE INFORMATION

Registered office in the Cayman Islands	[**REDACTED**] Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	127, Hanghai Road Jianggan district Hangzhou Zhejiang province PRC
Principal place of business in Hong Kong	39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company's website	**http://songduwuye.com/** *(the information contained in this website does not form part of this document)*
Joint company secretaries	Ms. Zhang Qisi (張綺思) Unit 3, Building 27 Junyue International Yingbin Avenue, Dipu Town Anji County, Huzhou Zhejiang province PRC Mr. Tsang Ho Yin (曾浩賢) *Solicitor admitted to practice in Hong Kong* 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Ms. Zhu Jin (朱瑾) Room 901, Unit 1, Building 11 Tingtao Garden, Yangguang International Garden, Jianggan District, Hangzhou Zhejiang province PRC Mr. Tsang Ho Yin (曾浩賢) 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Lau Kwok Fai Patrick (劉國輝) *(Chairman)* Mr. Zhang Jingzhong (章靖忠) Mr. Xu Rongnian (許榮年)
Remuneration Committee	Mr. Zhang Jingzhong (章靖忠) *(Chairman)* Mr. Xu Rongnian (許榮年) Mr. Lau Kwok Fai Patrick (劉國輝)
Nomination Committee	Ms. Yu Yun (俞昀) *(Chairman)* Mr. Zhang Jingzhong (章靖忠) Mr. Xu Rongnian (許榮年) Mr. Lau Kwok Fai Patrick (劉國輝)
[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]
Principal bankers	Bank of Hangzhou Jiangcheng Sub-branch No. 15-1, Xin Tang Road Jianggan District Hangzhou Zhejiang province PRC China Merchants Bank Zhijiang Sub-branch No. 263, Hanghai Road Jianggan District Hangzhou Zhejiang province PRC

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by CIA, which was commissioned by us.

We believe that the sources of information are appropriate and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. We, the Sole Sponsor, the [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *or any of our or their respective directors, senior management, representatives or any other person involved in the* [**REDACTED**] *have not independently verified such information and have made no representation as to the accuracy and completeness thereof. The relevant information and statistics may not be consistent with such other information and statistics compiled within or outside the PRC. As a result, such information should not be unduly relied upon.*

SOURCES OF INFORMATION

We have engaged CIA, an independent third party, to conduct a study on the property management service industry, long-term rental apartment industry and hotel industry in the PRC. We agreed to pay CIA a fee of RMB800,000 for the preparation of the CIA report, and our Directors consider that such fee reflects market rate.

CIA is an independent property research institution which has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. CIA has prepared the industry report based on its database, CREIS China Index Database ("**CREIS中指數據**"), the database of fdc.fang.com and various government publications. These databases and government publications have been widely used and relied upon in the PRC property market. While preparing the industry report, CIA has relied on the assumptions that (i) all published data by the National Bureau of Statistics of China (the "**Statistics Bureau**") are accurate; (ii) all collected information relating to residential sales transactions from the relevant local housing administrative bureaus is accurate; (iii) where subscribed data is obtained from renowned public institutions, CIA has relied upon the expertise of such institutions; (iv) all the information provided by Sundy Property is accurate; and (v) the social, economic and political conditions of the PRC remain stable during the forecast period.

We were ranked the 56th in the PRC on the list of Top 100 Property Management Companies in 2020 compiled by CIA. The ranking is determined by CIA after considering the following factors: (i) *management scale*: total assets, total number of property management projects, total GFA under management and number of cities that an enterprise has entered into are taken into consideration; (ii) *operational performance*: revenue, net profit, revenue per employee and operating costs as a percentage to total revenue are taken into consideration; (iii) *service quality*: customer satisfaction rate, property management fee collection rate, renewal rate of property management projects and number of star-level communities are taken into consideration; (iv) *growth potential*: revenue growth rate, growth rate of GFA under management, contracted GFA as well as number and composition of employees are taken into consideration; and (v) *social responsibility*: annual total tax payment, number of jobs offered, affordable housing management and total amount of donations are taken into consideration. On this basis, our Directors consider the data and statistics to be reliable.

THE PRC PROPERTY MANAGEMENT INDUSTRY

Background Introduction of the Property Management Industry

Development of property management industry: The property management industry emerged in the PRC in 1981, when the first domestic property management company was founded in Shenzhen. Following the official promulgation of the Provisions on Property Management (《物業管理條例》) and the Administrative Measures on Property Management Company Fees (《物業服務收費管理辦法》) in 2003, the regulatory framework for the property management industry gradually took shape. Further, the Property Law of the PRC (《中華人民共和國物權法》) which came into effect in October 2007, established an open market mechanism for the property management industry.

The PRC property management industry now serves a wide range of properties, including residential properties, commercial properties, offices, public properties, industrial parks, schools, hospitals and other properties.

Revenue sources of property management services: The revenue of property management services refers to all the income generated by property management companies through the provision of property management services and other related services. They can be categorised into property management fee and other service fee. For most property management companies, property management fee is the main source of revenue.

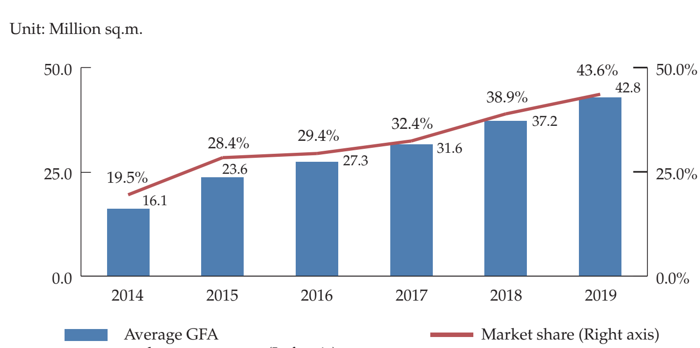
Property management fee refers to the direct income generated from repair, management services and other basic property management services provided to property owners and/or users by property management companies. Other service fee refers to revenue generated from business activities other than traditional property management services, such as value-added services to non-property owners and community value-added services. Revenue from value-added services to non-property owners is generally generated from the following types of services, including (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties. Revenue from community value-added services is generally generated from services including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. In particular, community space services primarily representing (i) assisting property owners to lease out common areas to advertisement companies for advertisement placements and telecommunication companies for the installation of telecommunication base stations; and (ii) utilising common areas in our managed properties.

Revenue model of property management service providers: The fees for property management services can be charged either on a lump sum basis or on a commission basis. The lump sum basis refers to the revenue model requiring property owners to undertake the fixed property management expenses while property management companies enjoy or assume the surplus or deficit. The commission basis refers to the revenue model where property management companies collect an agreed proportion or amount from the property management income as their service fees in advance, the rest of which shall be exclusively used in the items as stipulated in the property management agreements, and the property owners shall enjoy or assume the surplus or deficit. The lump sum revenue model for property management fees is the dominant revenue model in the property management industry in the PRC, especially for residential properties.

Cost structure of property management service providers: Costs of property management companies can be categorised into two types, namely, operation cost and period cost. Operation cost refers to cost incurred in providing services pursuant to property management agreements. This generally represents a large proportion of the total cost. Operation cost includes wages and benefits of staff, security, cleaning, gardening, repair and maintenance cost of common facilities as well as social insurance expenses. Period cost refers to cost incurred as a result of managing the delivery of property management services. Such cost is typically fixed cost and account for a small proportion of the total cost. Period cost includes wages and benefits of management staff, office expenses, depreciation, training expenses, business entertainment fees and business travel expenses.

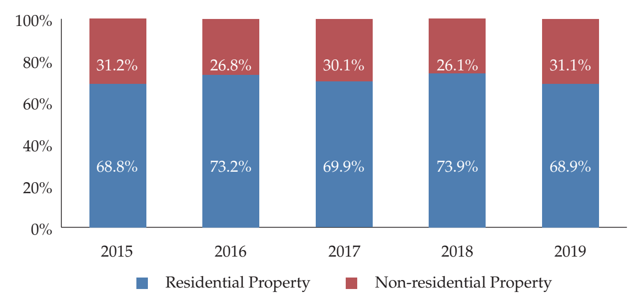
Market Trends of Property Management Service Industry

Increased GFA under management and concentration for property management services: According to CIA, there had been a continuous growth in the total GFA under management managed by the Top 100 Property Management Companies between 2014 and 2019. The average total GFA under management managed by the Top 100 Property Management Companies amounted to approximately 42.8 million sq.m. in 2019, with a CAGR of 21.6% from 2014 to 2019. The average number of projects under the management of Top 100 Property Management Companies amounted to 212 in 2019, with a CAGR of 17.7% from 2014 to 2019. The total market share of Top 100 Property Management Companies in terms of total GFA under management amounted to 43.6% in 2019, compared with 38.9% in 2018. This indicates an increase in the degree of concentration in the property management service industry. The following chart sets out the average GFA under management of the Top 100 Property Management Companies for the years indicated:



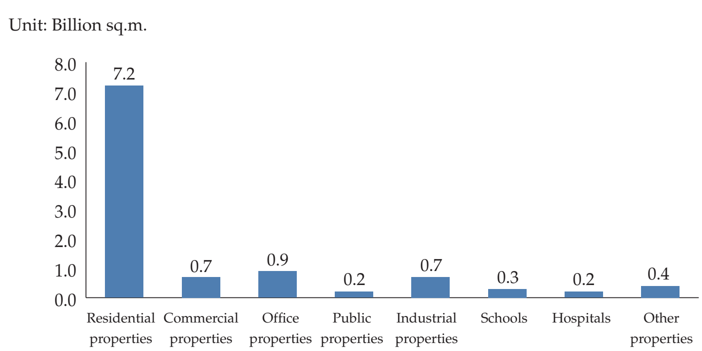
Source: CIA

Diversification of non-residential property types with a focus on residential properties: Property management service companies in the PRC have diversified the types of properties under their management, but the majority of property under their management remains residential properties. Total GFA under management of residential properties of Top 100 Property Management Companies amounted to approximately 7.2 billion sq.m. in 2019, constituting approximately 68.9% of their total GFA under management. Total GFA under management of non-residential properties, including commercial properties, office properties, public properties, industrial parks, schools, hospitals and other types of properties, managed by Top 100 Property Management Companies amounted to approximately 3.2 billion sq.m. in 2019. The chart below sets forth the breakdown between residential property and non-residential property under management of the Top 100 Property Management Companies in terms of GFA under management from 2015 to 2019:



Source: CIA

The following chart sets out the GFA under management of the Top 100 Property Management Companies per property type in 2019:



Source: CIA

Relationship with property developers: In 2019, almost 80.0% of the Top 100 Property Management Companies have parent companies or affiliated companies engaging in property development business. Properties developed by parent property development companies or affiliated property development companies have been the primary sources of property management projects of Top 100 Property Management Companies.

Price trend of property management fees:

The following table sets forth the historical average property management fee of residential properties, commercial properties, office properties and industrial parks in the Yangtze River Delta Region between 2017 and 2019 and the forecast for the period between 2020 and 2022:

	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential properties *(RMB per sq.m. per month)*	2.2	2.3	2.3	2.3	2.4	2.4
Commercial properties *(RMB per sq.m. per month)*	5.9	5.9	6.0	6.0	6.1	6.1
Office properties *(RMB per sq.m. per month)*	6.5	6.6	6.6	6.7	6.8	6.8
Industrial parks *(RMB per sq.m. per month)*	3.2	3.3	3.3	3.4	3.4	3.5

Source: CIA

The following table sets forth the historical average property management fee of residential properties, commercial properties and office properties in Zhejiang province between 2017 and 2019 and the forecast for the period between 2020 and 2022:

	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential properties *(RMB per sq.m. per month)*	2.2	2.3	2.4	2.5	2.5	2.6
Commercial properties *(RMB per sq.m. per month)*	5.8	5.9	6.0	6.0	6.1	6.1
Office properties *(RMB per sq.m. per month)*	6.5	6.6	6.7	6.7	6.8	6.9
Industrial parks *(RMB per sq.m. per month)*	3.4	3.4	3.5	3.5	3.6	3.7

Sources: CIA

The following table sets forth the historical average property management fee of residential properties, commercial properties and office properties in Hangzhou between 2017 and 2019 and the forecast for the period between 2020 and 2022:

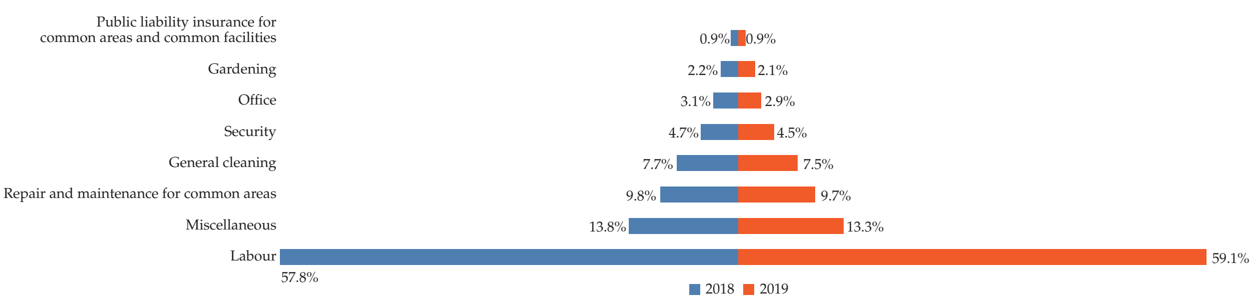
	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)
Residential properties *(RMB per sq.m. per month)*	2.4	2.5	2.6	2.7	2.8	2.9
Commercial properties *(RMB per sq.m. per month)*	6.2	6.2	6.3	6.4	6.4	6.5
Office properties *(RMB per sq.m. per month)*	6.8	7.0	7.1	7.2	7.3	7.4
Industrial parks *(RMB per sq.m. per month)*	3.5	3.6	3.7	3.7	3.8	3.9

Source: CIA

Improving operational performance and profitability: In 2019, average revenue of the Top 100 Property Management Companies amounted to approximately RMB1.04 billion, representing a 2.4 times increase from approximately RMB0.4 billion in 2014, with a CAGR of 19.6% from 2014 to 2019. With the level of property management fee remaining stable, the Top 100 Property Management Companies generally rely on increasing their number of managed properties to sustain continuous growth. Revenue generated from property management services of the Top 100 Property Management Companies amounted to approximately RMB817.0 million in 2019, representing approximately 14.6% growth from the previous year. Average revenue generated from other service fee amounted to approximately RMB223.0 million in 2019, representing approximately 29.0% increase from the previous year.

Active pursuit of acquisition opportunities and geographical expansion: According to CIA, acquisition has become the most direct and effective expansion method by the Top 100 Property Management Companies.

Rising cost pressure: The property management service industry is a labour-intensive industry. According to CIA, labour cost is the single largest component of operating costs. In 2019, the average operating cost of the Top 100 Property Management Companies was approximately RMB790.0 million, representing a 16.7% increase from the previous year. In terms of cost structure among the Top 100 Property Management Companies, labour cost is the most paramount. The following chart sets out the cost structure of the Top 100 Property Management Companies for the years indicated:



Source: CIA

In view of this, the Top 100 Property Management Companies have been proactive in enhancing their operation efficiency, labour productivity and cost-effectiveness through the adoption of new technologies such as smart management systems and equipment to replace manual labour. Improvement on management model has also been an emphasis, with the aim to increase management efficiency. Outsourcing is commonly adopted to enhance cost-efficiency. Cleaning, gardening, maintenance and security are the most common services that are outsourced.

KEY DRIVERS OF THE PRC'S PROPERTY MANAGEMENT SERVICE MARKET

Support of Favourable Government Policies

The PRC Government has issued a series of favourable policies supporting the development of the property management service industry. In terms of legal framework, apart from the Provisions on Property Management (《物業管理條例》), the Administrative Measures for Property Service Charges (《物業服務收費管理辦法》) and the Property Law of the PRC (《中華人民共和國物權法》), the Supreme People's Court also issued a number of new guidance documents to promote the development of the property management service industry. They include "Interpretation on Several Issues Concerning the Specific Application of Law in Hearing Cases of Property Service Disputes" (《關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) and "Interpretation on Several Issues Concerning the Specific Application of Law in the Trial of Dispute over Partitioned Ownership of Building Areas" (《關於審理建築物區分所有權糾紛案件具體應用法律若干問題的解釋》). These laws and policies created an orderly environment for the development of the property management service industry in the PRC.

Rapid Urbanisation and Increasing Income Level

Rapid urbanisation and growth in disposable income have resulted in rapid development of the real estate market and increasing demand for quality property management services. Urbanisation rate of the PRC increased from 34.8% in 1999 to 60.6% in 2019. The increase in urban population amounted to nearly approximately 20.6 million per year. The total GFA of commodity property sold in the PRC increased from approximately 1.2 billion sq.m. in 2014 to approximately 1.7 billion sq.m. in 2019, with a CAGR of approximately 7.2%. Rapid urbanisation, increasing urban population and expansion of the property market boosted the demand for property management services, stimulating development of the industry.

Further, according to statistics from the Statistics Bureau, the PRC's urban per capita annual disposable income has grown yearly since 2009, reaching RMB42,359 in 2019 with a CAGR of 9.4% from 2009 to 2019. The continuous growth of income encouraged customers to seek high quality property management services, leading to rapid development of the industry. The Yangtze River Delta region and Zhejiang province are among the most economically developed regions in the PRC. They are well developed with high urbanisation rate and urban per capita annual disposable income. In 2019, the urbanisation rate in the Yangtze River Delta region, Zhejiang province and Hangzhou reached 68.1%, 70.0% and 78.5%, respectively, higher than the urbanisation rate of the PRC as a whole. In 2019, the urban per capita annual disposable incomes of Yangtze River Delta region, Zhejiang province and Hangzhou were approximately 1.3, 1.4 and 1.6 times as much as the national average, reaching RMB53,487, RMB60,182 and RMB66,068, respectively. The table below sets forth the population, urbanisation rate and urban per capita disposable income in the PRC, Yangtze River Delta region, Zhejiang province and Hangzhou from 2015 to 2019.

	2015	2016	2017	2018	2019
The PRC					
Total Population (millions)	1,374.6	1,382.7	1,390.1	1,395.4	1,400.1
Urban Population (millions)	771.2	793.0	813.5	831.4	848.4
Urbanisation Rate	56.1%	57.4%	58.5%	59.6%	60.6%
Urban Per Capita Annual Disposable Income (RMB)	31,195	33,616	36,396	39,251	42,359
Yangtze River Delta region					
Total Population (million)	220.8	222.0	223.6	225.4	227.2
Urban Population (million)	141.7	145.1	148.5	151.5	154.8
Urbanisation Rate	64.2%	65.3%	66.4%	67.2%	68.1%
Urban Per Capita Annual Disposable Income (RMB)	39,459	42,105	45,622	49,398	53,487
Zhejiang province					
Total Population (millions)	55.4	55.9	56.6	57.4	58.5
Urban Population (millions)	36.5	37.5	38.5	39.5	41.0
Urbanisation Rate	65.8%	67.0%	68.0%	68.9%	70.0%
Urban Per Capita Annual Disposable Income (RMB)	43,714	47,237	51,261	55,574	60,182
Hangzhou					
Total Population (millions)	9.0	9.2	9.5	9.8	10.4
Urban Population (millions)	6.8	7.0	7.3	7.6	8.1
Urbanisation Rate	75.3%	76.2%	76.8%	77.4%	78.5%
Urban Per Capita Annual Disposable Income (RMB)	48,316	52,185	56,276	61,172	66,068

Sources: Statistics Bureau, CIA

Continuous Development of the Real Estate Market

With continuing of urbanisation and growth of per capita disposable income of urban residents, the development potential for real estate market is huge.

During the period between 2015 and 2019, the contracted sale GFA of commodity properties sold in Yangtze River Delta, Zhejiang province and Hangzhou had increased at CAGRs of 7.1%, 11.9% and 0.5%, respectively. The following table sets forth the general information of the property market of Yangtze River Delta region:

	2015	2016	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)	CAGR (2015-2019)	CAGR (2020-2022)
Contracted sale GFA of commodity properties (million sq.m.)	260.0	338.0	347.0	350.5	342.8	344.4	346.0	347.7	7.1%	0.5%
Newly-commenced construction GFA of commodity properties (million sq.m.)	284.4	323.8	378.7	432.4	431.4	409.8	411.7	413.6	11.0%	0.5%
Completed GFA of commodity properties (million sq.m.)	243.7	259.3	246.0	213.3	234.5	229.8	230.9	232.0	-1.0%	0.5%

Sources: Statistics Bureau, CIA

The following table sets forth the general information of the property market of Zhejiang province:

	2015	2016	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)	CAGR (2015-2019)	CAGR (2020-2022)
Contracted sale GFA of commodity properties (million sq.m.)	59.9	86.4	96.0	97.6	93.8	96.4	99.1	101.8	11.9%	2.8%
Newly-commenced construction GFA of commodity properties (million sq.m.)	65.3	72.8	101.2	128.8	127.3	118.4	121.7	125.0	18.1%	2.8%
Completed GFA of commodity properties (million sq.m.)	58.9	79.3	68.8	51.9	57.4	59.8	61.4	63.1	-0.7%	2.8%

Sources: Statistics Bureau, CIA

The following table sets forth the general information of the property market of Hangzhou:

	2015	2016	2017	2018	2019	2020 (forecast)	2021 (forecast)	2022 (forecast)	CAGR (2015-2019)	CAGR (2020-2022)
Contracted sale GFA of commodity properties (million sq.m.)	14.8	23.3	20.5	16.8	15.1	15.2	15.3	15.3	0.5%	0.5%
Newly-commenced construction GFA of commodity properties (million sq.m.)	20.3	21.4	21.8	27.1	24.3	20.9	21.0	21.1	4.6%	0.5%
Completed GFA of commodity properties (million sq.m.)	16.7	19.2	20.9	16.4	17.3	15.9	16.0	16.1	0.9%	0.5%

Sources: Statistics Bureau, CIA

Access to the PRC and Hong Kong capital markets

Several Opinions on Further Regulating the Exercise of Issuance Examination Power (《關於進一步規範發行審核權力運行的若干意見》) and Several Opinions of the China Securities Regulatory Commission of Further Promoting the Development of the National Equities Exchange and Quotations (《中國證監會關於進一步推進全國中小企業股份轉讓系統發展的若干意見》) were promulgated by the CSRC. These laws and policies created a supportive environment for property management companies to raise funds through listing of their shares on stock exchanges in the PRC. Furthermore, the Hong Kong capital market provides another avenue for property management companies to raise funds.

COMPETITION

Entry Barriers

While being relatively low, there still exists certain entry barriers to the property management service market due to the increase in demand for "good living conditions". These entry barriers, which will be elaborated in more details below, include brand value, capital threshold, management quality and talent.

Brand value: As a result of increasing demand for quality living, overall elevation of the service standard in the property management service industry and intensification of competition, the demand for better property management service has been increasing. Therefore, brand reputation has gradually become a barrier for entering the property management service industry. Extensive experience in the industry, good reputation and brand image, as well as the ability to deliver quality service is key to obtaining profitable business. Therefore, brand value has become an entry barrier of the property management service industry.

Capital threshold: With expansion of business scale in the property management service industry, automation and smart technology have become more widely-adopted. Using smart management systems and equipment to replace manual labour and popularising the concept of smart community have been the trend, with the aim of increasing management efficiency. Nevertheless, this led to a shift of the industry from being a labour-intensive industry to a technology-intensive and capital-intensive industry. This has further raised the capital requirement for entering the property management service industry.

Management quality: With intensifying competition, management experience and quality of the management team have also gradually become important factors in maintaining competitiveness. To gain a competitive edge in the market, property management companies must deliver higher property management standards and adopt information technology systems and financial management systems, in order to be better positioned to manage large projects.

Talent: The property management service industry is a labour-intensive industry. Success in the industry requires medium-to-high-level management personnel and professional technical personnel, as well as a stable talent development mechanism. Further, with the increased usage of big data and information technology in the industry, property management companies have been constantly developing innovative business models and value-added services. As a result, professional and technical personnel have been playing progressively larger roles in the property management service industry.

Competitive Landscape

The property management service market remains competitive and fragmented, but the trend has been moving towards a higher degree of concentration. The market share of Top 100 Property Management Companies in terms of total GFA under management amounted to 43.6% in 2019, compared with 38.9% in 2018. According to CIA, we were ranked 81st, 71st, 65th and 56th in terms of overall strength of property management among the property management companies in the PRC in 2017, 2018, 2019 and 2020, respectively. Our ranking has been increasing continuously from 2017 to 2020.

Our major market is the Yangtze River Delta region, with the primary focus being Zhejiang province. Within Zhejiang province, Hangzhou is our headquarter and hub with our services radiating to other cities in the Yangtze River Delta region.

In 2019, among the Top 100 Property Management Companies that are headquartered in Hangzhou, we were ranked 10th in terms of overall strength in property management and ranked 5th in terms of net profit.

The following table shows our ranking in terms of net profit among the Top 100 Property Management Companies that are headquartered in Hangzhou in 2019:

Ranking	Name of companies	Background	Listing status	Net profit
				(million RMB)
1	Company A	A property management service provider established in 1998, focusing on property management services, value-added services to non-property owners and community value-added services	Listed on the Main Board of the Stock Exchange	Exceeding 472.3
2	Company B	A property management service provider established in 1994, focusing on property management services, value-added services to non-property owners and community value-added services	Listed on the Shanghai Stock Exchange	Exceeding 120.2
3	Company C	A property management service provider established in 1995, focusing on property management services, value-added services to non-property owners and community value-added services	Listed on the Main Board of the Stock Exchange	Exceeding 114.9
4	Company D	A property management service provider established in 2004, focusing on property management services, value-added services to non-property owners and community value-added services	Not listed	Exceeding 55.0

Ranking	Name of companies	Background	Listing status	Net profit
				(million RMB)
5	Our Group			35.2
6	Company E	A property management service provider established in 2000, focusing on property management services, value-added services to non-property owners and community value-added services	Not listed	Exceeding 30.4
7	Company F	A property management service provider established in 1998, focusing on property management services, value-added services to non-property owners and community value-added services	Not listed	Exceeding 29.9
8	Company G	A property management service provider established in 1996, focusing on property management services and integrated corporate services*Note*	Not listed	Exceeding 18.4
9	Company H	A property management service provider established in 1996, focusing on property management services and value-added services to non-property owners	Not listed	Exceeding 17.1
10	Company I	A state-owned enterprise established in 2013 focusing on property management services, community value-added services and integrated corporate services*Note*	Not listed	Exceeding 16.3

Source: CIA

Note: Integrated corporate services include human resources services, centralised procurement services, legal services, information services, etc..

POTENTIAL THREATS AND CHALLENGES TO THE PROPERTY MANAGEMENT SERVICE INDUSTRY

The property management service industry has a relatively low entry barrier, which allows more competition to enter the market. With intensifying competition, requirements for property management service will become more professionalised and standardised. The challenges we face include (i) intensified market competition risk; (ii) cost control risk; (iii) over concentration of sources of business risk; (iv) rising labour cost; and (v) shortage of labour.

INDUSTRY INFORMATION REGARDING OPERATION OF LONG-TERM RENTAL APARTMENTS

Since 2017, the PRC Government has been adopting favourable policies to encourage the development of the long-term rental apartment market. As a result, the domestic long-term rental apartment market has been growing. The rental market in the PRC is sizable and is mainly driven by the demand from the floating population. According to statistics from the National Health Commission of the PRC, annual floating population amounted to approximately 246 million between 2015 and 2017. In the long run, large amount of floating population will lead to an increase in demand for rental property. However, the current rental market is predominantly satisfied by rental from individual landlords. Long-term rental apartments operated by professional and institutionalised operators only amounted to about 2% of market supply. Accordingly, there is huge development potential in this market.

In particular, the Yangtze River Delta region is economically well-developed and has a relatively high urban per capita annual disposable income. As a result, there is a high demand for rental apartments. According to CIA, demand for rental apartments in the Yangtze River Delta region in 2019 increased by 41.9% from the previous year.

Long-term rental apartment companies can be categorised into five types based on their industry background: property developers, real estate agencies, hotels, entrepreneurs and property management companies. Compared with their counterparts, property management companies have an advantage in providing long-term rental apartments as they can provide services to their tenants by capitalising their extensive experience in property management and provision of customer service.

INDUSTRY INFORMATION REGARDING OPERATION OF HOTELS

The hotel industry is an industry which revenue is generated by providing accommodation, banquet and conference services. Hotels can be categorised into full-service hotels and limited-service hotels. Full-service hotels provide accommodation, conference, banquet and vacation-related services whereas limited-service hotels only provide bed and breakfast. Alternatively, from the point of view of a hotel chain, they can be categorised into franchised hotels and self-run hotels.

With economic growth, increase in quality of living and rise of middle class, the tourism industry is experiencing rapid growth, which in turn leads to increasing demand for hotels. Total revenue generated by the tourism industry amounted to approximately RMB6.0 trillion in 2018.

According to CIA, the future development of the hotel industry will focus on two aspects. Firstly, with quality tourism being the trend, it is expected that there will be a surge in the number of hotels with special features. Secondly, internet technology and artificial intelligence will be more commonly used in the hotel industry.

DIRECTORS' CONFIRMATION

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

REGULATORY AUTHORITIES

Our business is located in the PRC. Accordingly, the operations of our business is under the PRC's legal regime, which consists of the NPC, the SCNPC, the State Council and the subordinate departments thereof.

In the PRC, the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) (the "**SAMR**") is currently responsible for the regulations of establishment and general operation of enterprises. The Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) (the "**MOHURD**") is in charge of property management services.

Our main business includes property management services, value-added services to non-property owners, community value-added services and other businesses. We are subject to various laws and regulations of the PRC that are material to our operations and are discussed below.

LAWS AND REGULATIONS IN RELATION TO PROPERTY MANAGEMENT SERVICES

Qualifications of Property Management Enterprises

According to the original Regulations on Property Management (2016 Revision) (《物業管理條例》(2016 修正)), promulgated on 8 June 2003, effective since 1 September 2003, and amended on 26 August 2007 and 6 February 2016, a qualification administration system for enterprises engaging in property management activities has been adopted.

According to the Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (Guofa [2017] No.7) (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》(國發[2017]7號)), which was promulgated and became effective on 12 January 2017, qualification accreditation of property management enterprises of Level two or below was canceled.

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

According to the Notice of the General Office of MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (Jian Ban Fang [2017] No.75) (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》(建辦房[2017]75號)), which was promulgated and came into effect on 15 December 2017, application, change, renewal or re-application of the qualifications of property management enterprises shall not be accepted, and the qualifications obtained already shall not be a requirement for property management enterprises to undertake new property management projects in any way.

The Decision of MOHURD on Abolishing Measures for the Administration on Qualification or Property Management Enterprises (Order No. 39 of the MOHURD) (《住房城鄉建設部關於廢止〈物業服務企業資質管理辦法〉的決定(住房和城鄉建設部令第39號)), which was promulgated and came into effect on 8 March 2018, canceled the accreditation of qualifications of property management enterprises.

The Decision of the State Council on Revision and Repealing Certain Administrative Regulations (Order of State Council No. 698) (《國務院關於修改和廢止部分行政法規的決定》(國務院令第698號)) which was promulgated and came into effect on 19 March 2018, deleted the requirements on qualifications of property management enterprises in Regulations on Property Management.

According to the latest Regulations on Property Management (2018 Revision) (《物業管理條例》(2018 修正)) amended by the Decision of the State Council on Revision and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) on 19 March 2018, the requirements on qualifications of property management enterprises were canceled.

Appointment of the Property Management Enterprises

According to the Property Law of the PRC (《中華人民共和國物權法》) (the "**Property Law**"), which was promulgated on 16 March 2007 and came into effect on 1 October 2007, property owners can either manage the buildings and affiliated facilities by themselves or engage a property management enterprise or custodians. As regards the property management enterprise or any other custodian hired by the developer, the property owners are entitled to make a replacement according to relevant laws. Property management enterprises or other custodians shall manage the buildings and ancillary facilities within the building area based on the agreement with the property owners and shall be subject to the supervision of the property owners.

Appointed by the Property Owners' General Meeting

According to the Regulations on Property Management, a general meeting of the property owners of a community can engage or dismiss the property management enterprise with affirmative votes of the property owners who own more than half of the total GFA of the community and account for more than half of the total number of the property owners. The property owners' association may enter into a property management agreement on behalf of owners with the property management enterprise engaged in the property owners' general meeting.

According to the Property Law, owners may convene an owners' general meeting and elect an owners' association. The relevant local people's government departments shall guide and assist in the convening of owners' general meeting and the election of an owners' association.

According to the Regulations on Property Management, the owners' general meeting shall consist of all the owners within the realty management area, one owners' general meeting shall be established in one realty management area. The owners in a same realty management area shall form the owners' general meeting and elect the owners' association. However, where there is only one owner, or where there are a few owners and they all agree not to form an owners' general meeting, the owner(s) shall (jointly) perform the duties of the owners' general meeting and the owners' association. A decision made by the owners' general meeting or the owners' association shall be binding on all the owners concerned. The owners' general meeting and the owners' association shall perform the duties according to laws or regulations, and may not make any decision or engage in any activity irrelevant to the realty management.

The Guidance Rules for Owners' General Meeting and Owners' Association (Jian fang [2009] No.274) (《業主大會和業主委員會指導規則》(建房[2009]274號)), promulgated by MOHURD on 1 December 2009 and came into effect on 1 January 2010, detailed the establishment and procedures of owners' general meeting and owners' association. The owners' association is elected by the owners' general meeting and consists of a singular number of five to 11. The tenure of each member shall not exceed five years. The members can be re-elected, and have equal voting rights. The owners' association shall, within 30 days as of the date of election, apply for filling certificates with the competent real estate administrative departments at the district or county level, the sub-district office and the people's government of the town or township at the locality of the realty. After the owners' association handles the filling certificates, it may apply to the public security organ for the seals of the owners' general meeting and the owners' association with the filing certificates.

According to the Guidance Rules for Owners' General Meeting and Owners' Association, where the area of exclusive parts delivered within the property management area exceeds 50% of the total area of the building, the developer shall in accordance with the requirements of the competent real estate administrative departments at the district or county level, the sub-district office and the people's government of the town or township at the locality of the realty, timely submit the documents as required for the preparation of the first owner's general meeting. Where the criteria for the establishment of the owners' general meeting are satisfied, real estate administrative departments at the district or county level, the sub-district office and the people's government of the town or township shall be responsible for organizing and guiding the establishment of the preparatory team for the first owners' general meeting within 60 days from receipt of the written application. The preparatory team shall complete the preparation work within 90 days from its formation, organise and convene the first owners' general meeting. The owners' general meeting shall be established on the date of voting and resolution by the first meeting on the management statute and the rules of procedure of the owners' general meeting and election of the owners' association.

According to The Regulations on Property Management of Zhejiang promulgated by the Standing Committee of the People's Congress of Zhejiang Province and effective as of 27 November 2009, where a property management area meets any of the following conditions, the competent real estate administrative departments at the district or county level, the sub-district office and the people's government of the town or township at the locality of the realty shall guide the property owners to establish a preparatory team for the assembly of property owners to prepare for the convening of the first owners' general meeting, and the neighborhood committee shall provide assistance: (i) the area of the building sold and handed over for use reaches over 60% of the total area of the real estate; (ii) it has been two years since the first building was sold and handed over for use, and the area of the building sold and handed over for use reaches over 30% of the total area of the real estate. The owners' association shall be elected by the owners' general meeting.

However, according to the Guidance Rules for Owners' General Meeting and Owners' Association and The Regulations on Property Management of Zhejiang, there is no mandatory rules for property owners' general meeting or owners' association to be established within a certain time frame.

According to The Guidance Rules for Owners' General Meeting and Owners' Association, the competent real estate administrative departments at the district or county level, the sub-district offices and the people's government of the town or township at the locality of the realty are responsible for providing guidance and assistance for the establishment of the owners' general meeting and the election of the owners' association and guiding and supervising the daily activities of the owners' general meeting and the owners' association. The real estate administrative departments at the district or county level, the sub-district office and the people's government of the town or township shall be responsible for organizing and guiding the establishment of the preparatory team for the first owners' general meeting; the representative of the sub-district office or the people's government of the town or township shall be appointed as the team leader, and be responsible for supervision and guidance of the preparation and holding of the first owners' general meeting, and election and establishment of the owners' association.

Preliminary Property Management

According to the Regulations on Property Management, before the engagement of a property management enterprise by the property owners and its general meeting, a written preliminary property management agreement should be entered into between the developer and the selected property management enterprise. The preliminary property management agreement may stipulate the contract term. However, if the property management agreement entered into by and between the property owners' association and the property management enterprise comes into force within the term of the preliminary property management service, the preliminary property management agreement shall be terminated automatically.

According to The Regulations on Property Management, where a developer selects a property management company before the owners and the owners' general meeting do so, it shall enter into a preliminary property management agreement with the property management company. A property sale agreement concluded by the developer and the property purchaser shall include the contents stipulated in the preliminary property management agreement. A preliminary property management agreement may stipulate the contract duration; however, where the property management agreement concluded by the owners' association and the property management company takes effect before that duration expires, the preliminary property management agreement shall be terminated. Where the contract duration is not stipulated in the preliminary property management agreement, the owners' general meeting shall appoint a new property management company or renew the appointment of the existing property management company upon establishment of owners' general meeting and the owners' association.

According to the Regulations on Property Management and Interim Measures for Tender and Bidding Management of Preliminary Property Management (Jian Zhu Fang [2003] No. 130) (《前期物業管理招標投標管理暫行辦法》(建住房[2003]130號)), which was promulgated on 26 June 2003 and came into effect on 1 September 2003, preliminary property management services shall be implemented by the property management enterprise employed by the developer before the owners or the owners' general meeting select a property management enterprise at its own discretion. The developers of residential buildings and non-residential buildings located in the same property management area shall engage qualified property management enterprises through inviting bid. In cases where there are less than 3 bidders or the property scale is relatively small, the developer can hire qualified property management enterprise through agreement with the approval of the real estate administrative department of the local government of the place where the property is located. Where a developer fails to hire a property management enterprise through tender and bidding or selects a enterprise by agreement without the approval of the relevant government authorities, the real estate administrative department of the local government above the county level shall order it to rectify within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

Pursuant to the Regulations on Property Management and Interim Measures for Tender and Bidding Management of Preliminary Property Management, the State advocates that the developer shall select a property management enterprises with the corresponding qualifications through bidding pursuant to the principle of separation of real estate development and realty management. A developer of any residential realty shall select a property management enterprises through bidding; where there are no more than three bidders or the residence scale is relatively small, the developer may select a property management enterprises through agreement upon approval by the administrative department of real estate of the people's government of the district or county at the place where the realty is located.

The Regulations on Property Management of Zhejiang (《浙江省物業管理條例》) also stipulates that the selection of property management enterprises through bidding and tendering shall be in accordance with the principle of separation between real estate development and property management. The construction unit of residential property shall select and hire a property management service enterprise through bidding, but under certain circumstances, selection through agreement is applicable.

If bidding is adopted to select a property management enterprise, the procedure shall in full accordance with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》 (2017 Revision)) , promulgated by SCNPC on 27 December 2017 and came into effective on 28 December 2017. While selection through agreement shall comply with Contract Law of the People's Republic of China (Order of the President[1999] No. 15) (《中華人民共和國合同法》) (主席令[1999]第十五號)), promulgated by the NPC on 15 March 1999 and came into effective on 1 October 1999.

According to Interim Measures for Tender and Bidding Management of Preliminary Property Management, the bid invitation of preliminary property management includes open bidding and invited bidding. In cases of open bidding, the bid inviter, referring to a property developer that carries out the bid-inviting of preliminary property management, shall promulgate the bid-inviting announcement on public medium, and at the same time promulgate a free bid-inviting announcement on the China Information Website of Housing and Real Estates and the site of China Association of Realty Management. In cases of invited bidding, the bid inviter shall issue bidding invitations to no less than 3 property management enterprises. The bid inviter may entrust the bid-inviting agency to handle with the bid invitation, or if competent, the bid inviter may also organize and implement the bid-inviting activities by itself. The bid inviter shall, within ten days before the issuance of the bidding announcement or invitation, submit the materials for filing by the administrative department of real estates of the people's government at the county level or above of the place where the property project is located. The bid inviter shall determine the reasonable time required by the bidder for preparation of the bidding documents. In cases of the property management projects of open bidding, it shall be no less than 20 days from the day of issuing the bid-inviting documents to the day when the bidders submit the bidding documents. Prior to determining the bid winner, the bid inviter shall not negotiate with the bidder on the substantive content of bidding price, bidding scheme, etc. In cases of selecting a property management enterprise through bid-invitation and bidding, the bid inviter shall complete the bid-inviting and bidding works of the property management in the time schedule specified as follows:

(I) projects of newly established and currently marketable commodity housing shall be completed at least 30 days prior to current marketing;

(II) projects of presale commodity housing shall be completed before obtaining the Presale License of Commodity Housing;

(III) newly established and not marketable projects shall be completed 90 days prior to delivery for use.

According to the Regulations on Property Management and Interim Measures for Tender and Bidding Management of Preliminary Property Management, bid assessment shall be the responsibility of the bid assessment committee established by the developer in accordance with relevant laws and regulations. The bid assessment committee shall be composed of the representatives of the developer and experts in the related property management fields and the number of the members shall be odd and of no less than five, among which the expert members shall comprise at least two-thirds of the total members. Expert members in the bid assessment committee shall be determined by random selection from the roster of experts established by the competent real estate administrative department. A person having an interest with a bidder may not join the bid assessment committee of the related project.

According to the Interpretation of the Supreme People's Court on Several Questions Concerning the Specific Application of Law in Trial of Property Service Disputes (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) promulgated on 15 May 2009 by the Supreme People's Court, preliminary property service agreements signed by construction units with property service enterprises and the property service agreements signed by owners' committees and property service enterprises selected by owners' congresses are binding on owners.

Property Management Service Charges

Pursuant to the Regulations on Property Management, property owners shall pay property management fee based on the agreement of the property management agreement. As for the properties which have been completed but have not been sold or delivered to the purchasers of the properties, property management fees shall be paid by developers.

According to the Administrative Measures on Property Management Service Charges (Fa Gai Jia Ge [2003] No. 1864) (《物業服務收費管理辦法》(發改價格[2003]1864號)), which was issued on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge property services fees from property owners for repairing, maintaining and managing houses as well as their accompanying facilities and equipment and relevant sites, and ensuring the sanitation and order of relevant areas according to relevant property management agreements, property management service charges shall be priced under the government's guidance and market regulation respectively based on the nature and characteristics of different properties. In what way the charges are priced shall be determined by competent price departments under the people's governments of all provinces, autonomous regions and municipalities, in concert with the competent departments of real estate.

As agreed 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 commission basis. The lump sum basis refers to the charging mode requiring the property owners to pay fixed property management expenses and allowing property management enterprises to enjoy or assume the surplus or deficit. The commission basis refers 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 agreement, and the property owners shall enjoy or assume the surplus or deficit.

Property management enterprises shall clearly mark prices according to the regulations of competent price department of the people's government, revealing the service information, standards, charging items and standards to the public at prominent position within the property management region.

Pursuant to the Provisions on Clearly Marking the Prices of Property Services (Fa Gai Jia Ge [2004] No. 1428) (《物業服務收費明碼標價規定》(發改價格[2004]1428號)), which was promulgated on 19 July 2004 and came into effect on 1 October 2004, property management enterprises shall clearly mark the price, state service items and pricing standards and relevant information on services (including the property services under the property management agreement and the services entrusted by the property owners in addition to the services under property management agreement) provided to the property owners in accordance with the provisions. If the pricing 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.

According to the Circular of National Development and Reform Commission on the Opinions on Relaxing Price Controls in Certain Services (Fa Gai Jia Ge [2014] No. 2755) (《國家發展改革委關於放開部分服務價格意見的通知》(發改價格[2014]2755號)) ("**Price Controls Circular**"), which was promulgated and came into effect on 17 December 2014, the price control on property management fee of non-government-subsidised houses was canceled. Government guidance prices by price departments of provincial level and the administrative departments of housing and urban-rural development shall be implemented for property management fees for government-subsidised houses, housing-reform properties and properties in old residential areas and preliminary properties based on actual situation.

According to the Notice of Price Bureau of Zhejiang Province on Publishing the Pricing Catalog of Zhejiang Province(2018) (Zhe Jia Fa [2018] No. 2) (《浙江省物價局關於公佈浙江省定價目錄的通告(2018)》(浙價法[2018]2號)), which was promulgated on 5 January 2018 and came into effect on 1 March 2018, other than that the preliminary property management charges of ordinary housing in municipal districts to which government guidance prices continue to be applicable, the price control on the preliminary property management charges of ordinary housing in non-municipal districts has been canceled.

According to the Administrative Measures of Zhejiang Province on Property Management Service Charges (Trial) (Zhe Jia Fu [2005] No. 80) (《浙江省物業服務收費管理實施辦法(試行)》) (浙價服[2005]80號), which were promulgated on 28 March 2005 and came into effect on 1 May 2005, property management service charges shall be subject to government-guided prices and market-based prices based on different categories of the properties, different stages of the property management services, the nature and characteristics of the services provided. Government-guided prices shall be applicable to preliminary property management service charges of ordinary residential properties (excluding high-end residences such as villas); market-based prices shall be applicable to property management service charges of non-residential properties, villas and other high-end residences, and ordinary residential properties after the establishment of a property owners' association.

For instance, in Hangzhou City, Zhejiang Province, according to the Administrative Measures of Hangzhou City on Property Management Service Charges (Hang Jia Fu [2009] No. 68)《杭州市物業服務收費管理實施辦法》(杭價服[2009]68號), which were promulgated on 30 March 2009 and came into effect on 1 May 2009, the government-guided price for preliminary property management charges is divided into four levels and the standard of each level different in the contents and qualities of services and the facilities equipped. The Notice on the Adjustment of Standard of Charges for Preliminary Property Management Services for Ordinary Residential Properties in Hangzhou City (Hang Jia Fu [2017] No. 14)《關於調整杭州市區普通住房前期物業服務收費標準的通知》(杭價服[2017]14號), which was promulgated on 23 May 2012 and came into effect on 1 June 2012, further stipulates the adjustment of the standard of charges for preliminary property management services. According to the

Circular on Promulgating the Reference Charging Standards for Menu-style Services of Ordinary Residential Properties in Hangzhou City (關於公佈《杭州市普通住宅物業菜單式服務參考收費標準》的通知), which was promulgated and came into effect on 31 July 2013, the standard of services and charges for ordinary residential properties in Hangzhou City after a property owners' association is established can be stipulated in the contract as negotiated by and between the property owners and the property management companies with Reference Charging Standards for Menu-Style Services of Ordinary Residential Properties in Hangzhou City for reference; the property management services for ordinary residential properties in Hangzhou City shall, based on the contents, requirements of services and facilities equipped, be divided into five categories, namely (i) comprehensive management service; (ii) sanitary service in public areas; (iii) social order maintenance service in public areas; (iv) greening maintenance service in public areas; and (v) daily operation and maintenance service of common areas and common facilities, and four levels with Level A as the highest level.

According to the Administrative Measures of Jiangsu Province on Property Management Service Charges (Su Fa Gai Gui Fa [2018] No. 3) (《江蘇省物業服務收費管理辦法》蘇發改規發[2018]3號), which were promulgated on 29 December 2018 and came into effect on 1 January 2019, the preliminary property management service charges for ordinary residential properties shall comply with government-guided price, the policy-making of which is delegated to the governments at the municipal and county level; after the general meeting of the property owners is established, the property management service fees shall be negotiated between property management companies and the general meeting of property owners or property owners' association authorised by the general meetings of property owners; the property management service charges for non-ordinary residential properties and non-residential properties shall be determined by the market, and the specific charging standards shall be determined by the property owners, property users and the property management service companies through consultation based on the content and quality of services provided, or shall be stipulated in the property management agreement.

According to the Administrative Measures of Anhui Province on Property Management Service Charges (Wan Jia Fu [2014] No.122) (《安徽省物業服務收費管理辦法》(皖價服[2014]122號)), which was promulgated on 10 October 2014 and came into effect on 1 November 2014, property management service charges shall be subject to government-guided price and market-based price respectively based on the nature of the properties and the content of the services, etc. The public management service fees of the ordinary residential properties shall be guided by the government-guided price while property management service fees of non-ordinary residential properties shall be determined by the market. After the property owners' association is established, the property management service fees of residential properties may follow market price on a trial basis, with the contents and standards of services stipulated in the contract as negotiated between property owners' association and the property management companies.

Pursuant to the Guiding Opinions of the Guangxi Zhuang Autonomous Region on the Administration of Residential Property Service Charges (Gui Jia Ge [2018] No.108) (《廣西壯族自治區住宅物業服務收費管理工作指導意見》(桂價格[2018]108號)), which was promulgated on 9 November 2018 and came into effect on 1 December 2018, residential property management service fees shall be subject to government-guided price and market-based price, respectively, depending on the nature and characteristics of different properties. The property service fees for indemnificatory houses (including public rental housing, affordable housing, price-fixing commercial housing, low-rent housing, and policy-based rental housing), housing-reform houses, old residential communities, preliminary property management service charges for ordinary residential property (before the establishment of the property owner's association) and parking fees of residential area shall be subject to government-guided prices. The property management service fees and parking service fees of other categories of properties and ordinary residential properties after the property owners' association is established, low-income residential properties, housing-reform residential properties and old residential properties shall follow the market price.

Property Management Service Outsourcing

According to the Regulations on Property Management, a property management enterprise may entrust a special service business within the property management area to a professional service enterprise, but it shall not entrust all the property management businesses within such area to third parties.

Long-term Rental Apartment

According to the Instruction Opinions of MOHURD on Accelerating Development of Housing Rental Market (Jian Fang [2015] No.4) (《住房和城鄉建設部關於加快培育和發展住房租賃市場的指導意見》(建房[2015]4號)), which was promulgated on 6 January 2015, the provincial departments of housing and urban-rural development shall guide and supervise local housing rental market and support the domestic and overseas investment in foresaid market.

According to the Management Regulations on Housing Leasing and Sales (Exposure Draft)) (《住房租賃和銷售管理條例(徵求意見稿)》) (the "**Management Regulations**"), promulgated on 19 May 2017, leasers shall enter into housing-rental contracts with tenants and insure safety of the property for rent. It also encourages long-term lease and supports lease with a period of more than 3 years.

According to the Law of the People's Republic of China on Administration of Urban Real Estate (Revision 2019) (《中華人民共和國城市房地產管理法(2019修正)》) promulgated on 26 August 2019 and came into effect on 1 January 2020 by SCNPC, the lessor and the lessee shall enter into a written lease contract for leasing of building to stipulate the term of lease, purpose of the lease, lease price, maintenance and repair liability etc and any other rights and obligations of both parties; the lease contract shall be registered and filed with the real estate administration authorities.

According to promulgated Contract Law of the PRC (Order of the President No.15) (《中華人民共和國合同法》(主席令第十五號)) promulgated on 15 March 1999 by the NPC, the period of the lease may not exceed twenty (20) years. Where the lease exceeds twenty (20) years, that part of the lease beyond the said limit shall be invalid. When the lease period has expired, the parties may renew the lease contract, but the lease period agreed upon may not be more than twenty (20) years from the date of the renewal.

Administrative Measures on Leasing of Commodity Housing(MOHURD of the People's Republic of China Order No. 6) (《商品房屋租賃管理辦法》(住房和城鄉建設部令(第6號))) released by MOHURD on 1 December 2010 and effective on 1 February 2011, stipulates that sublet of property by the lessee shall be subject to prior written consent of the lessor. In the event of sublet by the lessee without prior written consent of the lessor, the lessor may terminate the lease contract, recover the property and require the lessee to compensate damages.

According to the Opinion of the MOHURD, NDRC, Ministry of Public Security, SAMR, China Banking and Insurance Regulatory Commission and the Cyberspace Administration of China on Rectifying and Regulating the Order of the Housing Rental Market (《住房和城鄉建設部、國家發展改革委、公安部、市場監管總局、銀保監會、國家網信辦關於整頓規範住房租賃市場秩序的意見》) promulgated on 13 December 2019, housing rental enterprises, entities or individuals subleasing more than ten houses (rooms) shall go through market entity registration in accordance with the law, and the business scope shall be marked with "housing rental". Prior to business commencement, the housing rental enterprise shall push the business commencement information through the housing rental management service platform to the housing and urban-rural development department of the city where it is located. Housing rental contracts concluded through housing rental enterprises shall be subject to instant online filing and the housing rental enterprises shall mark the prices clearly.

Hotel Business

According to the Measures for the Control of Security in the Hotel Industry (《旅館業治安管理辦法》) promulgated on 8 January 2011 by State Council, When setting up a hotel, the construction of its rooms, fire-fighting equipment, entrances, exits and thoroughfares, etc., shall all comply with the relevant provisions of the Law of the People's Republic of China on Fire Control, and the necessary safety facilities which guard against theft shall also be provided.

Our hotel business in the PRC is also regulated by the Law of the People's Republic of China on Administrative Penalties for Public Security (2012 Revision) (《中華人民共和國治安管理處罰法》(2012修正)) promulgated by the SCNPC on 26 October 2012 and effective on 1 January 2013, as well as the Administrative Regulations on Sanitation at Public Places (2019 Revision) (《公共場所衛生管理條例》(2019修訂)) released by the State Council on 23 April 2019.

OTHER SIGNIFICANT LAWS AND REGULATIONS OF THE PRC AFFECTING OUR BUSINESS

Foreign Investment

Company Law of the PRC (《中華人民共和國公司法》), which was enacted on 29 December 1993, implemented since 1 July 1994 and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 respectively, provides that establishment, corporate structure and corporate management of companies also apply to foreign-invested enterprises in the PRC.

On 15 March 2019, NPC approved the Foreign Investment Law (《中華人民共和國外商投資法》), which took effect on 1 January 2020 and replaced three existing laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of, foreign investments in view of investment protection and fair competition. The Foreign Investment Law provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the Foreign Investment Law, while the structure and corporate governance of newly established foreign invested enterprises must be in line with those requirements applicable to domestic invested enterprises in China.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the "**Catalogue**"), which was newly amended and promulgated by the MOFCOM and NDRC on 28 June 2017. The Catalogue, as amended, became effective on 28 July 2017 and contains specific provisions guiding market access of foreign capital, stipulating in details the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Restricted category projects are subject to higher-level government approvals. Besides, the Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) was promulgated by the NDRC and the MOFCOM on 28 June 2018 and came into effect from 28 July 2018, upon which the Special Management Measures for the Access of Foreign Investment (Negative List for the Access of Foreign Investment) (外商投資准入特別管理措施(外商投資准入負面清單)) in the Catalogue (2017 Revision) were repealed. The Encourage List for foreign investment access specified in the Catalogue (2017 Revision) is repealed by the Catalog of Encouraged Industries for Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄(2019年版)》) (issued by the NDRC and the MOFCOM on 30 June 2019 and came into effect on 30 July 2019. According to the Administrative Measures on Access to Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單)(2019年版)》) issued by the NDRC and the MOFCOM on 30 June 2019, the Special Management Measures (Negative List) for the Access of Foreign Investment (2018 Version) is repealed simultaneously.

The Decision to Amend Four Laws including the Law of the PRC on Wholly Foreign-Owned Enterprises issued by the SCNPC on 3 September 2016 and became effective on 1 October 2016 (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定) (the "**Decision**") amended certain provisions of the Law on Sino-foreign Equity Joint Venture, the Law on Sino-foreign Cooperative Joint Venture, the Law on Wholly Foreign-owned Enterprise and the Law on Protection of Taiwanese Investment in Mainland China. Following the Decision, the MOFCOM published Interim Measures for Filing Administration of the Establishment and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the "**Interim Measures**"), which became effectiveness upon its publish and was amended on 30 July 2017 and 29 June 2018, respectively. On 8 October 2016, the MOFCOM and the NDRC further jointly issued a circular to further clarify the Decision. According to these rules, the previous examination and approval regime applicable to the establishment and operation of most foreign-invested enterprises in the PRC has been replaced with a new filing-based system (i.e., for most of the foreign-invested enterprises in the PRC, their establishment and major changes during their operation, such as capital increases, changes of business scope, etc. will be no longer subject to MOFCOM's prior approval; instead, they only need to file such establishment or changes after completing the AIC registration), except for those foreign-invested enterprises that fall within the "negative list" (i.e., industrial sectors that cannot benefit from the new filing-based regulatory regime, which includes industrial sectors under the "prohibited category," "restricted category" and those within the "encouraged category" that are subject to shareholding and/or senior management requirements) under the Catalog.

Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which was promulgated by MOFCOM and SAMR on 30 December 2019 and took effect on 1 January 2020, stipulated that foreign investors or foreign-invested enterprises who directly or indirectly make investment activities in China shall submit investment information to the competent commercial department through the National Enterprise Credit Information Publicity System, the investment information shall contain initial reports, modification reports, cancellation reports, annual reports, etc. The Interim Measures was repealed simultaneously.

Foreign Exchange

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**"), promulgated by the State Council on 29 January 1996 and amended on 5 August 2008, constitute an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On 20 June 1996, the PBOC further promulgated the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Provisions**"). Pursuant to the Foreign Exchange Administrative Regulations and the Settlement Provisions, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local branches is obtained.

On 30 March 2015, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), further expanding the extent of convertibility under direct investment. SAFE Circular 19 stipulates that the use of capital funds and exchange settlement funds by foreign-invested enterprises shall be subject to foreign exchange management regulations, and implement negative list management.

On 9 June 2016, SAFE further promulgated the Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"). The SAFE Circular 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the fact that Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties in accordance with the Regulations of the People's Republic of China on Foreign Exchange Control and relevant provisions. Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the certain purpose.

On 23 October 2019, the SAFE promulgated the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《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 intends to lift the restrictions on the domestic equity investment by foreign-invested enterprises which are not investment enterprises with their capital funds, and loosen the restriction on the use of foreign exchange settlement funds.

M&A Rules

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and revised on 22 June 2009. Foreign investors should comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") on 4 July 2014, which replaced the former circular commonly known as SAFE Circular 75 promulgated by SAFE on 21 October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under the PRC law for evasion of foreign exchange controls. On 13 February 2015, SAFE released the Notice 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 "**SAFE Circular 13**"), which became effective from 1 June 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Labour and Social Insurance

Pursuant to the PRC Labour Law (《中華人民共和國勞動法》) (the "**Labour Law**"), which was promulgated by the SCNPC on 5 July 1994 and became effective on 1 January 1995 and subsequently amended on 27 August 2009 and 29 December 2018, the PRC Labour Contract Law (《中華人民共和國勞

動合同法》), which was promulgated by the SCNPC on 29 June 2007 and subsequently amended on 28 December 2012 and became effective on 1 July 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labour safety and sanitation, strictly abide by State rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examination for employees engaged in work involving occupational hazards.

According to Labour Law, an employee shall not work for more than eight hours a day and no more than 44 hours a week on average, and shall have at least one day's rest for a week. The aforesaid working hours are subject to extension to the extent as permitted by the law. Where an employer failed to comply with the stipulations on working hours, it may adopt other rules on working hours and rest with the approval of the labour administrative department. According to the Measures of the Ministry of Labour on Examination and Approval for the Flexible Working Hour System and the Working Hour System of Comprehensive Calculation Adopted by Enterprises (Lao Bu Fa [1994] No. 503) (《勞動部關於企業實行不定時工作制和綜合計算工時工作制的審批辦法》(勞部發[1994]503號)), which was promulgated on 14 December 1994, and came into effect on 1 January 1995, enterprises that practice the irregular working hour system due to the nature of their operation may adopt the working hour system of comprehensive-calculated working hours and methods of work and rest.

Social insurance and Housing fund

Under applicable PRC laws, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, became effective on 1 July 2011, and amended on 29 December 2018, the Regulations on Unemployment Insurance (《失業保險條例》), which was promulgated by the State Council on 22 January 2019, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on 22 January 1999, and amended on 24 March 2019, the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labour on 14 December 1994, became effective on 1 January 1995, the Regulations on Occupational Injury Insurance (Order No. 375 of State Council) (《工傷保險條例》(國務院令第375號)), which was promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and subsequently amended on 20 December 2010, becoming effective on 1 January 2011, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Taxation

Income Tax

Since we carry out our PRC business operations through operating subsidiaries established under the PRC law, our PRC operations and our operating subsidiaries in the PRC are subject to the PRC tax laws and regulations. Pursuant to the EIT promulgated by the NPC on 16 March 2007, which became effective from 1 January 2008, and subsequently amended on 24 February 2017 and 29 December 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing from 1 January 2008 with certain exceptions.

In order to clarify certain provisions under the EIT Law, the State Council promulgated the EIT Implementation Rules on 6 December 2007, which became effective on 1 January 2008 and was amended on 23 April 2019. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises". Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established in the PRC, enterprises incorporated outside the PRC which "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity incorporated under foreign law which "de facto management bodies" are not within the PRC but has an establishment or place of business in the PRC, or which does not have an establishment or place of business in the PRC but has income derived from sources in the PRC.

Withholding Income Tax and Tax Treaties

The EIT Implementation Rules provide that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷稅漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Circular on Issues concerning the "Beneficial Owner" in Tax Treaties (《關於如何理解和認定稅收協定中「受益所有人」有關問題的公告》), on 3 February 2018 promulgated by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognised as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax

Pursuant to the Interim Regulations on Value-Added Tax (hereinafter referred as VAT) of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, amended on 10 November 2008, 6 February 2016 and 19 November 2017 respectively, and the Implementation Rules of the PRC Interim Regulations on VAT (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance of the PRC (the "**MOF**") on 25 December 1993, amended on 15 December 2008 and 28 October 2011 respectively, the latest amendment of which became effective on 1 November 2011, sale of goods, provision of processing, repair and replacement services and import of goods within the PRC are subject to VAT and unless stated otherwise, the tax rate for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC shall be 17%. According to Notice of the MOF and the SAT on the Adjustment to VAT Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), recently promulgated on 4 April 2018 and implemented on 1 May 2018, the deduction rate of 17% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16%.

On 23 March 2016, the MOF and the SAT released the Circular on the Nationwide Implementation of Transformation Pilot Program of VAT in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) and its appendices, which confirms that business tax would be completely replaced by VAT from 1 May 2016.

Intellectual Property

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), promulgated by the SCNPC on 23 August 1982, amended on 22 February 1993, 27 October 2001 and 30 August 2013, 23 April 2019 and effective from 1 November 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), promulgated by the SCNPC on 26 December 1989 and amended on 24 April 2014, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on 28 October 2002 and became effective on 1 September 2003 and was amended on 2 July 2016, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council and became effective on 29 November 1998 and amended on 16 July 2017, and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through environmental impact assessment procedure.

The Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), effective on 1 April 1996 and latest amended on 7 November 2016, stipulates that organisations generating industrial solid waste shall establish and improve upon their environmental pollution prevention and treatment accountability system, and adopt measures to prevent and treat environmental pollution by industrial solid waste.

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective on 1 November 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017 respectively, enterprises, public institutions and other producers or operators that directly or indirectly discharge industrial wastewater or medical sewage into water bodies as well as those that can discharge wastewater or sewage only after obtaining a Pollutant Discharge Permits according to relevant provisions shall obtain a Pollutant Discharge Permits. The types, concentrations, total discharge and destination of water pollutants to be discharged shall be specified in a Pollutant Discharge Permits.

According to the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), effective on 1 June 1988 and amended on 29 August 1995, 29 April 2000 and 29 August 2015 and 26 October 2018 respectively, enterprises, institutions and other manufacturers and business operators shall adopt effective measures to prevent and reduce atmospheric pollution, and bear the responsibilities pursuant to the law for damages caused.

Fire Control

Pursuant to the Fire Control Law of the PRC (《中華人民共和國消防法》) (2019 Revision), which was promulgated and came into effect on 23 April 2019, property management services 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.

OVERVIEW

Our history can be traced back to 1995 when Sundy Property, our main operating subsidiary in the PRC, was established. We have since expanded our business operations and have over two decades of experience in the property management service industry in the PRC.

As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management was approximately 6.4 million sq.m..

According to CIA, we were ranked 81st, 71st, 65th and 56th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. In addition, in 2019, among the Top 100 Property Management Companies headquartered in Hangzhou and Zhejiang province, we were ranked 5th and 7th in terms of net profit, respectively. We have received various honours and awards in the past. During the Track Record Period, we were awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)" by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心) in 2017, "AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)" and "AAA Class Quality Service Unit (AAA級質量服務信譽單位)" by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司) in 2018, and "2019 China Five Star Property Service Project* (中國五星級物業服務項目)" by CIA for our "Sundy Time International* (宋都時間國際)" project in 2019. Please refer to the paragraph headed " Business – Honours and awards" in this document for further details of the awards that we have obtained during the Track Record Period and up to the Latest Practicable Date.

BUSINESS DEVELOPMENT MILESTONES

The following table sets out the key business developments and milestones of our Group since our establishment.

Year	Events
1995	• Sundy Property was established in Hangzhou, Zhejiang province, the PRC
2008	• Xingye Building* (興業大廈), a property managed by Sundy Property, was awarded 2007 Hangzhou Property Management Outstanding Building* (2007年度杭州市物業管理優秀大廈) by Hangzhou Real Estate Management Bureau (杭州市房產管理局) (currently known as Hangzhou Housing Security and Management Bureau (杭州市住房保障和房產管理局))
2009	• Sundy Property was awarded Zhejiang Quality Service Integrity Unit* (浙江省質量服務雙誠信單位) by Zhejiang Daily (浙江日報社) and China Quality and Credit Enterprise Association* (中國質量誠信企業協會)

Year	Events
2010	• Hangzhou Caihe Home* (杭州市采荷人家), a property managed by Sundy Property, was awarded Provincial Property Management Demonstration Residential Community* (全省物業管理示範住宅小區) by the Department of Housing and Urban-Rural Development of Zhejiang province (浙江省住房和城鄉建設廳)
2011	• Sundy Property received Property Management Service Enterprise Certificate Level One* (物業服務企業資質證書一級) from the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
2012	• Sundy Property was awarded China Zhejiang Most Valuable Property Brand* (中國浙江省最具價值物業品牌) by China Business Herald (中國商報社), China General Association of Commercial Newspaper* (全國商報聯合會) and China General Chamber of Commerce (中國商業聯合會)
2016	• Xincheng International Garden* (新城國際花園), a property managed by Sundy Property, was awarded Hangzhou Property Management Outstanding Residential Community* (杭州市物業管理優秀住宅小區) by Hangzhou Property Management Association* (杭州市物業管理協會)
2017	• We were ranked 81st of 2017 Top 100 Property Management Companies in China (2017中國物業服務百強企業) by CIA
	• Caihe Jiaye Building* (采荷嘉業大廈), a property managed by Sundy Property, was awarded Hangzhou Property Management Outstanding Building* (杭州市物業管理優秀大廈) by Hangzhou Property Management Association* (杭州市物業管理協會)
	• Sundy Property was awarded China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業) by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心)
	• Sundy Property was awarded ISO14001:2015 quality standard for environmental management and OHSAS 18001:2007 standard for occupational health and safety management systems

Year	Events
2018	• We were ranked 71st of 2018 Top 100 Property Management Companies in China (2018中國物業服務百強企業) by CIA
	• Sundy Property was awarded AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位) and AAA Class Quality Service Unit (AAA級質量服務信譽單位) by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司)
	• Sundy Property was awarded ISO 9001:2015 quality standard for quality management
	• We expanded our business in property management services and value-added services to non-property owners to Nanning, Guangxi
2019	• We were ranked 65th of 2019 Top 100 Property Management Companies in China (2019中國物業服務百強企業) by CIA
	• Sundy Property was awarded 2019 China Five Star Property Service Project* (2019中國五星級物業服務項目) for our Sundy Time International* (宋都時間國際) project
2020	• We were ranked 56th of 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) by CIA

CORPORATE HISTORY

As at the Latest Practicable Date, our Group comprised our Company, Hui Du, Rong Du, as well as our subsidiaries in the PRC, namely, Hangzhou Xingrun, Sundy Property, Songdu Exhibition, Sundy Jiahe, Sundy Agency, Lusong Property, Hongdu Information, Hangzhou Herui, Jilin Sundy and Ningbo Sundy. As at the Latest Practicable Date, Sundy Property also had 18 branches.

The following is a summary of the corporate history of our PRC subsidiaries.

Sundy Property

Sundy Property is our main PRC operating subsidiary, and is principally engaged in (i) property management; (ii) value-added services to non-property owners; and (iii) community value-added services.

Sundy Property was established in the PRC with limited liability on 8 January 1995 with a registered capital of RMB0.3 million, which was owned as to approximately 66.7% by Songdu Branch of Hangzhou City Jianggan District Real Estate Construction and Development Co., Ltd* (杭州市江幹區房屋建設開發總公司宋都分公司) and approximately 33.3% by Hangzhou Songdu Decoration and Building Materials Co., Ltd* (杭州宋都裝飾裝璜建材有限公司).

Since its establishment, Sundy Property has undertaken a series of equity transfers and capital increase. On 5 February 2010, the registered capital of Sundy Property was RMB5 million and was wholly owned by Sundy Real Estate.

On 29 December 2016, Sundy Real Estate transferred its entire equity interest in Sundy Property to Sundy Holdings (a company wholly owned by Mr. Yu) at a consideration of approximately RMB26.7 million. The consideration was determined with reference to the valuation appraised by an independent valuer in respect of the net asset value of Sundy Property as at 31 October 2016. Upon completion, Sundy Property was wholly owned by Sundy Holdings.

On 26 September 2017, Sundy Holdings increased the registered capital of Sundy Property to RMB51 million. For details subsequent to the said increase of registered capital, please refer to paragraph headed "— Reorganisation" below in this section.

Branches of Sundy Property

In order to facilitate the development of its operation in different regions in the PRC, Sundy Property has established 18 branches in Tonglu, Hefei, Zhoushan, Ningbo, Liyang, Huaian, Quzhou, Fuyang, Nanning, Jiande, Nanjing, Shanghai, Kunshan, Xinchang, Taizhou, Guigang and Liuzhou.

Songdu Exhibition

Songdu Exhibition is principally engaged in property repair and maintenance and remodelling and decoration services.

Songdu Exhibition was established in the PRC with limited liability on 15 June 2016 with a registered capital of RMB1 million, which was wholly owned by Sundy Real Estate.

On 3 May 2017, Sundy Real Estate transferred its entire equity interest in Songdu Exhibition to Sundy Property at nil consideration. The consideration was determined with reference to the fact that Songdu Exhibition had not commenced business and its registered capital had not been paid up at that time.

Sundy Jiahe

Sundy Jiahe is principally engaged in hotel business and long-term rental apartment business.

Sundy Jiahe was established in the PRC with limited liability on 24 January 2017 with a registered capital of RMB10 million, which was wholly owned by Sundy Property. There has been no change in its shareholding structure since its establishment.

Sundy Agency

As at the Latest Practicable Date, Sundy Agency has not commenced business. Sundy Agency was established in the PRC with limited liability on 7 March 2017 with a registered capital of RMB1 million, which was wholly owned by Sundy Property. There has been no change in its shareholding structure since its establishment.

Lusong Property

Lusong Property is principally engaged in the property management of a landmark building under construction in Hangzhou.

Lusong Property was established in the PRC with limited liability on 6 May 2019 with a registered capital of RMB1 million, which was owned as to 50% by Sundy Property and 50% by Greenland Property Services (an independent third party). There has been no change in its shareholding structure since its establishment.

Hongdu Information

Hongdu Information is principally engaged in intelligent equipment renovation and construction, as well as maintenance of weak current system.

Hongdu Information was established in the PRC with limited liability on 20 August 2019 with a registered capital of RMB10 million, which is wholly owned by Sundy Property. There has been no change in its shareholding structure since its establishment.

Hangzhou Herui

Hangzhou Herui is principally engaged in property management and community value-added services.

Hangzhou Herui was established in the PRC with limited liability on 7 November 2019 with a registered capital of RMB10 million, which is wholly owned by Sundy Property. There has been no change in its shareholding structure since its establishment.

Jilin Sundy

Jilin Sundy is principally engaged in property management services.

Jilin Sundy was established in the PRC with limited liability on 23 June 2020 with a registered capital of RMB1 million, which was owned as to 51% by Sundy Property and 49% by Liaoyuan Modern. There has been no change in its shareholding structure since its establishment.

Ningbo Sundy

As at the Latest Practicable Date, Ningbo Sundy has not commenced business. Ningbo Sundy was established in the PRC with limited liability on 23 November 2020 with a registered capital of RMB5 million, which was wholly owned by Sundy Property. There has been no change in its shareholding structure since its establishment.

DISPOSALS DURING THE TRACK RECORD PERIOD

Disposal of Songdu Construction

Songdu Construction was established in the PRC with limited liability on 20 August 2019. Upon establishment, Songdu Construction was wholly owned by Sundy Property and had not commenced business.

For the purpose of streamlining our Group's corporate structure, on 4 September 2019, Sundy Property transferred the entire equity interest in Songdu Construction to Hangzhou Heye Investment Management Co., Ltd.* (杭州和業投資管理有限公司) ("**Heye Investment**") (a company owned as to 90% by Sundy Holdings and 10% by Zhejiang Yingtong Technology Development Co., Ltd.* (浙江盈通科技發展有限公司), which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo Yijuan (郭軼娟) ("**Ms. Guo**"), spouse of Mr. Yu, at nil consideration. The consideration was determined with reference to the fact that Songdu Construction had not commenced business and its registered capital had not been paid up at that time. After the disposal, Songdu Construction ceased to be a member of our Group.

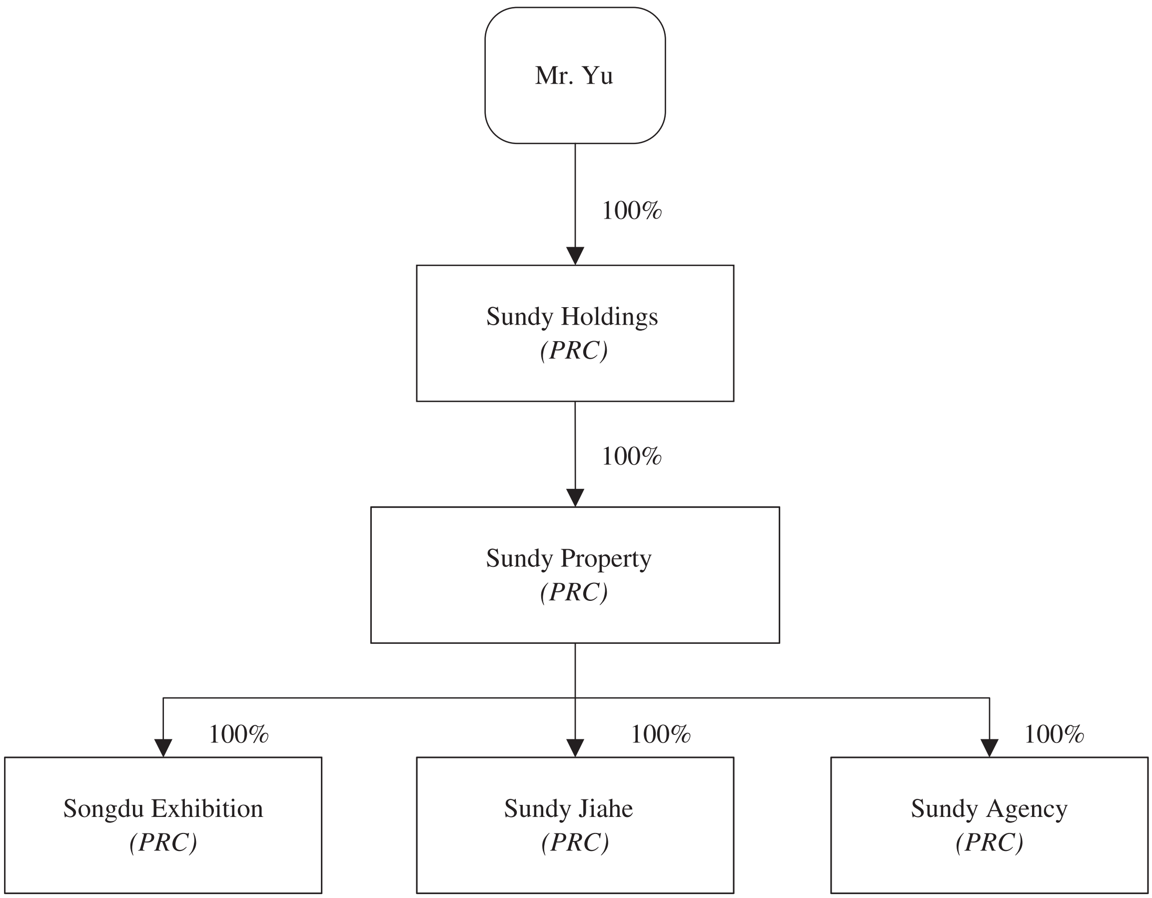
Disposal of 50% equity interest in Hedu Agency

Zhejiang Hedu Real Estate Agency Co., Ltd.* (浙江合都房地產代理有限公司) ("**Hedu Agency**") was established in the PRC with limited liability on 25 December 2017. Upon establishment, Hedu Agency was our joint venture, which was owned as to 50% by Sundy Property and 50% by Hefu Huihuang (China) Real Estate Consultancy Co., Ltd.* (合富輝煌(中國)房地產顧問有限公司), an independent third party.

For the purpose of streamlining our Group's corporate structure, on 27 December 2019, Sundy Property transferred its 50% equity interest in Hedu Agency to Hangzhou Taixiong Investment Management Co., Ltd.* (杭州泰雄投資管理有限公司), an independent third party, at the consideration of RMB2.5 million. The consideration was determined with reference to the fact that the paid-up registered capital of the 50% equity interest of RMB2.5 million at the material time. After the disposal, Hedu Agency ceased to be our joint venture.

REORGANISATION

The corporate structure of our Group immediately prior to the Reorganisation is set out below.



Note: *Sundy Property then established Lusong Property, Hongdu Information, Hangzhou Herui and Jilin Sundy on 6 May 2019, 20 August 2019, 7 November 2019 and 23 June 2020, respectively.*

In preparation for the [**REDACTED**], our Group implemented the Reorganisation which involved the following steps:

1. Transfer of 5% equity interest in Sundy Property to Yuan Rui

On 29 December 2017, Yuan Rui and Sundy Holdings entered into a transfer agreement, pursuant to which Yuan Rui agreed to acquire 5% equity interest in Sundy Property from Sundy Holdings at a consideration of approximately RMB1.9 million. The consideration was determined with reference to the valuation appraised by an independent valuer in respect of the fair market value of Sundy Property as at 31 October 2017. The transfer was completed on 19 March 2018 and the consideration of the [**REDACTED**] was fully settled on 19 June 2018. Please refer to paragraph headed "[**REDACTED**]" in this section for further details. Upon completion of the [**REDACTED**], Sundy Property was owned as to 95% by Sundy Holdings and 5% by Yuan Rui.

2. Incorporation and establishment of our Company, and its offshore and onshore intermediary subsidiaries

(a) Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2017. On the date of its incorporation, our Company had an authorised share capital of US$500 divided into 500 shares with a par value of US$1.00 each.

On the date of incorporation, (i) one Share was allotted and issued at par value to the initial subscriber, which was then transferred to Sundy Heye at the consideration of US$1.00; and (ii) 299 Shares and 200 Shares were allotted and issued at par value to Sundy Heye and Sundy Xingye, respectively. Both of Sundy Heye and Sundy Xingye were wholly owned by Mr. Yu.

On 25 October 2017, Sundy Xingye transferred 200 Shares to Sundy Heye at the consideration of US$200. On 29 December 2017, to align with the shareholdings of Sundy Property, Sundy Heye transferred 25 Shares to Yuan Rui at the consideration of US$25. After such transfers, our Company was owned as to 95% by Sundy Heye and 5% by Yuan Rui.

(b) Hui Du

Hui Du was incorporated in the BVI with limited liability on 26 October 2017. On the date of its incorporation, Hui Du was authorised to issue a maximum of 500 ordinary shares with a par value of US$1.00 each. On the date of its incorporation, 500 ordinary shares were allotted and issued at par value to our Company. Hui Du is an investment holding company.

(c) Rong Du

Rong Du was incorporated in Hong Kong with limited liability on 20 November 2017. On the date of its incorporation, 10,000 ordinary shares were allotted and issued to Hui Du at a consideration of HK$10,000. Rong Du is an investment holding company.

(d) Hangzhou Xingrun

Hangzhou Xingrun was established in the PRC with limited liability on 28 December 2017 with a registered capital of RMB30 million and was wholly owned by Rong Du. On 6 December 2018, its registered capital was increased to RMB40 million.

3. Acquisition of entire interest in Sundy Property by Hangzhou Xingrun and subsequent corporate changes of the members of our Group

On 25 June 2018, Hangzhou Xingrun entered into two respective equity transfer agreements with each of Sundy Holdings and Yuan Rui, pursuant to which Hangzhou Xingrun acquired 95% and 5% equity interests in Sundy Property from Sundy Holdings and Yuan Rui, at considerations of approximately RMB36.8 million and approximately RMB1.9 million, respectively. The considerations were determined with reference to the valuation appraised by an independent valuer in respect of the fair market value of

Sundy Property as at 31 October 2017. On 26 June 2018, the acquisition of Sundy Property by Hangzhou Xingrun was completed. The considerations were settled on 29 November 2019 with details as set out below.

On 25 November 2019, (i) the authorised share capital of our Company was increased from US$500 divided into 500 Shares of US$1.00 each to US$50,000 divided into 50,000 Shares of US$1.00 each by creation of additional 49,500 Shares of US$1.00 each ranking *pari passu* in all aspects with the existing issued Shares; and (ii) each authorised, issued and unissued Share then of US$1.00 par value was subdivided into 100,000 Shares of US$0.00001 par value each. Upon completion of the increase of authorised share capital and share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000,000 Shares of par value US$0.00001 each, and Sundy Heye and Yuan Rui respectively held 47,500,000 and 2,500,000 issued Shares, representing 95% and 5% issued share capital of our Company, respectively.

On 25 November 2019, Hui Du passed an ordinary resolution, pursuant to which Hui Du was authorised to issue a maximum of 50,000 ordinary shares with a par value of US$1.00 each.

For purposes of financing our abovementioned acquisition of the entire interest in Sundy Property by Hangzhou Xingrun, the members of our Group have increased or paid up their share capitals as follows:

(i) On 25 November 2019, our Company allotted and issued 47,500,000 and 2,500,000 Shares to Sundy Heye and Yuan Rui, at the consideration of approximately HK$42.6 million and approximately HK$2.2 million, respectively. After the said allotment, the shareholding of our Company remained unchanged, i.e. as to 95% by Sundy Heye and 5% by Yuan Rui, respectively.

(ii) On 25 November 2019, Hui Du passed the resolutions to allot and issue 500 ordinary shares to our Company at the consideration of approximately HK$44.8 million. After the said allotment, the shareholding of Hui Du remained wholly owned by our Company.

(iii) On 25 November 2019, Rong Du allotted and issued 10,000 ordinary shares to Hui Du at the consideration of approximately HK$44.8 million. After the said allotment, the shareholding of Rong Du remained wholly owned by our Company.

(iv) On 26 November 2019, Rong Du paid and settled its capital commitment of RMB40 million in Hangzhou Xingrun.

4. Establishment of family trust

As part of his family wealth planning, Mr. Yu established his family trust to hold his interest in our Company. On 11 December 2019, The Jianwu Yu's Trust was established by Mr. Yu as the settlor and CMB Wing Lung (Trustee) Limited ("**CMB Wing Lung**") as the trustee. On 20 December 2019, Mr. Yu transferred the entire shareholding in Sundy Heye to CMB Wing Lung (through its nominee companies) for the benefit of Mr. Yu and his family members.

[**REDACTED**] AND [**REDACTED**]

Conditional on the share premium account of our Company being credited with the [**REDACTED**] from the [**REDACTED**] or otherwise having sufficient balance, US$[**REDACTED**] will be capitalised from the share premium account of our Company and applied in paying up in full at par a total of [**REDACTED**] Shares for the allotment and issue to the existing Shareholders, namely Sundy Heye and Yuan Rui on or prior to the [**REDACTED**].

A total of [**REDACTED**] new Shares, representing [**REDACTED**]% of the total issued share capital of our Company immediately after the Reorganisation and completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any option which may be granted under the Share Option Scheme) will be [**REDACTED**] for [**REDACTED**] pursuant to the [**REDACTED**].

[**REDACTED**]

In or around October 2017, Mr. Cheung Yue Kwong ("**Mr. Cheung"**) became acquainted with Mr. Yu, one of our Controlling Shareholders, through the introduction of a friend of Mr. Cheung, Mr. Wu Hongrong (武洪榮) ("**Mr. Wu**"). Mr. Wu was a businessman and is currently retired. He had been involved in the medical and chemical industry sectors in the PRC. Mr. Wu was the legal representative, executive director and general manager of Hangzhou Huihe Biotechnology Co., Ltd.* (杭州惠和生物科技有限公司) ("**Huihe Biotechnology**"). Mr. Yu is an experienced businessman with various businesses in the PRC. In addition to property development, he was also involved in the biotechnical and healthcare industries, which involve certain medical, chemical and healthcare related aspects, and he holds interests in, among others, Hangzhou Sundy New Health Management Co., Ltd.* (杭州宋都新大健康管理有限公司) ("**Sundy New Health**"), Jinxi Biotechnology Co., Ltd.* (杭州金溪生物技術有限公司) ("**Jinxi Biotechnology**") and Quzhou Qujiang Sundy Agricultural Science and Technology Co., Ltd.* (衢州市衢江區宋都農業科技有限公司) ("**Qujiang Sundy**") through Sundy Land. Mr. Yu is also the executive director and general manager of Sundy New Health, manager and executive director of Qujiang Sundy, and director of Jinxi Biotechnology. Mr. Cheung worked at a few established chemical and pharmaceutical companies, after studying science in the University of Hong Kong. Mr. Wu was acquainted with Mr. Yu and Mr. Cheung through prior business gatherings in the aforementioned sectors in or around 2015 and 2017, respectively.

After being introduced to Mr. Yu through Mr. Wu, Mr. Cheung gained understanding of our Group's businesses, our relationship with Sundy Land Group, and our Group's future prospects in general. This kindled his preliminary interest to invest in our Group. In or around 2017, Mr. Wu then introduced the investment opportunity. Given that (i) Mr. Yu had a hectic schedule at the relevant time; (ii) it was Mr. Wu who introduced Mr. Cheung to Mr. Yu; and (iii) Mr. Wu learnt about the prospects and growth potential of our Group's business from Mr. Yu after he acquainted with Mr. Yu, Mr. Yu provided financial statements and materials relating to our Group to Mr. Wu so that Mr. Wu could pass the same to Mr. Cheung for his consideration. Mr. Cheung reviewed such materials and conducted his research on the financial performance of our Group, properties being managed by Sundy Property, properties being developed by Sundy Land and a few PRC based property management companies which were successfully listed on the Stock Exchange. After considering the above materials, Mr. Cheung was (i) optimistic about the prospects of the property management industry in the PRC; (ii) was of the opinion that our Group had relatively good future growth potential; and (iii) concluded that the proposed total investment was not large compared to the potential value of our Group and the opportunity to purchase the Shares at a discount would present him with a better chance of return to his investment. Accordingly, Mr. Cheung decided to invest in our Group.

To the best of the knowledge, information and belief of our Directors, after having made all reasonable enquiries, (i) in or around December 2013, Mr. Wu's son, a friend of Ms. Yu Qian (余倩) (a director of Sundy Property and Lusong Property) invited Ms. Yu Qian to be the supervisor of Huihe Biotechnology. She acquainted with Mr. Wu back then and acted as the supervisor of Huihe Biotechnology until December 2018; (ii) in early 2017, Mr. Wu participated in the establishment of one of our major suppliers during the Track Record Period, providing cleaning and sanitary services ("**Supplier A**"). With Ms. Yu Qian's experience in Sundy Land Group and Sundy Property, Mr. Wu invited Ms. Yu Qian to act as the supervisor of Supplier A and asked Ms. Yu Qian to introduce suitable candidates to take up the managerial roles of Supplier A. Thereafter, Ms. Yu Qian introduced Ms. Zhu Jin and Mr. Zhang Yang (張揚) (a former manager of Sundy Property) to Mr. Wu. In February 2017, Ms. Zhu Jin was appointed as the legal representative and executive director, Ms. Yu Qian was appointed as the supervisor, and Mr. Zhang Yang was appointed as the manager of Supplier A, respectively. After the appointments, they informed Sundy Land and Sundy Property on such appointments according to their internal policies. However, given that the proposed business nature of Supplier A was cleaning and sanitary services, Sundy Property considered Supplier A might potentially be its supplier or subcontractor. Therefore, to avoid any potential conflict of interest, Sundy Property determined that Ms. Zhu Jin, Ms. Yu Qian and Mr. Zhang Yang were not appropriate to take up the roles in Supplier A. Accordingly, they left their respective positions in Supplier A in March 2017. During the said period, Supplier A had not commenced any business; and (iii) during the time when Mr. Wu was a legal representative, executive director and general manager of Hangzhou Wudu Trading Co., Ltd. (杭州梧都貿易有限公司) ("**Wudu Trading**") from June 2018 to June 2019, Ms. Zhu Jin was also its supervisor. During the said period, Wudu Trading was dormant.

Save as mentioned above, there is no past or present relationships (including family, employment, business, financing or otherwise) between (i) Mr. Wu and (ii) each of Mr. Cheung, our Company and subsidiaries, our/their shareholders, directors, senior management or our/their respective associates, and the professional parties involved in the [**REDACTED**].

Other than those disclosed in this section, Mr. Wu does not have any role or involvement in the [**REDACTED**] and there was no remuneration or benefits accrued to him. For the avoidance of doubt, even though Supplier A was one of our Group's major suppliers during the Track Record Period, our Directors confirmed that (i) our Group firstly engaged Supplier A as its subcontractor in May 2017, which was before the acquaintance of Mr. Cheung and Mr. Yu through introduction of Mr. Wu in October 2017; and (ii) Supplier A was selected as our Group's subcontractor through a bidding process, which our Group assessed and considered a wide range of factors, including but not limited to industry reputation, previous experience and price competitiveness.

On 29 December 2017, Sundy Holdings and Yuan Rui entered into a transfer agreement, pursuant to which Sundy Holdings transferred 5% equity interest in Sundy Property to Yuan Rui at a consideration of approximately RMB1.9 million. For details, please refer to paragraph headed "— Reorganisation — 1. Transfer of 5% equity interest in Sundy Property to Yuan Rui" in this section. On the same date, to align with the shareholdings of Sundy Property, Sundy Heye transferred 25 Shares to Yuan Rui at nominal consideration. As a result, Yuan Rui owned as to 5% of our Company. On 19 June 2018, the consideration of the [**REDACTED**] of approximately RMB1.9 million was fully settled.

Background of Yuan Rui and Mr. Cheung

Yuan Rui is a company incorporated in Hong Kong with limited liability, whose sole shareholder is Mr. Cheung.

Mr. Cheung is an investor who resides in Hong Kong. He also provides commercial consultancy services to mainland enterprises and makes equity investment. For networking purpose, he occasionally attends business gatherings. He confirmed that he had funded the [**REDACTED**] with his own source of funding.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, save for the [**REDACTED**], and as disclosed in this section, each of Mr. Cheung, Yuan Rui and Mr. Wu is an independent third party and has no past or present relationship (family, employment, business, financing or otherwise) with our Group, our other Shareholders, Directors, senior management or any of their respective associates.

Further details of the [**REDACTED**] are set out below:

Name of investor	Yuan Rui
Date of agreement	29 December 2017
Consideration	RMB1,939,000
Basis of determination of the consideration	The consideration was determined after arm's length negotiation between the parties with reference to the valuation report appraised by an independent valuer in respect of the fair market value of Sundy Property as at 31 October 2017
Payment date of the consideration	19 June 2018
Cost per Share paid	Approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**] per share)
Percentage discount to the mid point of the [REDACTED]	[**REDACTED**]%
Shareholding in our Company immediately prior to completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	5%

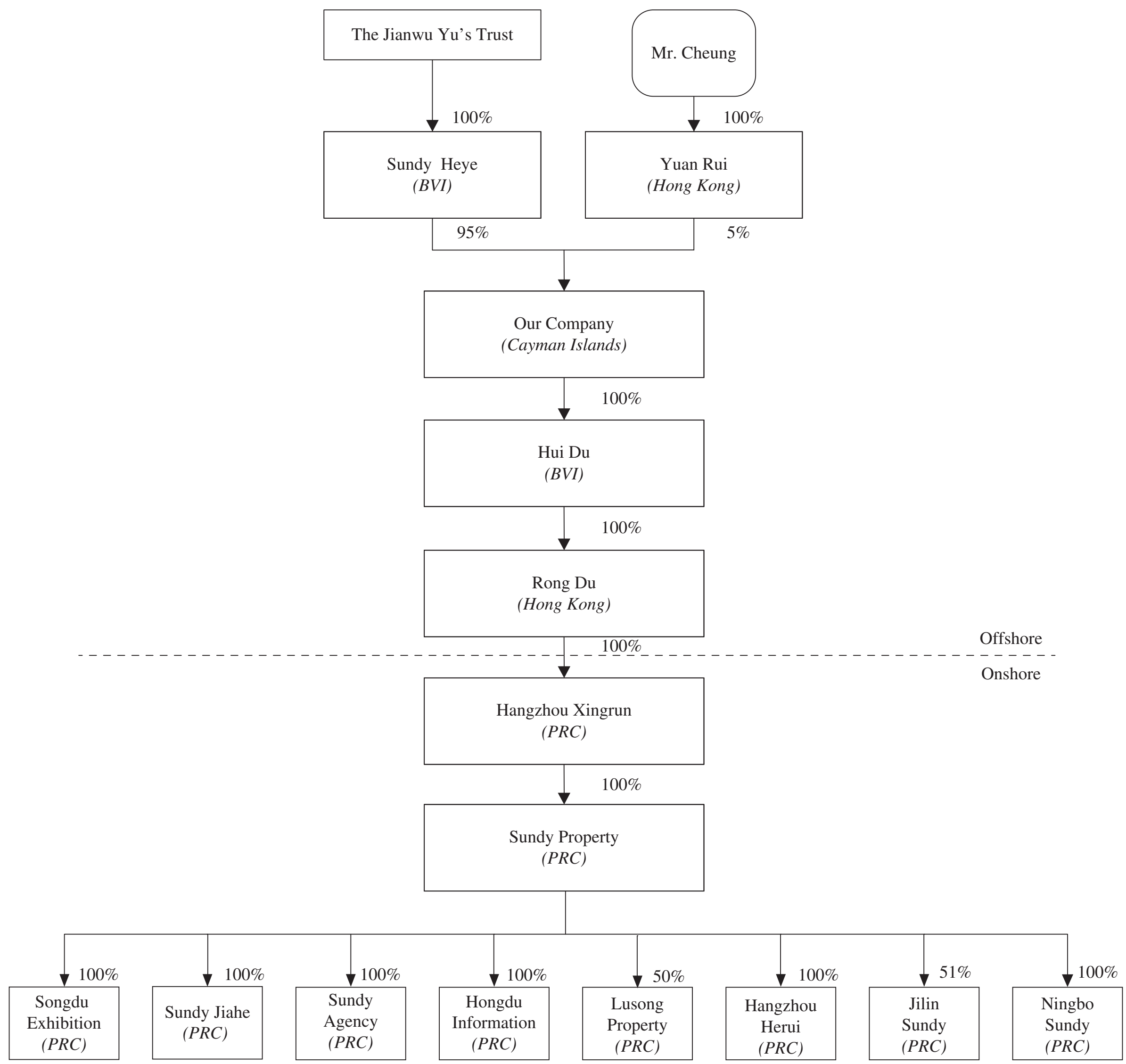
Number of Shares held immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	[**REDACTED**]
Shareholding in our Company immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised)	[**REDACTED**]%
Special rights	Yuan Rui is not entitled to any special rights under the [**REDACTED**].
Lock-up	The [**REDACTED**] has not imposed any lock-up undertaking against Yuan Rui.
Public float	Given that (a) the shareholding of Yuan Rui in our Company upon [**REDACTED**] will be less than 10%; and (b) it is an independent third party, the Shares held by Yuan Rui will be counted as part of the public float of our Company upon completion of the [**REDACTED**].
Strategic benefits of the [REDACTED]	Utilising his knowledge and experience in provision of consultancy services to mainland enterprises, as well as his experience in equity investment, Mr. Cheung has provided to our Directors insight and advice in relation to corporate governance and management from the perspective of a minority shareholder.

Sole Sponsor's confirmation

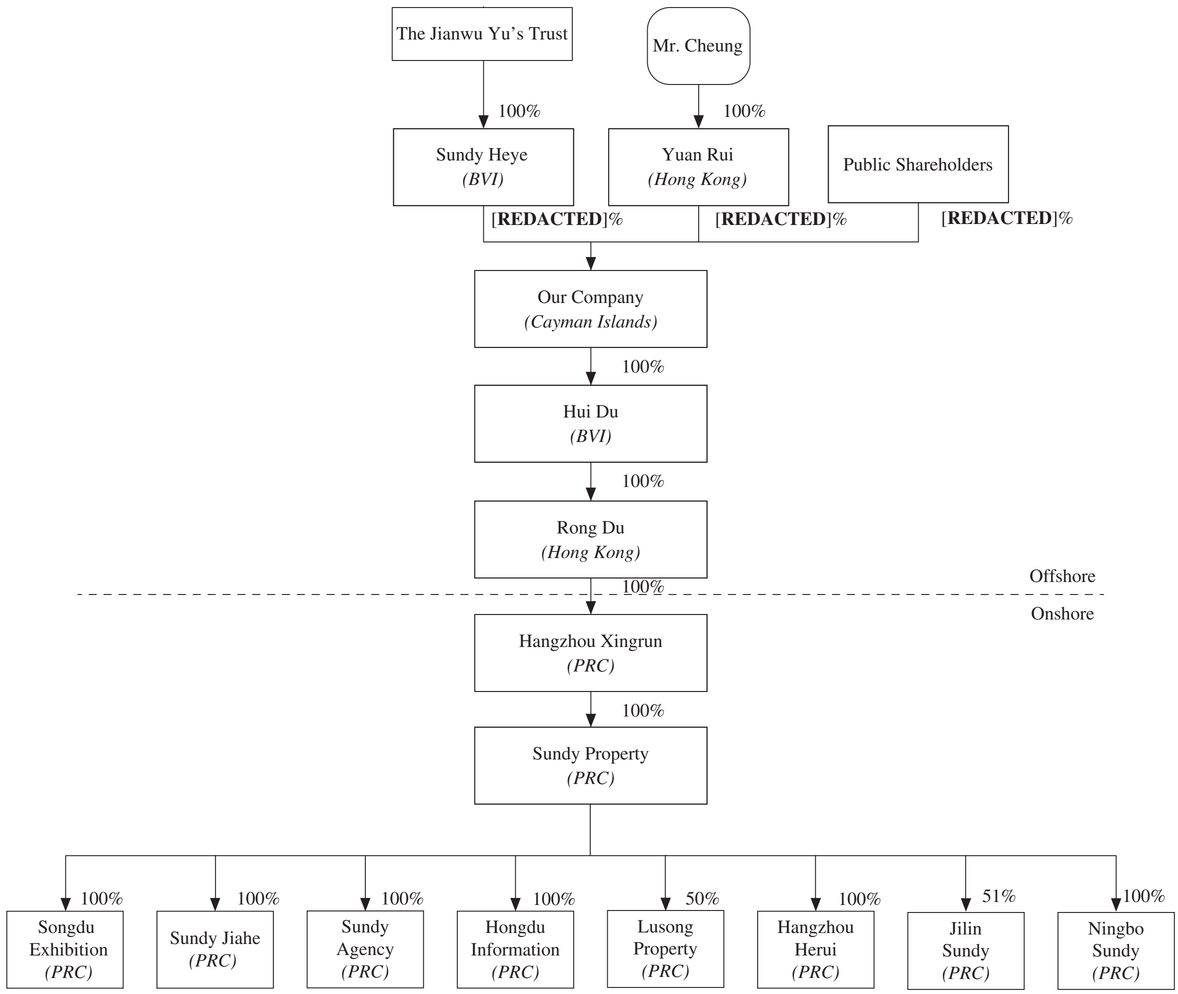
The Sole Sponsor has confirmed that the investment made by Mr. Cheung detailed above is in compliance with the Interim Guidance on [**REDACTED**] (HKEx-GL29-12) issued by the Stock Exchange in January 2012, the Guidance on [**REDACTED**] (HKEx-GL43-12) issued by the Stock Exchange in October 2012 and updated in July 2013, and the Guidance on [**REDACTED**] in convertible instruments (HKEx-GL44-12) issued by the Stock Exchange in October 2012, respectively.

OUR CORPORATE STRUCTURE

The corporate structure of our Group immediately following the Reorganisation is set out below.



The corporate structure of our Group immediately following the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) is set out in below.



PRC LEGAL COMPLIANCE

General

Our PRC Legal Advisers confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and the [**REDACTED**] have been obtained, and the Reorganisation and the [**REDACTED**] have complied with all applicable laws and regulations of the PRC.

M&A Rules

The M&A Rules, which was promulgated by the Ministry of Commerce, the State-owned Asset Supervision and Administration Commission of the State Council, the CSRC, the SAT, the State Administration for Industry and Commerce and the SAFE, became effective on 8 September 2006, revised on 22 June 2009 and applies in the event that foreign investors acquire the PRC enterprises.

Our PRC Legal Advisers advised that since the acquisition of the entire equity interests in Sundy Property, details of which are set out in the paragraph headed "— Reorganisation — 3. Acquisition of entire interest in Sundy Property by Hangzhou Xingrun and subsequent corporate changes of the members of our Group" in this section, was made after the transformation of Sundy Property into a sino-foreign joint venture, the aforesaid acquisition is an acquisition of equity in a foreign invested enterprise, and as such, the M&A Rules is not applicable and approval from the MOFCOM and/or the CSRC is not required.

SAFE Circular 37

On 4 July 2014, the SAFE promulgated the SAFE Circular 37, according to which, (i) "SPV" is defined as "offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institution and individual resident) with their legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity, for the purpose of offshore investment and financing"; (ii) a domestic resident must register with the SAFE before he or she contributes assets or equity interests to SPVs; and (iii) following the initial registration, any major changes such as change in the overseas SPV's domestic resident shareholders, names of the overseas SPVs and terms of operation or any increase or reduction of the overseas SPV, registered capital, share transfer or swap, merger or division, or similar development, shall be reported to the SAFE for registration in time, and failing to comply with the registration procedures as set out in the SAFE Circular 37 may result in penalties.

Our PRC Legal Advisers have advised that on 23 March 2018, Mr. Yu, had duly complied with the requirements under SAFE Circular No. 37 and completed the registration procedures thereunder.

OVERVIEW

We are a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, our Group has over two decades of experience in the property management service industry in the PRC. According to CIA, we were ranked 81^{st}, 71^{st}, 65^{th} and 56^{th} among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. In addition, in 2019, among the Top 100 Property Management Companies headquartered in Hangzhou and Zhejiang province, we were ranked 5^{th} and 7^{th} in terms of net profit, respectively. We have received various honours and awards in the past. During the Track Record Period, we were awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)" by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信（北京）信用評估中心) in 2017, "AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)" and "AAA Class Quality Service Unit (AAA級質量服務信譽單位)" by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價（集團）有限公司) in 2018, and "2019 China Five Star Property Service Project* (中國五星級物業服務項目)" by CIA for our "Sundy Time International* (宋都時間國際)" project in 2019. Please refer to the paragraph headed " — Honours and awards" in this section for further details of the honours and awards that we obtained during the Track Record Period and up to the Latest Practicable Date.

As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. We believe that the establishment of such subsidiaries and branches will help us prepare for further expansion of our operations and enable us to explore potential business opportunities. Please refer to the paragraph headed "— Property management services — Our geographic presence" in this section for further details of the geographic coverage of our managed properties.

Our business lines include (i) provision of a range of property management services to a variety of properties in the PRC, the majority of which are located in Zhejiang province; (ii) provision of a range of value-added services to non-property owners; (iii) provision of a spectrum of community value-added services; and (iv) other businesses. Details of our business lines are set out as follows:

- *Property management services*. We provide a range of property management services, mainly including security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. Our portfolio of managed properties comprises (i) residential properties (including mid-end and high-end residential communities); and (ii) non-residential properties (including commercial and industrial properties).

- *Value-added services to non-property owners*. We provide a range of value-added services to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties.

- *Community value-added services*. We provide customers, primarily property owners and residents, with a spectrum of community value-added services, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. Community space services primarily represent (i) assisting property owners to lease out common areas to advertisement companies for advertisement placements and telecommunication companies for the installation of telecommunication base stations; and (ii) utilising common areas in our managed properties.

- *Other businesses*. Our other businesses include hotel business and long-term rental apartment business.

The table below sets forth the breakdown of the revenue contribution and gross profit margin by each business line during the Track Record Period:

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin	Revenue	% of total revenue	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000*	%	%
										(unaudited)					
Property management services	59,792	71.2	20.9	71,094	53.5	20.3	95,659	43.0	21.0	45,569	49.1	20.3	59,500	51.0	20.7
Value-added services to non-property owners	12,002	14.3	35.1	38,830	29.2	35.9	51,548	23.2	38.1	22,823	24.6	34.2	31,659	27.1	38.6
Community value-added services	11,380	13.6	70.2	17,283	13.0	54.9	54,587	24.5	40.6	14,730	15.9	49.1	19,656	16.8	41.5
Other businesses															
Hotel business	31	less than 0.1	100.0	3,561	2.7	(32.5)	18,570	8.3	12.0	8,729	9.4	7.2	5,111	4.4	(13.2)
Long-term rental apartment business	755	0.9	35.6	2,182	1.6	40.6	2,110	1.0	35.7	963	1.0	28.5	803	0.7	19.3
Total	83,960	100.0	29.7	132,950	100.0	28.3	222,474	100.0	29.2	92,814	100.0	27.1	116,729	100.0	27.6

Please refer to the paragraph headed "Financial Information — Factors affecting our results of operations and financial condition — Mix of business lines" in this document for further details.

We experienced continuous growth during the Track Record Period in terms of revenue and net profit. Our revenue increased by 58.3% from approximately RMB84.0 million for FY2017 to approximately RMB133.0 million for FY2018, then further increased by 67.3% to approximately RMB222.5 million for FY2019. Our revenue increased by approximately 25.8% from approximately RMB92.8 million for 6M2019 to approximately RMB116.7 million for 6M2020. Our profit for the year increased by 49.3% from approximately RMB14.0 million in FY2017 to approximately RMB20.9 million for FY2018, then further increased by 68.4% to approximately RMB35.2 million for FY2019. Our profit increased by approximately 18.0% from approximately RMB13.9 million for 6M2019 to approximately RMB16.4 million for 6M2020. We consider that our value-added services to non-property owners allow us to gain early access to property development projects, establish and cultivate business relationships with property developers, which may put us in a stronger position to secure engagements for property management projects compared to our competitors. We also consider that our continual efforts in enhancing the experience of property owners and residents at our managed properties via providing various types of community value-added services will continuously contribute to our brand value, increase our engagement level with property owners and residents, and improve customers' living experience, satisfaction and customer stickiness to our managed communities, which may strengthen our position when it comes to the renewal negotiation of our existing property management agreements.

The table below sets forth the breakdown of the revenue contribution from Sundy Land Group by each business line during the Track Record Period:

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Revenue from Sundy Land Group	Total revenue	% of revenue from Sundy Land Group	Revenue from Sundy Land Group	Total revenue	% of revenue from Sundy Land Group	Revenue from Sundy Land Group	Total revenue	% of revenue from Sundy Land Group	Revenue from Sundy Land Group	Total revenue	% of revenue from Sundy Land Group	Revenue from Sundy Land Group	Total revenue	% of revenue from Sundy Land Group
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	%
										(unaudited)	*(unaudited)*				
Property management services	9,247	59,792	15.5	10,480	71,094	14.7	23,177	95,659	24.2	9,374	45,569	20.6	9,873	59,500	16.6
Value-added services to non-property owners	8,971	12,002	74.7	30,201	38,830	77.8	40,171	51,548	77.9	18,517	22,823	81.1	26,748	31,659	84.5
Community value-added services	2,261	11,380	19.9	3,796	17,283	22.0	14,121	54,587	25.9	5,482	14,730	37.2	11,338	19,656	57.7
Other businesses															
Hotel business	–	31	–	–	3,561	–	32	18,570	0.2	21	8,729	0.2	48	5,111	0.9
Long-term rental apartment business	–	755	–	–	2,182	–	238	2,110	11.3	119	963	12.4	–	803	–
Total	20,479	83,960	24.4	44,477	132,950	33.5	77,739	222,474	34.9	33,513	92,814	36.1	48,007	116,729	41.1

For details of our relationship with and business delineation from Sundy Land Group, please refer to the section headed "Relationship with Controlling Shareholders" in this document.

OUR COMPETITIVE STRENGTHS

We believe that our success is primarily attributable to the following competitive strengths.

We are one of the leading property management companies in Zhejiang province with a strong brand recognition

We are one of the leading property management companies in Zhejiang province. According to CIA, Zhejiang province is one of the most prosperous regions in the PRC with high urbanisation rate and high per capita annual disposable income. In 2019, among the Top 100 Property Management Companies headquartered in Hangzhou and Zhejiang province, we were ranked 5th and 7th in terms of net profit, respectively. In addition, according to CIA, we were ranked 81st, 71st, 65th and 56th among Top 100 Property Management Companies in China (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. In assessing the ranking, CIA assesses the overall strength of a property management company in terms of various factors, including management scale, operational performance, service quality, growth potential and social responsibility. Please refer to the paragraph headed "Industry Overview — Sources of information" in this document for further details of the assessment of the ranking.

With over two decades of experience in the property management service industry, we have expanded our footprint to other cities in the PRC including but not limited to Hefei, Quzhou and Ningbo. In 2011, we obtained the Property Management Enterprise Qualification Certificate Level One* (物業服務企業資質證書一級), which has enabled us to undertake property management projects across the PRC, irrespective of property size, business scale and location. As at 30 June 2020, we set up nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. Please refer to the paragraph headed "History, Reorganisation and Development — Corporate history" in this document for further details of our subsidiaries and branches.

We received various honours and awards in the past. We were awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)" by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心) in 2017, "AAA Class Integrity Management Demonstration Unit" (AAA級誠信經營示範單位) and "AAA Class Quality Service Unit (AAA級質量服務信譽單位)" by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司) in 2018, and "2019 China Five Star Property Service Project* (中國五星級物業服務項目)" by CIA for our "Sundy Time International* (宋都時間國際)" project in 2019. Please refer to the paragraph headed "— Honours and awards" in this section for further details of the material awards that we obtained during the Track Record Period and up to the Latest Practicable Date.

We believe that we can leverage our brand recognition and industry reputation to further increase our market share in the property management industry in Zhejiang province as well as the Yangtze River Delta region. Our Directors believe that our brand name has served, and will continue to serve, as a strong basis for us to solidify our existing market position, expand our property management services, maintain a high renewal rate of managed properties and generate new engagement opportunities in the future.

Our various types of services can create synergies with each other and generate diversified sources of revenue

Our service offering is multi-faceted and driven by evolving customers' needs. Our business model generates diversified revenue streams and reduces our exposure to fluctuations in individual business line. Our Directors consider that, by leveraging our local network, industry experience and our understanding of the demands from property owners and residents, we have developed diversified property management service portfolio by extending services to non-residential properties which include, among others, commercial and industrial properties. During the Track Record Period, we achieved growth in revenue generated from property management services to non-residential properties, which amounted to approximately RMB15.7 million, RMB17.5 million, RMB36.7 million and RMB21.4 million for FY2017, FY2018, FY2019 and 6M2020, respectively. As at 30 June 2020, we managed 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. Our Directors consider that by providing property management services to both residential properties and non-residential properties, we are able to expand our customer base as well as increase our revenue base.

In order to maintain our overall competitiveness in the property market, we endeavour to enhance the experience and satisfaction of property owners and residents at our managed properties. Other than traditional property management services, we provide a spectrum of community value-added services, such as property repair and maintenance, to property owners and residents. On one hand, we believe that our property management business not only brings us significant revenue, but also provides a large customer base for our community value-added services. On the other hand, we believe that our continuous efforts in enhancing the experience of property owners and residents at our managed properties via providing various types of community value-added services will continuously contribute to our brand value, increase our engagement level with property owners and residents, and improve customers' living experience, satisfaction and customer stickiness to our managed communities, which may strengthen our position when it comes to the renewal negotiation of our existing property management agreements. In addition, we consider that the provision of community value-added services creates additional revenue streams for us, thereby creating a win-win outcome for us and the property owners and residents. Revenue from our community value-added services amounted to approximately RMB11.4 million, RMB17.3 million, RMB54.6 million and RMB19.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing approximately 13.6%, 13.0%, 24.5% and 16.8% of our total revenue for the same period, respectively.

We also provide value-added services to non-property owners, primarily property developers. Our services cover various stages of property development process. Before the commencement of construction, we provide consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management. Upon the commencement of pre-sale, we offer sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects. Upon completion of development, we provide pre-delivery unit cleaning services and inspection services. We consider that providing those value-added services to property developers enables us to gain early access to property development projects, establish and cultivate business relationship with the property developers and may put us in a stronger position to secure engagements for property management service projects compared to our competitors. Revenue from our value-added services to non-property owners amounted to approximately RMB12.0 million, RMB38.8 million, RMB51.5 million and RMB31.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing approximately 14.3%, 29.2%, 23.2% and 27.1% of our total revenue for the same period, respectively.

In July 2017 and October 2018, we commenced long-term rental apartment business and hotel business, respectively. Since their commencement of operation, our long-term rental apartment business and hotel business have gradually generated revenue for our Group. We believe that the operation of these businesses is able to further diversify our service portfolio and increase our revenue base.

We believe that our offering of diversified services can create synergies with each other and generate diversified sources of revenue, which enables us to capture business opportunities across our different business lines.

Our service quality helps achieve wide recognition from our customers and increase our brand value

Our Directors consider that we have established a strong brand in the property management service industry in Zhejiang province by leveraging our expertise and in-depth knowledge of the local markets and by providing quality services to our customers. Over the years, we have accumulated extensive experience in the property management industry and developed an in-depth understanding of our customers. Such experience and understanding have created a virtuous cycle when our customers are served better and our brand name spreads wider. We are committed to providing high quality services and establishing our property management brand. We believe that providing high quality property management services does not only provide our customers with good living experience, but also helps maintain customer loyalty and paves the way for us to provide community value-added services with a potentially large customer base.

We believe that our quality service and brand value have enabled us to maintain high customer retention rates. For FY2017, FY2018, FY2019 and 6M2020, our renewal rates with respect to property management service reached 100.0%, 75.0%, 63.6% and 100%, respectively. For FY2018, one out of four expiring property management agreements was not renewed due to cessation of business operation conducted in the relevant property. For FY2019, out of 11 expiring property management agreements, two property management agreements were terminated by us voluntarily and two expiring property management agreements were not renewed because of commercial decision made by the relevant customers, based on their own considerations. Excluding those property service management agreements that we choose not to renew voluntarily or those being terminated due to cessation of business operation conducted in the relevant property, we only had two property management agreements that were not renewed by our customers during the Track Record Period and we consider that we had a relatively satisfactory customer satisfaction and customer retention rate. According to CIA, we were ranked 19th in terms of customer satisfaction rates in Hangzhou in 2019.

Moreover, we consider that our brand recognition helped us achieve growth during the Track Record Period with respect to property management projects and value-added service projects to non-property owners. The number of our property management projects amounted to 17, 22, 29 and 33 as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. Our revenue from property management services increased from approximately RMB59.8 million for FY2017 to approximately RMB71.1 million for FY2018, then to approximately RMB95.7 million for FY2019. For 6M2020, our revenue from property management services amounted to approximately RMB59.5 million. Our revenue from value-added services to non-property owners increased from approximately RMB12.0 million for FY2017 to approximately RMB38.8 million for FY2018, then to approximately RMB51.5 million for FY2019. For 6M2020, our revenue from value-added services to non-property owners amounted to approximately RMB31.7 million.

In addition, we obtained certifications from the International Organisation for Standardisation, namely, the ISO9001 quality management system certification, the ISO14001 environmental management system certification, and the OHSAS 18001 occupational health and safety management system certification. As at the Latest Practicable Date, we had a quality control team of four people who are primarily responsible for ensuring that our services are rendered in line with our standard. In addition, we conduct regular inspections of services to ensure compliance with our quality standards. Despite the intense competition in the property management service industry in the Yangtze Delta River region, we believe that our brand value, quality service and high customer satisfaction rate have helped us achieve wide recognition from our customers and increase our brand value, which we consider have facilitated us to negotiate the renewal of expiring property management projects as well as secure new property management engagements.

We believe that our industry experience and brand recognition will enable us to capture greater market share in the property management service industry in Zhejiang province and penetrate our property management services to other cities and regions in the Yangtze River Delta region.

We benefit from the stable and long-term business cooperation with Sundy Land Group

We believe that our stable and long-term business cooperation with Sundy Land Group, a leading property developer in the PRC, has benefited and will continue to benefit us. Our Directors consider that our long-standing relationship with Sundy Land Group leads to visible growth opportunities, through which we have grown into a reputable property management service provider in Zhejiang province. According to CIA, Sundy Real Estate was ranked 78th among the "2020 Top 100 Property Developers in China (2020年中國房地產百強企業)". Our Directors consider that we have obtained a variety of projects which help us accumulate extensive experience, local knowledge and operational expertise in the property management industry through our long-standing cooperation with Sundy Land Group.

During the Track Record Period, we managed 15, 17, 20 and 23 properties solely developed or co-developed by Sundy Land Group for FY2017, FY2018, FY2019 and 6M2020, respectively. As at the Latest Practicable Date, we had entered into 18 pipeline property management projects with Sundy Land Group, representing approximately 3.2 million sq.m. of contracted GFA. Between 1 July 2020 and the Latest Practicable Date, six pipeline properties developed by Sundy Land Group were delivered and required the commencement of our property management services. We believe that we will continue being a competitive candidate to Sundy Land Group for property management projects, value-added service projects to non-property owners and remodelling and decoration services in the future.

We believe that our long-term business relationship with Sundy Land Group will position us well to continue benefiting from its project reserve, which we consider will provide drivers for the continuing growth of our property management services and further development of our value-added services to non-property owners and remodelling and decoration services. While we are able to enjoy the support from Sundy Land Group, we are also capable of searching for and taking advantage of market opportunities independently. Our total GFA under management for property management of properties developed by independent third-party property developers increased from approximately 50,000 sq.m. as at 31 December 2017 to approximately 2.6 million sq.m. as at 30 June 2020. Please refer to the paragraph headed "— Property management services" in this section for further details.

We have experienced professional management team and professional staff

Our management team is comprised of experienced professionals with a proven track record in the property management industry, which is essential to the further development of our business. Ms. Zhu, our executive Director, joined our Group in August 2007 and has over 12 years of experience in the property management industry. We consider that Ms. Zhu's experience helps us understand industry trends within a broader context and from a higher perspective which enable us to seize market opportunities and steer the course of our business to the right directions. Ms. Zhu is supported by an experienced management team. We believe that our executive Directors and key senior management members are crucial to the growth of our business and our continuous development. We believe that our management team's industry knowledge and vision have enabled us to effectively formulate and implement business strategies, carefully evaluate and manage risks, accurately anticipate changes in the industry and timely capture market opportunities. Please refer to the section headed "Directors and Senior Management" in this document for further details of the biographies of our Directors and senior management members.

In addition, we believe that our employees are critical to provide quality service and satisfy customer experience. To retain and motivate our workforce, we offer our employees career advancement prospects and professional development trainings. We also motivate our employees with incentives.

We believe that our human resource management system will not only ensure that we will have sufficient qualified personnel to continue to serve our customers, but also enable us to maintain our competitive advantages.

OUR BUSINESS STRATEGIES

We envision and strive to become one of the leading property management service providers based in the Yangtze River Delta region. Specifically, we plan to achieve our objectives primarily by implementing the following strategies:

Further expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region through multiple channels

Based on our plan for expanding our business, leveraging our extensive experience in Zhejiang province, we plan to actively explore and pursue opportunities to expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region through multiple channels.

One of our future plans is to acquire, invest in or form strategic alliance with regional property management companies with attractive property management portfolios. We believe that our brand value provides us with various opportunities to expand our property management portfolio through the acquisition of, investments in or strategic alliance with other property management companies. We plan to target one or more than one financially sound property management company with business focus on the provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, which we consider will increase the depth and breath of our service offerings and portfolio of managed properties. We will seek potential acquisition opportunities and investment candidates based on our industry experience. According to CIA, the property management service industry in the PRC is highly fragmented with a large number of market players. Therefore, we believe that it will not be difficult to identify suitable acquisition targets and investment candidates in the industry. We aim to evaluate opportunities selectively in the Yangtze River Delta region with a view to maximising our business coverage while maintaining a reasonable balance of our geographic coverage and level of profitability. We expect that third-party property management companies and their shareholders may also approach us with potential cooperation opportunities.

We believe that the acquisition of or investment in property management companies will improve our brand recognition, increase our market share, increase the breadth of our service offerings and property management portfolio and provide us efficient access to enter new geographic markets.

In addition, we plan to participate in the Future Community Pilot Plan by providing property management services and community value-added services. Primarily driven by government policies, the Future Community Pilot Plan aims improving living environment in dilapidated urban areas. We have participated in one project and our participation primarily involves the provision of property management services and various types of community value-added services including home care services for the elderly, household services, recycling services and other professional services, which will improve the living experience of community residents and allow effective usage of pre-existing buildings. Our Directors consider that the scope of services provided by us under the Future Community Pilot Plan is relatively wider than the scope of our existing property management services and community value-added services. For instance, we help promote value-added services such as produce market services that are generally not included in our existing service scope. We believe that the Future Community Pilot Plan is the future trend for socio-economic development and is an important way to utilise potential value of pre-existing buildings and achieve sustainable development. We also believe that participating in the Future Community Pilot Plan can increase and diversify our revenue base, enhance our brand value and expand our GFA under management. Leveraging our experience in the management of an old residential community under the Future Community Pilot Plan during the Track Record Period, our Directors are of the view we are capable of obtaining new old residential community projects, including but not limited to those under the Future Community Pilot Plan, by way of tendering or negotiation for agreement. For instance, from 1 July 2020 and up to the Latest Practicable Date, through the introduction by the local government, we commenced the management of one additional old residential community located in Hangzhou, which is of similar nature to that of our first project under the Future Community Pilot Plan. This newly commenced old residential community project had a GFA under management of approximately 51,000 sq.m., with a contract duration of three years and a contract sum of RMB4.5 million. Since the commencement and up to the Latest Practicable Date, this project had been profit-making, which our Directors believe was largely attributable to our past experience in the Future Community Pilot Plan.

We believe that, through multiple channels, we will be able to expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region.

We intend to utilise advanced technology to create a smart community and develop mobile application to optimise our business model to increase our cost effectiveness

We also plan to utilise advanced technology to create a smart community, which we expect can facilitate the interaction among our Group, property owners and residents of our managed properties, shorten our service response time, improve our operational efficiency, increase our cost effectiveness and customers' satisfaction rates. While property management is a labour-intensive industry, we consider that the use of technology, such as using electronic patrolling systems and smart access, in our community may enable us to automate certain processes and reduce our need for manpower, which we consider will reduce our operating costs, improve our profitability and, most importantly, bring convenience to the living experience of property owners and residents. We also have plan to introduce other information management systems to help create a smart community for our residents, such as developing intelligent products and services related to fire control and public facilities management. For example, we plan to provide property management services through the utilisation of digital equipment to monitor the status of various facilities and equipment.

We intend to develop a mobile application for property owners and residents to enjoy our services online, complementing our planned smart community and increasing our quality of service. We expect that this mobile application will allow property owners and residents to track property management related information, receive news on latest community activities and order community value-added services. We believe that the mobile application will integrate with our smart community and facilitate interaction between us and property owners and residents, providing them a more convenient and efficient community living experience, which in turn may increase their satisfaction with our services.

We believe that through strengthening our intelligent information management operations, we will be able to better focus on the quality control of our services, manage cost efficiency of our property management projects and improve the living experience of property owners and residents.

Continue exploring and diversifying the type of services that we provide to cater for the needs of our customers and to increase our revenue base

We believe that satisfying the needs of our customers plays a vital role in the sustainable development of our future business. Based on our industry experience, we believe that the taste and requirements of customers are continuously evolving. In order to stay abreast of the latest market trend, we believe that we should aim to expand the breadth of our community value-added service to address the evolving needs of our customers and bring convenience to their daily life, which may help increase our future growth and further diversify our revenue base. Building on our existing service offering, we intend to continue exploring and introducing new services to our managed communities improving residents' living experience and satisfaction, as well as enhancing our service innovation and value creation.

We plan to increase the breath of our community value-added services, such as move-in and move-out services, household services, home cleaning and laundry services, childcare, babysitting and elderly care services. We intend to either provide these services by our own staff or delegate such services to subcontractors or third-party partners. In addition, we also plan to provide customised and personal services to our customers who have such needs. For instance, in some high-end communities for which we provide property management services, the property owners and residents may need butler services and we can provide such services catering for their personal needs. We also intend to devote more resources to identify qualified merchants that can provide a wider variety of products and services for property owners and residents.

We believe that exploring and diversifying the type of services that we provide can create additional value for our customers while broadening our revenue streams in the long run.

Further expand our long-term rental apartment business

We believe that long-term rental apartments will become a popular choice for young generation. We consider that, in modern cities, long working hours, heavy workload and frequent job changing will drive young generation to choose rental places based on various factors, including but not limited to rental cost, convenience, transportation time, flexible rental period and the type of ancillary services provided. Currently, various long-term rental apartments provide one-stop services and shared facilities, including regular cleaning, repair and maintenance, communal catering place, communal gym and Wi-Fi, to their tenants. We believe that while traditional apartment rental from landlords or property agencies may not be able to satisfy those needs, long-term rental apartments, particularly those providing one-stop services and shared facilities, can cater for such wide spectrum of needs of those potential tenants.

Currently, we operate long-term rental apartment business in Hangzhou. Please refer to the paragraph headed "— Other businesses — Long-term rental apartment business" in this section for further details of our long-term rental apartment business. Seeing the growth potential in the long-term rental apartment market, we plan to further expand this segment of business. To expand the scale, we intend to actively search for opportunities to cooperate with Sundy Land Group and/or independent third-party property developers which have self-owned properties in Yangtze Delta River region and lease properties which we consider suitable for this business segment. After the Track Record Period, we have entered into agreements with Sundy Land Group for several of their self-owned properties for our planned expansion of our long-term rental apartment business. For those self-owned properties of Sundy Land Group, we cooperate with property developers and our business model focuses on centralised apartment management, which no longer involves the renting of the property from property owner and our revenue will be primarily generated from a fixed percentage of total revenue from the long-term rental apartment business, which will be operated and managed by us. In addition, we intend to seek opportunities to invest in one-stop long-term rental apartments, which offer various types of services and facilities including but not limited to regular cleaning services, communal entertainment and work spaces, communal kitchen and catering places, and shared facilities such as gym facilities, washing machines and computers. We will also consider collaborating with third-party vendors and suppliers to provide ancillary services such as move-in and move-out services, retail services and purchase services. We plan to collaborate with approved partners to provide produce to rental apartment catering place, which we consider will be welcomed by apartment tenants. We believe that by providing these services and facilities, potential tenants will find it convenient and time-saving to live in such community, which may make our long-term rental apartment more competitive in the market.

Further enhance our risk management and internal control system

We are committed to conducting our business in accordance with the applicable laws, rules and policies issued or endorsed by regulators, market practice and the standards of integrity and fair dealing. We will continue reviewing and improving our internal control systems and risk management systems by employing additional compliance and risk management personnel to enhance the efficiency of our internal control and risk management. We intend to finance these enhancements by our internal resources.

Continue to attract, recruit, cultivate and retain talents to support our growth

We consider that our success depends, to a large extent, on our ability to attract, recruit, cultivate and retain quality employees. We strive to recruit and retain talented employees by offering employee training programmes, encouraging internal promotions within our Group, enhancing our incentive schemes and external recruitment. In light of this, we intend to adopt the following measures:

- *Provide trainings for our employees*: Our training programmes are part of the benefits that we offer to our employees. Our employee training programmes primarily consist of induction training and on-the-job training. Depending on the function, grading and experience of the employees, our training programmes aim to help him/her to develop their skills related to the property management industry.

- *Encourage internal promotion and enhance incentive schemes*. We view internal promotion as an important means of developing and retaining talents. Together with external hires in the market, we plan to continue training our internal staff and promoting appropriate staff to managerial positions, which we expect to produce managerial talents in sufficient quantities to support our needs. We also plan to enhance our incentive mechanism, such as promoting performance bonus, to ensure the association of remuneration, bonus and performance. By doing so, we believe that it would enhance the morale of our employees, and provide more incentives for them to work with us.

- *Recruit more talent*: As we plan to execute further acquisitions, we will selectively retain appropriate talent from acquired companies' workforces. We will also seek to supplement our talent poll with external hires as needs arise.

We believe that having a sufficient pool of talented managerial staff and employees is crucial to support our planned business growth and maintain our service quality. We intend to finance these plans by our internal resources.

OUR BUSINESS MODEL

We are adapting to the evolving industry by diversifying our revenue streams through various service offerings to better meet the needs of property owners and residents of our managed properties. In addition to standard property management services, we also offer value-added services to non-property owners and community value-added services. Below are the summary descriptions of our main business lines:

- *Property management services.* We provide a range of property management services, mainly including security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. Our portfolio of managed properties comprises (i) residential properties (including mid-end and high-end residential communities); and (ii) non-residential properties (including commercial and industrial properties).

- *Value-added services to non-property owners.* We provide a range of value-added services to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties.

- *Community value-added services.* We provide customers, primarily property owners and residents, with a spectrum of community value-added services, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. Community space services primarily represent (i) assisting property owners to lease out common areas to advertisement companies for advertisement placements and telecommunication companies for the installation of telecommunication base stations; and (ii) utilising common areas in our managed properties.

Our main business lines complement each other in the following ways:

- *Property management services and value-added services to non-property owners.* We capitalise on our brand equity gained through our property management services by offering value-added services to non-property owners. We consider that we can also gain early access to projects under development and establish and expand business relationships with the property developers, which provides us with a competitive advantage in securing those new property management engagements compared to our competitors. We are able to improve the efficiency of our property management services by providing value-added services to non-property owners at the design and development stage of property development projects, such as advising property developers and property owners at the early and construction stages on project planning and design management.

- *Property management services and community value-added services.* We consider that while our property management services provide a large customer base for our community value-added services, our community value-added services help boost the satisfaction and loyalty of the property owners and residents of our managed properties by offering them access to a wide range of services through a variety of channels. We believe that the extensive range of services that we offer supports our value proposition to property owners and residents, satisfies their diverse demands and thereby increasing their loyalty to our property management services.

THE IMPACT OF THE NCP

The NCP, the pneumonia outbreak caused by a new type of coronavirus, was first reported in December 2019. Since the outbreak of the epidemic caused by the NCP, various cities in the PRC have taken emergency public health measures including travel restrictions to control the NCP epidemic. Various measures are being taken by the PRC government to combat the coronavirus, including border control in reducing people movement across the cities. With increasing public awareness of the NCP, enhanced prevention measures, such as use of mask, frequent hand-washing, and proper cough and sneeze etiquette, are widely adopted by the citizens in the PRC.

Our Group has implemented various measures in response to the NCP. For details, please refer to the paragraph headed "— Social, health, work safety and environmental matters" in this section. Since the outbreak of the NCP, the delivery of (i) one residential property solely developed by Sundy Land Group; and (ii) three residential properties co-developed by Sundy Land Group was delayed due to the extended suspension of work after Lunar New Year. The said properties were subsequently delivered during the period from August 2020 to November 2020. As a result from the delay in delivery, our revenue from the four aforesaid properties for the year ending 31 December 2020 would be approximately RMB4.8 million less than originally expected, out of which (i) approximately RMB0.3 million would be attributable to our property management services; (ii) approximately RMB4.5 million would be attributable to our value-added services to non-property owners; and (iii) approximately less than RMB0.1 million would be attributable to our community value-added services. Our Directors consider the said decrease in expected revenue of RMB4.8 million for the year ending 31 December 2020 to be immaterial to our overall financial performance and financial position.

Furthermore, our hotel business has been affected due to the outbreak of the NCP. However, as the revenue from our hotel business contributed a relatively small portion of our total revenue during the Track Record Period, our Directors consider that the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance. From 1 July 2020 and up to the Latest Practicable Date, the operations of our hotel business remained stable with the occupancy rate of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) of approximately 82.4%, which was higher than the occupancy rate of the hotel during the Track Record Period.

Given that (i) the decrease in expected revenue for the year ending 31 December 2020, which resulted from the delay in property delivery, was immaterial to our overall financial performance and financial position; (ii) the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance; (iii) the policies implemented by the PRC government on supporting enterprises after the outbreak of the NCP; and (iv) as advised by CIA, the impact on the real estate market in PRC has gradually recovered since the second quarter in 2020, our Directors consider there has been no material impact of each of our business lines due to the outbreak of the NCP after the Track Record Period and up to the Latest Practicable Date. Our Directors and senior management members will continue assessing the impact of the NCP on our business, result of operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the NCP.

PROPERTY MANAGEMENT SERVICES

Overview

We have been providing property management services in the PRC for over two decades since 1995, and have since then established a strong brand in Hangzhou. As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. Our portfolio of managed properties comprises (i) residential properties (including mid-end and high-end residential communities); and (ii) non-residential properties (including commercial and industrial properties).

The table below sets forth our (i) GFA under management; and (ii) number of managed properties, as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
GFA under management *('000 sq.m.)*	3,165	3,817	5,948	6,363
Number of managed properties	17	22	29	33

The following table sets out details of our properties under management as at 30 June 2020:

Property No.	Property type	Revenue model	Type of property developer	Contract term [Note 1]	Actual or expected delivery date [Note 2]	Commencement date [Note 1]	Approximate GFA under management	Property management services revenue for FY2017	Property management services revenue for FY2018	Property management services revenue for FY2019	Property management services revenue for 6M2019	Property management services revenue for 6M2020	Expected property management services revenue for the three years ending 31 December 2022
							'000 sq.m.	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*
1	Non-residential	Lump sum	Independent third party	Two years	October 2005	January 2019	9	1,083	1,083	1,083	537	537	3,250
2	Non-residential	Lump sum	Solely developed by Sundy Land Group	Two years	December 2005	October 2019	14	618	685	685	342	342	2,055
3	Non-residential	Lump sum	Solely developed by Sundy Land Group	One year	December 2008	January 2020	10	1,585	1,585	2,602	1,301	1,321	7,805
4	Residential	Lump sum	Solely developed by Sundy Land Group	N/A [Note 3]	October 2008	June 2019	167	3,734	3,734	3,734	1,867	1,867	11,202
5	Non-residential	Lump sum	Solely developed by Sundy Land Group	Two years	December 2007	December 2018	58	2,075	2,078	2,078	1,039	1,039	6,234
6	Residential	Lump sum	Solely developed by Sundy Land Group	N/A [Note 3]	December 2005	January 2020	131	2,058	2,058	2,058	1,029	1,029	6,175
7	Residential	Lump sum	Solely developed by Sundy Land Group	Two years	June 2011	April 2019	354	6,788	8,694	6,789	3,394	4,187	21,630
8	Residential	Commission	Independent third party	Five years upon notification date or upon the establishment of the first property owners' association and signing of property management agreement	N/A [Note 7]	December 2014	41	–	201	113	57	57	340
9	Residential	Lump sum	Solely developed by Sundy Land Group	Three years	June 2014	January 2019	306	5,886	5,886	5,886	2,943	2,943	17,657
10	Residential	lump-sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	April 2016	April 2016	148	3,498	3,498	3,498	1,749	1,749	10,493

Property No.	Property type	Revenue model	Type of property developer	Contract term [Note 1]	Actual or expected delivery date [Note 2]	Commencement date [Note 1]	Approximate GFA under management	Property management services revenue for FY2017	Property management services revenue for FY2018	Property management services revenue for FY2019	Property management services revenue for 6M2019	Property management services revenue for 6M2020	Expected property management services revenue for the three years ending 31 December 2022
							'000 sq.m.	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*
11	Non-residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 8]	June 2016	June 2016	64	3,660	3,425	3,461	1,731	1,848	11,148
12	Residential	Lump sum	Co-developed by Sundy Land Group [Note 5]	No fixed term [Note 4]	November 2013	November 2013	574	3,867	4,069	5,494	2,747	2,528	16,483
13	Residential	Lump sum	Co-developed by Sundy Land Group [Note 6]	Three years	May 2011	March 2018	271	4,184	4,771	4,184	2,799	2,094	12,551
14	Non-residential	Lump sum	Co-developed by Sundy Land Group [Note 6]	Three years	June 2014	March 2018	345	6,573	7,453	11,213	4,899	4,194	25,149
15	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	October 2018	August 2016	183	–	662	5,075	2,538	1,951	15,226
16	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	November 2018	October 2016	127	–	262	3,904	1,952	1,570	11,711
17	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	December 2017	October 2015	230	–	5,673	6,658	2,837	3,036	19,975
18	Non-residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	December 2018	October 2015	78	–	–	4,708	2,518	2,026	14,124
19	Non-residential	Lump sum	Independent third party	Three years	May 2000	January 2020	27	–	452	452	226	226	1,355
20	Non-residential	Lump sum	Independent third party	Three years	January 2015	January 2019	250	–	–	1,098	549	549	3,294
21	Non-residential	Lump sum	Solely developed by Sundy Land Group	No fixed terms [Note 4]	July 2019	June 2017	131	–	–	3,924	–	3,981	23,336
22	Residential	Lump sum	Independent third party	Three years	N/A [Note 7]	July 2019	182	–	–	1,787	–	1,803	10,211

Notes:

1. If our Group entered into more than one property management agreement with a customer for the same property under management, contract term denotes the term of the latest property management agreement entered into between the parties and commencement date refers to the commencement date of the latest agreement.
2. Delivery date is the date when the property developer delivered the first property to the property owners.

Property No.	Property type	Revenue model	Type of property developer	Contract term [Note 1]	Actual or expected delivery date [Note 2]	Commencement date [Note 1]	Approximate GFA under management	Property management services revenue for FY2017	Property management services revenue for FY2018	Property management services revenue for FY2019	Property management services revenue for 6M2019	Property management services revenue for 6M2020	Expected property management services revenue for the three years ending 31 December 2022
							'000 sq.m.	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*	*RMB'000*
23	Non-residential	Lump sum	Solely developed by Sundy Land Group	One year	September 2018	June 2019	9	–	–	1,096	156	994	2,349
24	Non-residential	Lump sum	Independent third party	One year	N/A [Note 7]	March 2020	6	–	–	667	68	209	1,215
25	Non-residential	Lump sum	Independent third party	One year	N/A [Note 7]	March 2020	2	–	–	170	125	93	611
26	Non-residential	Lump sum	Solely developed by Sundy Land Group	One year	December 2009	April 2019	30	–	–	870	234	442	727
27	Residential	Lump sum	Independent third party	N/A [Note 9]	N/A [Note 7]	December 2019	1,370	–	–	–	–	11,113	66,368
28	Non-residential	Lump sum	Independent third party	One year and Three months	N/A [Note 7]	October 2019	709	–	–	1,698	–	3,396	6,792
29	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed terms [Note 4]	October 2019	July 2017	122	–	–	516	–	1,578	9,674
30	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	May 2020	April 2020	149	–	–	–	–	562	3,372
31	Non-residential	Lump sum	Independent third party	2 years	October 2013	June 2020	21	–	–	–	–	16	1,463
32	Non-residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 8]	August 2020	January 2020	14	–	–	–	–	220	1,317
33	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term [Note 4]	June 2020	June 2020	232	–	–	–	–	–	15,000

3. We have entered into a temporary agreement for renewal and the formal agreement will be entered into at a later date.
4. No fixed term set out in the property management agreement and the agreement will be effective until the formation of the property owners' association and signing of new property management agreement.
5. This property was developed by project company non-wholly owned and not controlled by Sundy Land Group.
6. This property was developed by project company non-wholly owned and controlled by Sundy Land Group.
7. The information is not available.
8. No fixed term set out in the property management agreement and the agreement will be effective until three months after the formation of the property owners' association and signing of new property management agreement.
9. We entered into a cooperation agreement and expect to enter into a formal agreement soon.

The table below sets out details of our pipeline properties as at the Latest Practicable Date:

Pipeline property No.	Property type	Revenue model	Type of property developer	Contract term	Expected delivery date	Approximate contracted GFA	Expected property management services revenue for 2H2020[Note 4]	Expected property management services revenue for the year ending 31 December 2021[Note 4]	Expected property management services revenue for the year ending 31 December 2022[Note 4]
						'000 sq.m.	*RMB'000*	*RMB'000*	*RMB'000*
1	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	August 2021	110	–	794	2,372
2	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	March 2021	137	–	932	1,243
3	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	January 2021	129	–	3,129	3,129
4	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	January 2021	137	–	4,072	4,072
5	Residential	Lump sum	Solely developed by Sundy Land Group	Five years	October 2021	317	–	556	2,225

Pipeline property No.	Property type	Revenue model	Type of property developer	Contract term	Expected delivery date	Approximate contracted GFA/Expected contracted GFA	Expected property management services revenue for 2H2020[Note 4]	Expected property management services revenue for the year ending 31 December 2021[Note 4]	Expected property management services revenue for the year ending 31 December 2022[Note 4]
						'000 sq.m.	*RMB'000*	*RMB'000*	*RMB'000*
6	Residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	No fixed term[Note 1]	December 2020	142	–	2,266	2,266
7	Residential	Lump sum	Co-developed by Sundy Land Group[Note 2]	No fixed term[Note 1]	June 2021	44	–	601	1,203
8	Non-residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	No fixed term[Note 1]	August 2022	533	–	–	2,372
9	Residential	Lump sum	Solely developed by Sundy Land Group	Five years	December 2022	178	–	–	–
10	Non-residential	Lump sum	Developed by independent third party	No fixed term[Note 1]	August 2021	67	–	1,778	4,267
11	Residential	Lump sum	Co-developed by Sundy Land Group[Note 2]	Five years or until the establishment of property owners' association	December 2022	224	–	–	–
12	Residential	Lump sum	Co-developed by Sundy Land Group[Note 2]	Three years	December 2021	117	–	–	2,182
13	Residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	No fixed term[Note 1]	December 2022	98	–	–	–
14	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	December 2022	23	–	–	–
15	Residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	No fixed term[Note 1]	March 2023	199	–	–	–
16	Residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	No fixed term[Note 1]	July 2022	157	–	–	1,400
17	Residential	Lump sum	Solely developed by Sundy Land Group	No fixed term[Note 1]	July 2022	291	–	–	1,000
18	Residential	Lump sum	Solely developed by Sundy Land Group	Three years and eleven months	May 2022	132	–	–	2,800
19	Residential	Lump sum	Co-developed by Sundy Land Group[Note 3]	Five years	September 2023	246	–	–	–
20	Residential	Lump sum[Note 5]	Developed by independent third party	Six months[Note 5]	N/A[Note 5]	9	–	127	127

Notes:

1. No fixed term set out in the preliminary property management agreement and the agreement will be effective until the formation of the property owners' association and signing of new property management agreement.

2. This property was developed by project company non-wholly owned and controlled by Sundy Land Group.

3. This property was developed by project company non-wholly owned and not controlled by Sundy Land Group.

4. For our pipeline projects, when we estimated the expected property management services revenue, we take into account several months of buffer period for the expected delivery date in case of delay of delivery, during which there is no estimated property management services revenue.

5. We have won the tender for the provision of property management services for this property. However, we have not entered into formal agreement with the relevant party. We expect to enter into a legally binding agreement for this property in or before January 2021. The contract term is expected to be six months. This property was already delivered to residents.

Our property management services generally include:

- *Security services*. We strive to ensure the safety of property owners and residents of our managed properties through providing security services. The security services that we provide include patrolling, access control and manned guard stations. We generally provide our security services either through our own employees or through our subcontractors. During the Track Record Period, we outsourced part of our security services to subcontractors while upholding the monitoring of these security services by our own employees. Depending on the scope and terms of individual property management agreement and upon our customers' requests, we may also provide car park management services.

- *Cleaning and gardening services*. We provide general cleaning, gardening and landscaping services to our managed properties either through our own employees or through our subcontractors.

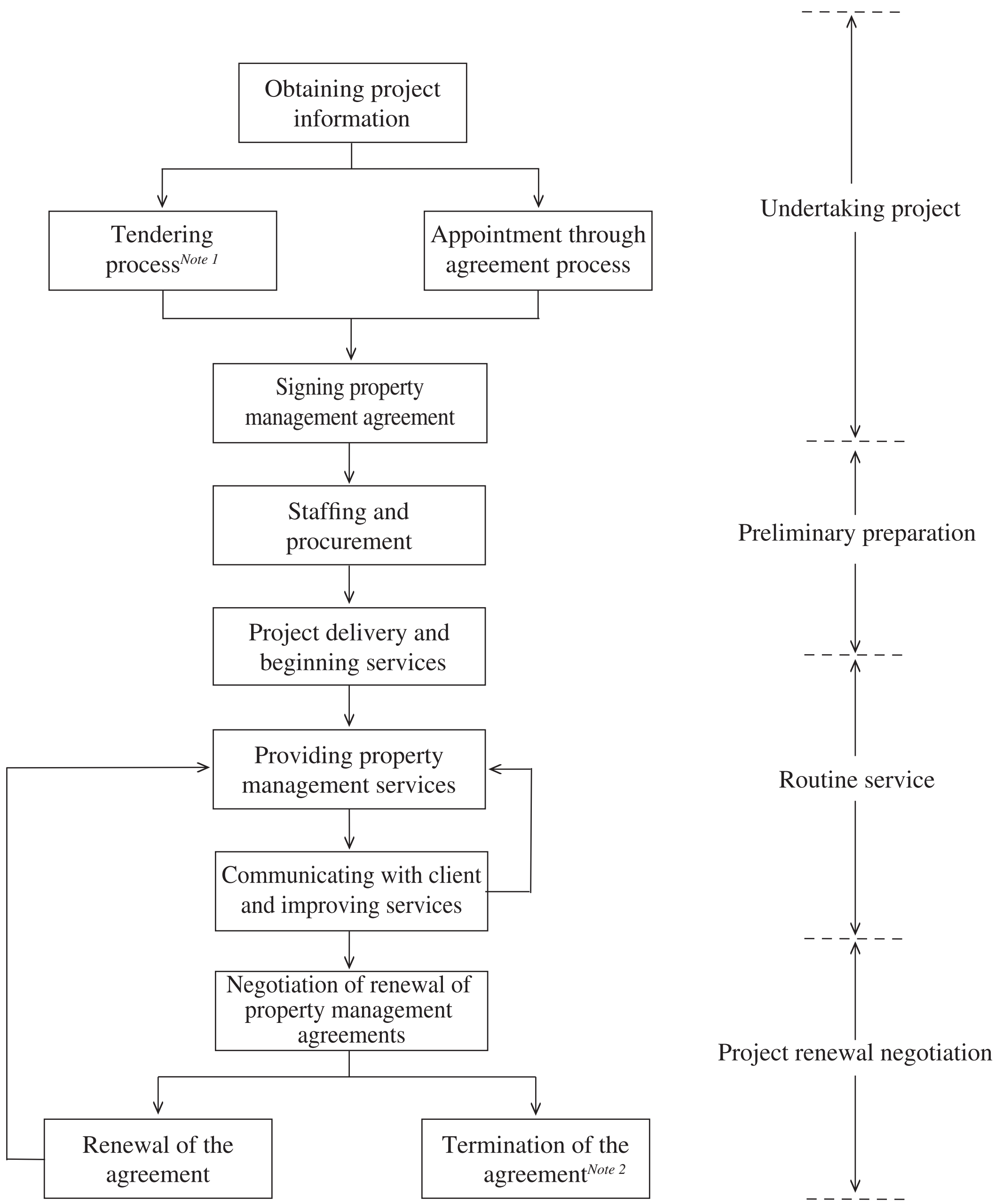
- *Repair and maintenance services*. The scope of our repair and maintenance services generally cover (i) common areas such as stairs and corridors; (ii) common facilities, such as elevators and central air conditioning systems; (iii) fire and safety facilities, such as fire extinguishers and fire alarm systems; (iv) security facilities, such as surveillance system; and (v) utility facilities. We maintain a pool of approved subcontractors for the provision of certain repair and maintenance services.

- *Ancillary services*. We also provide ancillary services, including (i) assisting property owners and residents with daily services, such as visitors' checking in and car parking; (ii) handling customer complaints and suggestions and following up on the progress and feedback; and (iii) establishing and maintaining relationship with property owners and residents.

Our scope of property management services provided to residential properties may be broader than that provided to some non-residential properties as residential property management agreements usually include wider spectrum of property management services whereas customers of non-residential properties may request for tailor-made service scope depending on the relevant customer's own needs, which may only include one or a few service types such as security and cleaning services.

Process of Obtaining Property Management Projects

The following flow chart illustrates a brief process of our property management projects, from identifying a project to renewal/termination of a service agreement:



Notes:

1. Tendering includes public tenders and tenders by invitation.

2. Sometimes we choose to terminate our property management agreement voluntarily based on our internal consideration such as projected profitability.

New property management projects are generally secured through (i) tendering (including public tenders and tenders by invitation); and (ii) appointment through agreement. Please refer to the paragraph headed "Regulatory Overview — Laws and regulations in relation to property management services — Appointment of the property management enterprises — Preliminary property management" in this document for further details of tender processes.

The table below sets forth the number of property management agreements secured by tender and appointment through agreement as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	Number	Number	Number	Number
Tender from Sundy Land Group	4	7	7	9
Tender from property owners' association	–	–	1	1
Tender from other independent third parties	–	1	–	–
Appointment through agreement from Sundy Land Group and Zhizhonghe Group	5	5	7	8
Appointment through agreement from property owners' association	6	6	8	8
Appointment through agreement from other independent third parties	2	3	6	7
Total	17	22	29	33

The table below sets forth the revenue contribution of property management agreements secured by tender and appointment through agreement as at the dates/during the periods indicated:

	FY2017	FY2018	FY2019	6M2019	6M2020
	Revenue	**Revenue**	**Revenue**	**Revenue**	**Revenue**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Tender from Sundy Land Group	23,454	30,051	37,545	18,629	16,452
Tender from property owners' association	–	–	1,787	–	1,804
Tender from other independent third parties	–	498	780	780	–
Appointment through agreement from Sundy Land Group and Zhizhonghe Group	16,014	18,311	15,074	6,944	8,127
Appointment through agreement from property owners' association	19,241	20,779	36,626	18,313	17,696
Appointment through agreement from other independent third parties	1,083	1,455	3,847	903	15,421
Total	59,792	71,094	95,659	45,569	59,500

Our property management agreements which were secured by appointment through agreement typically represent (i) agreements for non-residential properties; and (ii) agreements for newly established property owners' association of residential properties under our management pursuant to the preliminary property management agreements which were already entered into by us.

Under the tendering process, we decide whether to submit a tender after a preliminary evaluation of the tender documents. If we decide to submit a tender, we will prepare and submit the tender to the property developer or property owners' association for their consideration. If we are awarded the agreement, we will sign a legally binding property management agreement to set out the terms of our services.

A typical bidding process primarily involves the following stages:

- *Invitation*. The property developer should file the invitation to tender with local authority. Then the property developer may publish an announcement to invite potential bidders setting out the specifications and requirements for the tendered property management project.

- *Pre-qualification*. The property developer may pre-examine the bidding qualification of the bidders according to the provisions of the invitation documents.

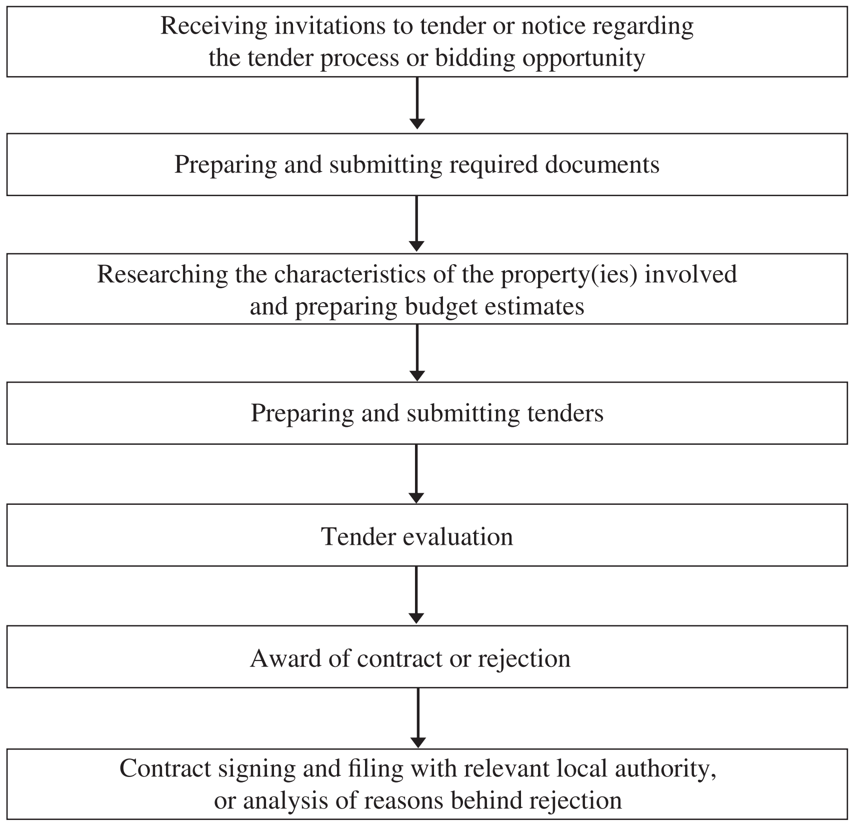
- *Tender submission*. Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.

- *Review*. The property developer will establish a tender review committee to review and rank the submitted tenders. The tender review committee takes into account various factors such as credentials, service quality, availability of capital and proposed fee levels when it reviews the proposals.

- *Selection*. Based on its review, the tender review committee recommends to the property developer not more than three candidates. The property developer will then engage the property management company ranked the first.

- *Award and agreement signing*. The property management agreement so awarded to the winner is expected to be signed within 30 days of the award and the property developer will need to file with the competent PRC property administration authorities within 15 days after the bidding result comes out.

The flow chart below illustrates each stage of our typical tender process for obtaining property management agreements:



For residential properties developed by Sundy Land Group, we also undergo the tender process before being awarded property management agreements. Throughout the Track Record Period, the bidding success rate of us securing property management projects for properties solely developed and co-developed by Sundy Land Group was 100% and 100%, respectively. We consider that such high bidding success rate with respect to projects developed by Sundy Land Group during the Track Record Period was primarily attributable to, among others, our ability to provide quality property management services, our historical cooperation relationship with Sundy Land Group which started in 1998, which has not only built trust in our service and reputation by Sundy Land Group but enabled us to better understand and fulfil Sundy Land Group's needs and requirements, and our diverse and wide service offerings.

We also actively explore new engagement opportunities with independent third-party property developers from time to time. We submitted one, one, nine and six tenders to independent third-party property developers in FY2017, FY2018, FY2019 and 6M2020, respectively. We won nil, one, three and nil tenders from independent third-party property developers for the same period.

Our Directors consider that there is no difference between the public tendering process and the reviewing criteria with respect to projects developed by Sundy Land Group or independent third-party property developers.

Our Geographic Presence

As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to properties with a total GFA under management of approximately 6.4 million sq.m.. We believe that the establishment of such subsidiaries and branches will help us prepare for further expansion of our operations and enable us to explore potential business opportunities.

The table below sets forth the breakdowns of our total GFA under management and number of our managed properties by geographic region as at the dates indicated:

	As at 31 December									As at 30 June		
	2017			2018			2019			2020		
	GFA		Number	GFA		Number	GFA		Number	GFA		Number
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Hangzhou	2,894	91.4	15	2,918	76.5	18	4,095	68.8	21	4,361	68.5	24
Zhejiang province (excluding Hangzhou)	–	–	0	283	7.4	2	1,056	17.8	5	1,056	16.6	5
Yangtze River Delta region (excluding Zhejiang province)	271	8.6	2	616	16.1	2	797	13.4	3	946	14.9	4
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	6,363	100.0	33

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Hangzhou	49,035	82.0	52,698	74.1	62,664	65.5	31,345	68.8	40,951	68.8
Zhejiang province (excluding Hangzhou)	–	–	6,172	8.7	15,811	16.5	6,526	14.3	9,895	16.6
Yangtze River Delta region (excluding Zhejiang province)	10,757	18.0	12,224	17.2	17,184	18.0	7,698	16.9	8,654	14.6
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

During the Track Record Period, the revenue of our property management services was mainly generated from properties located in Zhejiang province, particularly Hangzhou. We expect that our managed properties in Zhejiang province will continue to account for a significant portion of our revenue of property management services in the near future.

Types of Managed Properties

We manage a diversified portfolio of properties, including (i) residential properties (including mid-end and high-end residential communities); and (ii) non-residential properties (including commercial and industrial properties).

The table below sets forth the breakdowns of our total GFA under management and the number of our managed properties by type of properties as at the dates indicated:

	As at 31 December									As at 30 June		
	2017			2018			2019			2020		
	GFA		Number	GFA		Number	GFA		Number	GFA		Number
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Residential properties	2,655	83.9	10	3,194	83.7	13	4,206	70.7	14	4,586	72.1	16
Non-residential properties	510	16.1	7	623	16.3	9	1,742	29.3	15	1,777	27.9	17
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	6,363	100.0	33

During the Track Record Period, the majority of the revenue of our property management services was generated from residential properties, which we expect to continue accounting for a significant portion of our revenue of this business line in the near future. Our revenue generated from the management of residential properties was approximately RMB44.1 million, RMB53.6 million, RMB59.0 million and RMB38.1 million for FY2017, FY2018, FY2019 and 6M2020, respectively. Our revenue generated from the management of non-residential properties was approximately RMB15.7 million, RMB17.5 million, RMB36.7 million and RMB21.4 million for FY2017, FY2018, FY2019 and 6M2020, respectively.

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Residential properties	44,085	73.7	53,578	75.4	58,958	61.6	30,947	67.9	38,067	64.0
Non-residential properties	15,707	26.3	17,516	24.6	36,701	38.4	14,622	32.1	21,433	36.0
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

In order to diversify our portfolio of properties under management, we entered the market of non-residential properties by managing non-residential properties developed by Sundy Land Group over a decade ago and started actively searching for potential opportunities from independent third party property developers, property owners and/or operators. During the Track Record Period, we obtained a significant portion of our managed non-residential properties from Sundy Land Group, and the rest from independent third-party property developers, property owners and/or operators of the relevant property including medical center operator. During the Track Record Period, we rejected the bidding opportunity for six projects from independent third parties because the estimated profitability of these potential projects were below our requirement. We estimated that the total contract value of these projects would amount to approximately RMB29.7 million.

Our Directors confirmed that while our focus was still on residential properties, we strived to increase the number of our managed non-residential properties by actively searching for such opportunity from both Sundy Land Group and independent third parties. Therefore, we managed to achieve continuous growth for our managed non-residential properties in terms of number, which increased from seven as at 31 December 2017 to 17 as at 30 June 2020. Due to the increase in number of properties and GFA under management of non-residential properties, and the average monthly property management fees for non-residential properties being generally higher than that of residential properties, the proportion of our revenue generated from non-residential properties increased from approximately 26.3% for FY2017 to approximately 36.0% for 6M2020 of our total property management services revenue.

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

	As at 31 December		As at 31 December		As at 31 December		As at 30 June	
	2017		2018		2019		2020	
	GFA	Number	GFA	Number	GFA	Number	GFA	Number
	'000 sq.m.		*'000 sq.m.*		*'000 sq.m.*		*'000 sq.m.*	
Properties solely developed or co-developed by Sundy Land Group								
Office building and commercial building	492	5	492	5	700	7	714	8
Hotel	9	1	–	–	–	–	–	–
Factory and industrial park	–	–	–	–	9	1	9	1
Other	–	–	–	–	30	1	30	1
Properties developed by independent third-party property developers								
Office building and commercial building	9	1	51	2	9	1	9	1
Hotel	–	–	–	–	–	–	21	1
Factory and industrial park	–	–	80	2	277	2	277	2
Other	–	–	–	–	717	3	717	3
Total	510	7	623	9	1,742	15	1,777	17

The table below sets forth the breakdown of the revenue contribution by type of non-residential properties for the periods indicated:

	FY2017	FY2018	FY2019	6M2019	6M2020
	Revenue	**Revenue**	**Revenue**	**Revenue**	**Revenue**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Properties solely developed or co-developed by Sundy Land Group					
Office building and commercial building	14,510	15,227	28,671	11,830	14,971
Hotel	113	85	–	–	–
Factory and industrial park	–	–	1,096	157	994
Other	–	–	870	234	442
Properties developed by independent third-party property developers					
Office building and commercial building	1,084	1,254	1,199	653	537
Hotel	–	–	–	–	16
Factory and industrial park	–	950	2,330	1,555	775
Other	–	–	2,535	193	3,698
Total	15,707	17,516	36,701	14,622	21,433

We believe that as we accumulate experience and recognition for the quality of our property management services, we will be able to continue growing our portfolio of managed properties and further diversify our customer base.

Type of Property Developers

During the Track Record Period, our managed properties were primarily solely developed or co-developed by Sundy Land Group while the rest was developed by independent third-party property developers. For information concerning the business delineation between Sundy Land Group and us, please refer to the paragraph headed "Relationship with Controlling Shareholders — Delineation of business" in this document.

We believe that our stable and long-term business cooperation with Sundy Land Group, one of the leading property developers in the PRC, has benefited and will continue benefiting us. Our Directors consider that our long-standing relationship with Sundy Land Group leads to visible growth opportunities, through which we have grown into a reputable property management service provider in Zhejiang province. Our Directors consider that we have obtained a variety of projects which help us accumulate extensive experience, local knowledge and operational expertise in the property management industry through our long-standing cooperation with Sundy Land Group. While we believe that our long-term business relationship with Sundy Land Group will position us well to continue benefiting from its project reserve, which we consider will provide drivers for the continuing growth of our property management services, we also have been searching for opportunities from independent third parties, with an aim to reduce our reliance on Sundy Land Group, by increasing tendering for property management projects from independent third parties and encouraging our staff to develop third-party customers and motivate them by distributing a bonus in accordance with the revenue brought about as a result of such new engagement.

The table below sets forth the breakdown of the number of tenders that we submitted and we won by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2020	
	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won
Properties solely developed by Sundy Land Group	6	6	7	7	3	3	1	1
Properties co-developed by Sundy Land Group	2	2	4	4	4	4	1	1
Properties developed by independent third-party property developers	1	0	1	1	9	3	6	0
Total	9	8	12	12	16	10	8	2

Our Directors expect our tender success rate for properties solely developed and co-developed by Sundy Land Group to be 100% and 80%, respectively, for the three years ending 31 December 2022. Our Directors consider that our expected tender success rate of 100% for properties solely developed by Sundy Land Group was determined after taking into consideration of, among others, our ability to provide quality property management services, our historical cooperation relationship with Sundy Land Group, which has not only built trust in our service and reputation by Sundy Land Group but enabled us to better understand and fulfil Sundy Land Group's needs and requirements, and our diverse and wide service offerings. Whereas our expected tender success rate of 80% for properties co-developed by Sundy Land Group was determined after taking into consideration of, among others, our previous tender success rate and the fact that Sundy Land Group will be cooperating with new independent third-party property developers, which might have various commercial considerations including considering if we have previous experience for providing property management services to local properties.

The table below sets forth a breakdown of the respective revenue contribution by type of property management agreement for residential properties during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Preliminary property management agreements with Sundy Land Group	30,242	68.6	38,745	72.3	28,913	49.0	16,111	52.0	10,446	27.4
Preliminary property management agreements with non-wholly owned project companies controlled by Sundy Land Group	–	–	–	–	–	–	–	–	–	–
Preliminary property management agreements with non-wholly owned project companies not controlled by Sundy Land Group	3,867	8.8	4,069	7.6	5,494	9.3	2,747	8.9	2,527	6.6
Preliminary property management agreements with independent third-party property developers	–	–	201	0.4	113	0.2	57	0.2	57	0.2
Property management agreements with property owners' association	9,976	22.6	10,563	19.7	24,438	41.5	12,032	38.9	13,924	36.6
Property management agreements with Sundy Land Group and Zhizhonghe Group	–	–	–	–	–	–	–	–	–	–
Property management agreements with other independent third parties[Note]	–	–	–	–	–	–	–	–	11,113	29.2
Total	44,085	100.0	53,578	100.0	58,958	100.0	30,947	100.0	38,067	100.0

Note: Other independent third parties include a subdistrict office* (街道辦事處), which is a government organisation.

The table below sets forth a breakdown of the respective revenue contribution by type of property management agreement for non-residential properties during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Preliminary property management agreements with Sundy Land Group	5,359	34.1	5,096	29.1	12,093	33.0	4,249	29.1	8,074	37.7
Preliminary property management agreements with non-wholly owned project companies controlled by Sundy Land Group	–	–	–	–	–	–	–	–	–	–
Preliminary property management agreements with non-wholly owned project companies not controlled by Sundy Land Group	–	–	–	–	–	–	–	–	–	–
Preliminary property management agreements with independent third-party property developers	–	–	–	–	–	–	–	–	–	–
Property management agreements with property owners' association	9,265	59.0	10,216	58.3	13,976	38.1	6,281	42.9	5,576	26.0
Property management agreements with Sundy Land Group and Zhizhonghe Group	–	–	452	2.6	6,118	16.6	2,466	16.9	3,532	16.5
Property management agreements with other independent third parties[Note]	1,083	6.9	1,752	10.0	4,514	12.3	1,626	11.1	4,251	19.8
Total	15,707	100.0	17,516	100.0	36,701	100.0	14,622	100.0	21,433	100.0

Note: Other independent third parties include property owners and operators.

The table below sets forth the breakdowns of our total GFA under management and the number of our managed properties by type of property developers as at the dates/during the periods indicated:

	As at 31 December 2017			FY2017	As at 31 December 2018			FY2018	As at 31 December 2019			FY2019	As at 30 June 2020			6M2020
	GFA		Number	Gross profit margin	GFA		Number	Gross profit margin	GFA		Number	Gross profit margin	GFA		Number	Gross profit margin
	('000 sq.m.)	*%*		*%*	*('000 sq.m.)*	*%*		*%*	*('000 sq.m.)*	*%*		*%*	*('000 sq.m.)*	*%*		*%*
Properties solely developed by Sundy Land Group	1,925	60.8	12	20.8	2,456	64.3	14	21.1	2,163	36.4	17	21.1	2,557	40.2	20	32.6
Properties co-developed by Sundy Land Group	1,190	37.6	3	20.9	1,189	31.2	3	20.5	1,189	20.0	3	20.7	1,189	18.7	3	19.5
Properties developed by independent third-party property developers	50	1.6	2	21.3	172	4.5	5	20.4	2,596	43.6	9	21.2	2,617	41.1	10	(0.2)[Note]
Total	3,165	100.0	17	20.9	3,817	100.0	22	20.3	5,948	100.0	29	21.0	6,363	100.0	33	20.7

Note: During 6M2020, we recorded a gross loss margin of approximately 0.2% for our property management services attributable to properties developed by independent third-party property developers, mainly due to a new property management project for an old residential community under the Future Community Pilot Plan located in Hangzhou which was loss-making. As at the Latest Practicable Date, this residential community had a GFA under management of approximately 1.4 million sq.m. and had a history of more than three decades. At the early stage of management, greater labour force was required because (i) this residential community has a relatively large GFA and low building standards; (ii) this residential community has a large number of gates and entrances, and congested streets with a large number of residents and pedestrians; and (iii) we followed the original manpower allocation plan which was adopted by the previous property management company as this was our first project under the Future Community Pilot Plan, and was also the largest property under our management throughout the Track Record Period, we decided to better understand about the characteristics of this community before making any improvement in manpower allocation. As such, we incurred larger labour and subcontracting costs for this residential community comparing to other properties developed by independent third-party property developers in general, and recorded a gross loss margin for this property for 6M2020. As at the Latest Practicable Date, our total costs for this residential community have been reduced gradually compared to our total costs at the early stage through streamlining the labour structure and improving our management efficiency, which include (i) reallocating manpower in accordance to the crowdedness of different locations within the community; and (ii) using technology such as surveillance cameras. The type of personnel reduced by us was mainly cleaning and security personnel. As a result, this residential community had already turnaround to profit in October 2020.

As at 31 December 2017, 2018, 2019 and 30 June 2020, our total GFA under management of properties solely developed and co-developed by Sundy Land Group was approximately 3.1 million sq.m., 3.6 million sq.m., 3.4 million sq.m. and 3.7 million sq.m., respectively, accounting for approximately 98.4%, 95.5%, 56.4% and 58.9% of our total GFA under management as at the same dates.

Our Directors confirmed that during the Track Record Period, certain properties co-developed by Sundy Land Group were not managed by us primarily because we were not invited for tendering or negotiation for agreement.

Although as at 31 December 2019, the GFA under management related to properties developed by independent third-party property developers accounted for approximately 43.6% of our total GFA under management, the revenue derived from such properties only accounted for approximately 8.3% of our total revenue for FY2019. This was because we commenced the property management services of one residential property and one non-residential property, which had an aggregate GFA under management of approximately 2.1 million sq.m., in the last quarter of 2019, and the property management services revenue contribution by these two properties was only approximately RMB1.7 million, accounting for approximately 1.8% of the total property management services revenue for FY2019.

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	44,085	73.7	52,396	73.7	66,803	69.8	32,666	71.7	32,684	54.9
Properties co-developed by project companies controlled by Sundy Land Group	10,757	18.0	12,224	17.2	15,397	16.1	7,699	16.9	6,289	10.6
Properties co-developed by project companies not controlled by Sundy Land Group	3,867	6.5	4,069	5.7	5,495	5.8	2,747	6.0	2,528	4.2
Properties developed by independent third-party property developers	1,083	1.8	2,405	3.4	7,964	8.3	2,457	5.4	17,999	30.3
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

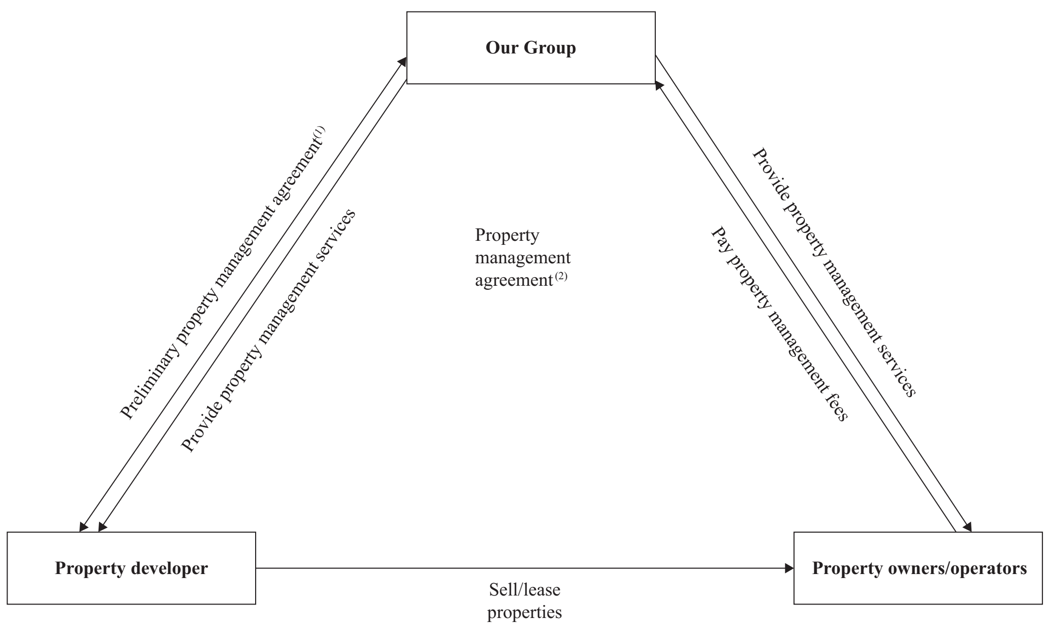
During the Track Record Period, the amount of revenue generated from property management services of properties solely developed or co-developed by Sundy Land Group amounted to approximately RMB58.7 million, RMB68.7 million, RMB87.7 million and RMB41.5 million, respectively, accounting for 98.2%, 96.6%, 91.7% and 69.7% of our total property management services revenue for the same periods. Our Directors consider that the generally decreasing trend in the proportion of revenue generated from property management services of properties solely developed or co-developed by Sundy Land Group during the Track Record Period was resulted from our effort to reduce our reliance on Sundy Land Group. In addition, although a significant portion of property management services revenue during the Track Record Period was related to the management of properties solely developed or co-developed by Sundy Land Group, once the property units are delivered, we collect property management fees from property owners. During the Track Record Period, our property management services revenue generated from Sundy Land Group amounted to approximately RMB9.3 million, RMB10.5 million, RMB23.2 million and RMB9.9 million, accounting for approximately 15.5%, 14.7%, 24.2% and 16.6% of our total property management services revenue for the same periods.

Property Management Agreements

Non-residential Properties

We provide property management services to non-residential properties pursuant to property management agreements entered into between the property owners or property developers and us after the developed properties have been delivered.

The following diagram illustrates our relationships with various parties under when we provide property management services for non-residential properties:



Notes:

(1) The property developer enters into a preliminary property management agreement with us and includes the main clauses of preliminary property management agreement in property sale and purchase agreement, which is legally binding on the property owners.

(2) We may directly enter into property management agreements with property owners or operators who will pay us property management fees for the management of non-residential properties, which typically include hotel, factory and industrial park properties.

For non-residential properties that are held by a single property owner, which typically include hotel, factory and industrial park properties, we normally enter into a property management agreement with the property owner or operator directly. Whereas for non-residential properties that are held by numerous property owners, which typically include office buildings and commercial buildings, we normally first enter into a preliminary property management agreement with the property developer before newly developed properties are sold. As the relevant properties enter into sale stage, the sale and purchase agreements for the relevant properties usually include the main clauses of the preliminary property management agreements and the property owners shall agree to accept our appointment as the property management service provider upon their signing of the relevant sale and purchase agreement with the property developer.

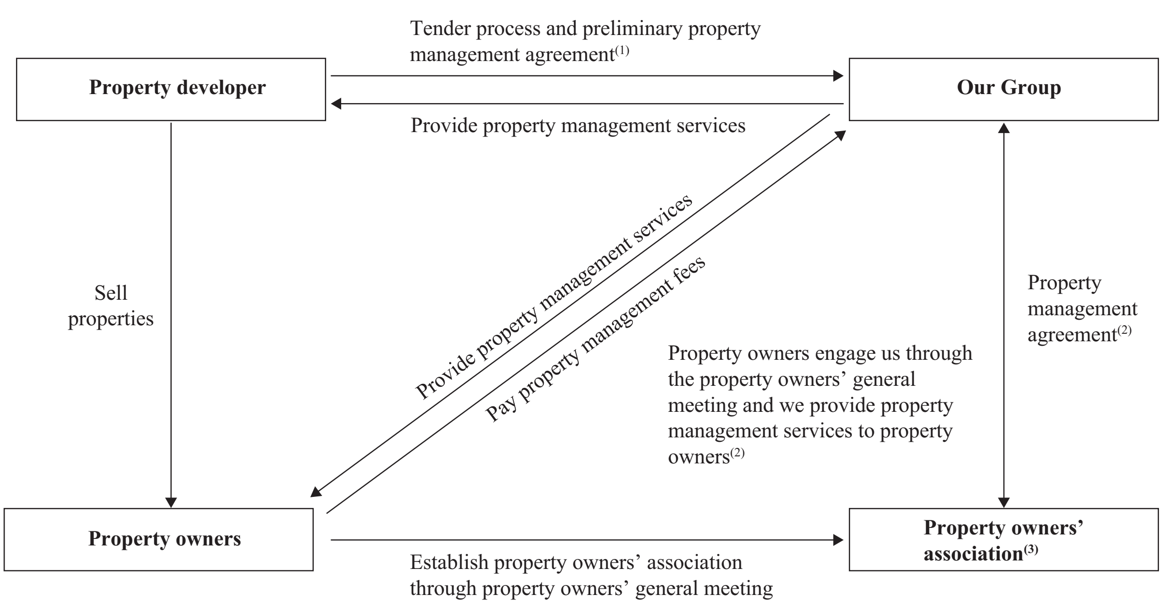
As advised by our PRC Legal Advisers, there is no compulsory requirement for property owners of non-residential properties to form property owners' associations under the PRC Property Law and relevant PRC laws and regulations. As for non-residential properties which have no property owners' associations, we may directly negotiate and enter into contract with, and perform our property management services to, property owners and/or operators who are therefore our customers after the delivery of non-residential projects by property developers to such property owners. Nonetheless, property owners of a non-residential property may also opt to convene a general meeting of property owners, and establish a property owners' association in order to replace the existing property management service provider.

Residential Properties

We provide property management services pursuant to (i) preliminary property management agreements entered into between property developers and us before the newly developed properties are delivered to property owners; or (ii) property management agreements entered into between property owners' associations and us.

We also provide value-added services to property developers during early stages of property development which are outside the scope of property management services. Please refer to the paragraph headed "— Value-added services to non-property owners" in this section for further details.

The following diagram illustrates our relationships with various parties under when we provide property management services for residential properties:



Notes:

(1) The property developer can enter into a preliminary property management agreement with us and such agreement is legally binding on the property owners.

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

(3) The preliminary property management agreement entered into between property developers and us will continue to be legally binding on all the property owners upon expiration if the property owners' association has not been established where the property owners did not hire new service provider and we continued to provide property management services.

Property developers enter into the preliminary property management agreements with us. Property developers typically engage property management service providers before newly developed properties are sold to property owners to ensure that property management services are available before the property owners' associations are established. Upon engagement by the property developers, we as property management companies should make registration of the preliminary property management agreements in accordance with relevant regulations with local PRC authorities. Such agreements are legally binding on the future property owners in accordance with the PRC laws. After the property owners' associations are set up, property owners' associations enter into property management agreements on behalf of property owners with us.

Our PRC Legal Advisers have advised us that although neither the property owners' association nor property owners are parties to the preliminary property management agreements, these agreements are nonetheless legally binding on the future property owners under PRC laws and property owners are obligated to pay property management fees directly to us under these agreements. When the property developers enter into property sale and purchase agreements with property owners, we take the following precautionary measures to highlight to the property owners their legal obligations to comply with the preliminary property management agreements: we typically attach summary of the preliminary property management agreements to the property sale and purchase agreements to ensure that the property owners are aware of and undertake to comply with it. Under PRC laws, the property owners' association, following the direction of property owners' general meeting, may engage a property management company on behalf of the property owners and enter into a property management agreement that is legally binding on all property owners.

Key Terms of Our Property Management Agreements

Most of our clients enter into a standardised property management agreement to be provided by us, while the exact terms of each property management agreement may vary.

The key terms of our preliminary property management agreement and property management agreement are substantially similar and typically include the following:

Principal terms	Summary
Duration	In the event that we sign preliminary property management agreement with a property developer, the duration of such agreement usually remains effective and binding until the property owners' association is formed and new property management agreement is entered into. In the event that we sign the property management agreement with property owners' association, the term of such agreement usually ranges from one to five years and may be extended upon mutual consent.
Scope of services	We are responsible for the scope and standards of the property management services set forth in the agreement provided by us. Our services generally include security services, cleaning, gardening, and repair and maintenance of common areas and common facilities. In some agreements, we are responsible for providing multiple types of services, whereas in other agreements we may be required to provide only one type of property management service, such as cleaning services only.
Areas and facilities to be managed by us	The property management agreements generally specify the total GFA and the serviced areas to be managed by us, which generally include the common areas of the properties (including roof-tops, corridors and pavement in the communities) and the facilities (including water pipes, elevators, water pumps and air conditioning systems in the properties).
Property management fees	The agreements usually set out the property management fee to be collected per sq.m. per month and, if applicable, the commission rate charged on such fees.
Subcontracting	We are allowed to outsource part of our property management services to subcontractors.

Under PRC laws, a general meeting of the property owners of a community can engage or dismiss the property management company with affirmative votes of the property owners who own more than half of the total GFA of the community and account for more than half of the total number of the property owners. The property owners' association may enter into a property management agreement on behalf of owners with the property management enterprise engaged in the property owners' general meeting. Please refer to the paragraph headed "Regulatory Overview — Laws and regulations in relation to property management services — Appointment of the property management enterprises — Appointed by the property owners' general meeting" in this document for further details. In the event of termination or non-renewal of property management agreements, we may be adversely affected. Please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Our preliminary property management agreements or property management agreements may be terminated or may not be renewed" in this document for further details.

The table below sets forth the number of expiring property management agreements for non-residential properties and their revenue contribution during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000* *(unaudited)*		*RMB'000*
Expiring property management agreements renewed	1	6,573	3	4,746	3	3,739	–	–	4	1,738
Expiring property management agreements not renewed	–	–	–	–	–	–	–	–	–	–
Expiring property management agreements that our Group chose not to renew voluntarily	–	–	–	–	2	896	2	896	–	–
Expiring property management agreements terminated due to cessation of the customer's business operation	–	–	1	85	–	–	–	–	–	–
Total	1	6,573	4	4,831	5	4,635	2	896	4	1,738

During the Track Record Period, our renewal rate of non-residential properties was 100.0%, 75.0%, 60.0% and 100.0%, respectively, and our termination rate was 0%, 25.0%, 40.0% and 0% for the same periods, respectively.

In FY2018, one expiring project was not renewed due to the operator's cessation of business on the relevant premise. The revenue contribution for this property was nil and approximately RMB85,000 for FY2017 and FY2018, respectively, accounting for 0% and approximately 0.1% of our property management services revenue for the same periods, respectively, and therefore, our Directors consider that the non-renewal of the expiring project in FY2018 did not have any material impact on our operation and financial performance.

In FY2019, we voluntarily terminated two expiring non-residential properties because one project was loss-making in FY2018 and our Directors considered that the profitability of both projects was below our expectation in FY2019 and therefore decided to allocate our resources to more profitable projects instead. The revenue contribution for these projects was nil, nil and approximately RMB0.9 million for FY2017, FY2018 and FY2019, respectively, accounting for approximately 0%, 0% and 0.9% of our property management services revenue for the same periods, respectively, and therefore, our Directors consider that the termination of the two expiring projects in FY2019 did not have any material impact on our operation and financial performance.

The table below sets forth the number of expiring property management agreements for residential properties and their revenue contribution during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000 (unaudited)*		*RMB'000*
Expiring property management agreements renewed	1	4,184	–	–	4	18,467	3	8,204	–	–
Expiring property management agreements not renewed	–	–	–	–	2	9,261	–	–	–	–
Total	1	4,184	–	–	6	27,728	3	8,204	–	–

During the Track Record Period, our renewal rate of residential properties was 100.0% and 66.7% for FY2017 and FY2019, respectively, and our termination rate was 0% and 33.3% for the same periods, respectively. For FY2019, out of six expiring property management agreements for residential properties, two expiring property management agreements were not renewed because the owners' association of the relevant properties decided to engage other property management companies, which offered lower property management fees to the owners' association than our Group. For FY2018 and 6M2020, we did not have any expiring property management agreement for residential property.

The table below sets forth the number of property management agreements of residential properties renewed with existing property owners' association and with newly established property owners' association and their respective revenue contribution during the Track Record Period:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution	Number	Revenue contribution
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000 (unaudited)*		*RMB'000*
Property management agreements renewed with existing property owners' association[Note]	1	4,184	–	–	2	5,792	1	1,867	–	–
Preliminary property management agreements renewed with newly established property owners' association	–	–	–	–	2	12,675	2	6,337	–	–
Total	1	4,184	–	–	4	18,467	3	8,204	–	–

Note: Including property management agreements that need to be renewed in the respective year, but the actual renewal date may be the same year or the next year and we continued to provide property management services during the period between the expiry date of previous agreement and commencement date of renewed agreement.

We had one, nil, two and nil property management agreements of residential properties signed with existing property owners' association that needed to be renewed for FY2017, FY2018, FY2019 and 6M2020, respectively, and all of them were renewed successfully. The table below sets forth the details of the relevant property management agreements:

Property agreement No.	**Agreement commencement time**	**Agreement end time**	**Agreement renewal time**
1.	August 2014	August 2017	March 2018*Note 1*
2.	June 2016	June 2019	June 2019*Note 2*
3.	January 2015	December 2019	January 2020*Note 2*

Note:

1. We continued to provide property management services between the expiration of the property management agreement and the time we entered into renewed agreement.

2. We have entered into a temporary agreement for renewal, which expires upon signing formal agreement.

We had nil, nil, four and nil preliminary property management agreements of residential properties that needed to be renewed with newly established property owners' association for FY2017, FY2018, FY2019 and 6M2020, respectively. For FY2019, we successfully renewed two agreements. The table below sets forth the details of the relevant property management agreements that were renewed:

Property agreement No.	**Renewed agreement commencement time***Note*	**Renewed agreement end time**
1.	January 2019	January 2022
2.	April 2019	April 2021

Note: As we entered into preliminary property management agreement before renewing with newly established property owners' association, such preliminary agreement usually has no fixed term and will be effective until the formation of property owners' association and signing of new property management agreement.

The following table sets out the expiration schedule of our preliminary property management agreements or property management agreements with respect to our portfolio of properties under management as at 30 June 2020:

	Number of agreements	GFA under management	6M2020 Revenue contribution
		'000 sq.m.	*RMB'000*
Preliminary property management agreements without fixed term	13	2,092	21,104
Preliminary property management agreements with fixed terms expiring in			
Year ending 31 December 2020	–	–	–
Year ending 31 December 2021	–	–	–
Year ending 31 December 2022	–	–	–
Property management agreements without fixed term	2[Note 1]	298	2,896
Property management agreements with fixed terms expiring in			
Year ending 31 December 2020[Note 2]	5	817	6,735
Year ending 31 December 2021	8	1,250	12,663
Year ending 31 December 2022	5	1,906	16,102
Total	33	6,363	59,500

Notes:

1. For two properties, we have entered into temporary agreements for renewal, which expire upon signing formal agreements. In addition, we entered into a cooperation agreement regarding one property and expect that we will enter into formal agreement soon.

2. As at the Latest Practicable Date, we renewed one property management agreement and were in negotiation for the renewal of three property management agreements expiring on or before 31 December 2020. We expect not to renew the remaining one project due to the operator's change of business.

Please refer to the paragraph headed "— Property management services" in this section for further details of the respective revenue contribution for each year during the Track Record Period for each of the residential and non-residential properties under our management as at 30 June 2020.

Property Management Fees

Types of Property Management Fees

During the Track Record Period, we charged property management fees primarily on a lump sum basis, with a small amount of our revenue from property management services generated on a commission basis. Revenue derived from our property management services charged on a lump sum basis accounted for approximately 99.8%, 99.6%, 99.9% and 99.9% of our total property management services revenue for FY2017, FY2018, FY2019 and 6M2020, respectively.

The table below sets forth the breakdown of our total GFA under management and the number of our managed properties by revenue model as at the dates indicated:

	As at 31 December									As at 30 June		
	2017			2018			2019			2020		
	GFA		Number	GFA		Number	GFA		Number	GFA		Number
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Lump sum basis	3,114	98.4	15	3,776	98.9	21	5,907	99.3	28	6,322	99.4	32
Commission basis	51	1.6	2	41	1.1	1	41	0.7	1	41	0.6	1
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	6,363	100.0	33

The table below sets forth the breakdown of the revenue of our property management service by revenue model for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Lump sum basis	59,679	99.8	70,808	99.6	95,546	99.9	45,512	99.9	59,443	99.9
Commission basis	113	0.2	286	0.4	113	0.1	57	0.1	57	0.1
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

We consider that the adoption of a specific revenue model is subject to the nature and requirements of each of individual project. We generally try to concede to the request of our customers during the negotiation process and accommodate their needs or as required in the tender documents in determining which revenue model to use.

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

Lump sum basis

Under the lump sum basis revenue model, we charge a fixed and all-inclusive fee for our property management services. We are entitled to retain the full amount of property management fees collected from property developers, property owners and residents as revenue and bear the costs incurred in providing our property management services. According to CIA, the lump sum basis revenue model is the dominant method of collecting property management fees in the PRC, especially in relation to residential properties. Please refer to the paragraph headed "Industry Overview — The PRC property management industry — Background introduction of the property management industry" in this document for more details.

On a lump sum basis, we bear the costs of managing properties, and recognise such costs as our cost of services, which primarily include expenses associated with our staff directly providing property management services, as well as our subcontracting costs. As a result, reducing the costs incurred in the provision of management services to a property has a direct impact on our profitability. If the amount of property management fees we collect during the term of an agreement not sufficient to cover all the expenses incurred, we are not entitled to request property owners and residents or property developers to pay us the shortfall. Please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — We generally charge on a lump sum basis and may be subject to losses if we are not able to effectively control our costs in performing our property management services" in this document for further details.

During the Track Record Period, we incurred loss for one residential property for FY2017, FY2018 and FY2019, and incurred loss for one non-residential property for FY2018. Our Directors consider that the reasons of the loss of the residential property was primarily due our relatively low property management fee, because it is a property that we have managed for a long time and the pricing has not been adjusted for many years, and we are in the process of proposing raising our property management fee, and the reason of the loss of the non-residential property was primarily due to our relatively low contracted price, the determination of which underestimated our actual cost. For 6M2020, we incurred losses for another residential property. Such losses were mainly due to the relatively large costs incurred at the early stage of residential property in relation to staff cost and subcontractor cost. As at the Latest Practicable Date, our total cost for the third property has been reduced compared to our cost in the early stage through improving efficiency and we expect that this project will record profit in the future by continuing improving efficiency. Our total losses before the provision of adjustments generated from the management of those properties amounted to approximately RMB0.6 million, RMB0.7 million, RMB0.3 million and RMB2.0 million for FY2017, FY2018, FY2019 and 6M2020, respectively. Our Group confirmed that, at the end of each reporting period, our Group reviews all the property management agreements to determine which agreements are onerous and require making provisions on expected losses that would incur under such agreements. The amount of provision on onerous property management agreements is determined with reference to the estimated direct and incremental expenses that our Group would incur in order to continue providing services for the projects managed under the identified onerous property management agreements, net of estimated management fee our Group expects to receive. The direct and incremental expenses primarily include staff costs and subcontracting costs. Given the GFA and management fee rates are fixed during the terms of the agreements, our Group estimates the amount of the incremental expenses and management fees with reference to the historical performance of the relevant projects managed under the identified onerous property management agreements. On the basis stated above, one, one, nil and one of the agreements were identified as onerous agreements as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. Provisions of RMB0.8 million, RMB0.4 million, nil and nil were made for the onerous property management agreement as at 31 December 2017, 2018, 2019 and 30 June 2020, respectively. The table below sets forth the details of loss-making properties during the Track Record Period:

Property No.	**Property type**	**Contract commencement time** *Note 1*	**Contract end time** *Note 1*	**Expected future payments for the three years ending 31 December 2022**	**Expected revenue for the three years ending 31 December 2022**
				RMB'000	*RMB'000*
1.	Residential	January 2020	N/A *Note 2*	6,526	N/A *Note 2*
2.	Non-residential	July 2018	June 2019	N/A *Note 3*	N/A *Note 3*
3.	Residential	December 2019	N/A *Note 4*	65,232	66,368

Note:

1. If our Group has entered into more than one property management agreement with a customer for the same property under management, contract commencement time and contract end time denote the date specified in the latest property management agreement entered into between the parties.

2. We have entered into a temporary agreement for renewal which ends upon signing the formal agreement.

3. We did not renew this agreement.

4. We have entered into cooperation agreement and expect to enter into a formal agreement.

Commission basis

Under the commission basis revenue model, we collect a pre-determined percentage of the total amount of property management fees payable by our customers. We recognise the commission fee as revenue, while the remainder is used as working capital to cover the costs we incur in providing our property management services. Effectively, these costs are being borne by customers who pay our property management fees.

Under this revenue model, we are not entitled to collect any surplus of property management fees left over from covering the costs incurred in providing property management services. Therefore, we generally do not recognise any direct costs for property management agreements charged on a commission basis in general. Such costs are borne by property developers, property owners and residents as applicable.

Pricing of Property Management Fees

We generally price our property management services based on various factors, including (i) the size and location of the properties; (ii) budgeted operational expenses including labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) prevailing market price for similar services in the market.

When the properties have reached the delivery stage, we receive property management fees from property owners which are generally calculated based on the size of the unit and the nature of the area of communities, such as residential areas, retail areas and car parks. For properties that have been delivered or are ready to be delivered after delivery notices have been given to the first group of property owners in such properties, property developers are obliged to pay property management fees for unsold units until such units are sold. Once the property units are sold, the individual property owners are obliged to pay property management fees regardless of whether the property units are being occupied.

The table below sets forth the breakdown of our average monthly property management fee per sq.m. by type of properties for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**6M2020**
	Average monthly property management fee/sq.m.	**Average monthly property management fee/sq.m.**	**Average monthly property management fee/sq.m.**	**Average monthly property management fee/sq.m.**
	RMB	*RMB*	*RMB*	*RMB*
Residential properties	2.4	2.6	2.6	2.0
Non-residential properties	4.3	3.9	2.9	2.5
Total	2.7	2.8	2.7	2.1

Our average monthly property management fee for non-residential properties decreased from approximately RMB4.3/sq.m. for FY2017 to approximately RMB3.9/sq.m. for FY2018 primarily because during FY2018, our Group took over the management of two industrial sites, the level of property management fees of which tend to be lower than commercial properties due to the large GFA of industrial sites. Our average monthly property management fee for non-residential properties further decreased from approximately RMB3.9/sq.m. for FY2018 to approximately RMB2.9/sq.m. for FY2019, due to the addition of one recreational property with a relatively large GFA while the level of property management fees being relatively low. The further decrease in our average monthly property management fee for non-residential properties from approximately RMB2.9/sq.m. for FY2019 to approximately RMB2.5/sq.m. for 6M2020 was partially attributable to the expiring property management agreement for a factory property which was not renewed in June 2019. Although the factory property had a relatively high property management fee as compared to other non-residential properties under our management, the profitability of the project was below our expectation, and therefore, we decided to allocate our resources to more profitable projects instead and chose not to renew the property management agreement. For details of our expiring property management agreements, please refer to the paragraph headed "Business — Property management services — Key terms of our property management agreements". Furthermore, the decrease in our average property management fee for non-residential properties from FY2019 to 6M2020 was also partially attributable to the one-off additional property management fees received in FY2019, which arose from the additional property management efforts required during the decoration period of a non-residential property. Our average monthly property management fee for residential properties decreased from approximately RMB2.6/sq.m. for FY2019 to approximately RMB2.0/sq.m. for 6M2020 due to a new property management project for an old residential community under the Future Community Pilot Plan which had a relatively large GFA, but the property management fee of which tends to be lower than that of average residential properties according to CIA.

The table below sets forth our average monthly property management fees of residential properties under our management in Hangzhou, Zhejiang province (excluding Hangzhou) and the Yangtze River Delta region (excluding Zhejiang province) for FY2017, FY2018, FY2019 and 6M2020, respectively, and the respective average monthly property management fees of residential properties of those regions according to CIA:

	FY2017		FY2018		FY2019		6M2020	
	Our average monthly property management fees/sq.m.	Average monthly property management fees/sq.m.Note 1	Our average monthly property management fees/sq.m.	Average monthly property management fees/sq.m.Note 1	Our average monthly property management fees/sq.m.	Average monthly property management fees/sq.m.Note 1	Our average monthly property management fees/sq.m.	Average monthly property management fees/sq.m.Note 2
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
Hangzhou	2.5	2.4	2.6	2.5	2.7	2.6	2.0	N/A
Zhejiang province (excluding Hangzhou)	–	2.2	2.8	2.2	3.3	2.3	2.8	N/A
Yangtze River Delta region (excluding Zhejiang province)	1.8	2.2	2.1	2.2	1.8	2.3	1.7	N/A

Notes:

1. Source from CIA.

2. CIA does not publish half year data of average monthly property management fees of residential properties. However, CIA expected the market rate of average monthly property management fees for 6M2020 to be similar to that of FY2019.

For FY2017, FY2018 and FY2019, our average monthly property management fees of residential properties in Hangzhou were slightly higher than the market rate because a majority number of our managed residential properties in Hangzhou were new properties delivered within recent decade, which usually allow us to charge at a higher rate than older properties in the market. For FY2017, FY2018 and FY2019, our average monthly property management fees of residential properties in Zhejiang province (excluding Hangzhou) were higher than the market rate because our managed residential property was also newly delivered in the recent decade, which allowed us to charge at a higher fee rate. For FY2017, FY2018 and FY2019, our average monthly property management fees of residential properties in Yangtze River Delta region (excluding Zhejiang province) were lower than the respective market rate because our managed residential properties are located in one tier-two city and one tier-four city, where the average property management fee level of these two cities is overall lower than the average market rate, according to CIA.

Collection and Payment of Property Management Fees

We have adopted various measures to enhance timely collection of property management fees and other payments. When property management fees are overdue, we will give payment reminders through phone calls, SMS messages or even demand letters if necessary. In the event that the property management fees are long overdue, we may consider to file a lawsuit.

We have made available to the property owners and residents to make payment by various measures including cash payment, bank transfer or third-party e-payment methods. For FY2017, FY2018, FY2019 and 6M2020, our collection rates of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 87.1%, 83.9%, 88.4% and 62.2%, respectively. According to CIA, the average collection rate of property management fees of Top 100 Property Management Companies was approximately 93.1% for 2019.

The table below sets forth below the average collection rate of 2019 Top 100 Property Management Companies by ranking for FY2019 (excluding our Group):

Ranking	**Average collection rate for FY2019**
Top 1 to top 10	95.7%
Top 11 to top 30	94.3%
Top 31 to top 50	93.1%
Top 51 to top 100	86.5%
Overall	93.1%
Our Group	**88.4%**

For FY2019, our collection rate of 88.4% was lower than the average collection rate of 2019 Top 100 Property Management Companies of 93.1%, but was slightly higher than the average collection rate of 2019 Top 100 Property Management Companies which ranked between 51st to 100th of 86.5%. According to CIA, lower-ranking property engagement companies tend to have lower collection rate due to their shorter operational history and their less effective internal control system. There were also two main reasons why our collection rate was lower than the 2019 average collection rate of Top 100 Property Management Companies: i) we only started to implement enhanced measures to improve our collection rate during 6M2020; and ii) the prolonged delay in settlement of property management fees by the property owners of two residential properties, which were eventually not renewed in FY2019, during the Track Record Period. Our Directors confirmed that there were certain difficulties to collect due property management fees from those two residential properties as we were no longer providing property management services to the property owners of these two properties and therefore we no longer had easy access to contact those property owners. We have already instituted legal proceedings against some of the overdue property owners. Please refer to the paragraph headed "Financial Information — Description of selected items from consolidated statements of financial position — Trade and other receivables — Trade receivables" for details of the settlement of property management fees by the property owners of those two residential properties.

Furthermore, the table below sets forth the range of collection rate of Top 100 Property Management Companies headquartered in Hangzhou (excluding our Group) for the Track Record Period:

	FY2017	**FY2018**	**FY2019**	**6M2020**
Top 100 Property Management Companies headquartered in Hangzhou (excluding our Group)				
– Minimum	85.0%	87.0%	88.0%	40.0%
– Maximum	98.8%	98.7%	99.2%	92.3%
Our Group	87.1%	83.9%	88.4%	62.2%

Our collection rate was closer to the minimum collection rate of Top 100 Property Management Companies headquartered in Hangzhou during the Track Record Period. In May 2020, we implemented the following measures to improve the collection rate of property management fees: (i) setting internal targets for collecting overdue property management fees; (ii) conducting regular reviews of the collection rates of property management fees of our managed properties; (iii) encouraging employees to actively collect outstanding property management fees by implementing bonus and incentive programmes; and (iv) continuing sending regular payment reminders to residents through channels such as text messages and in-person notification. In August 2020, for customers who default in payment, we adopted the policy of increasing the frequency of our reminders. In order to ensure that we meet the requirements under PRC statutes of limitations, we issue a demand notice semi-annually at least, and may recover the outstanding amounts through litigation. Our Directors consider that our adopted enhanced measures to collect outstanding property management fees have helped improving our collection rate as our 6M2020 collection rate of 62.2% was higher than our 6M2019 collection rate of approximately 46.7%. In addition, our collection rate for the eleven months ended 30 November 2020 was approximately 80.1%, which was also higher than the collection rate of the corresponding period of the previous year, which was approximately 72.9%. Due to the aforementioned, CIA is of the view and the Sole Sponsor concurs that our enhanced internal control measures are adequate and effective to improve our Group's collection rate up to the industry average.

Our Group's property management fees are billed in accordance with the terms of the relevant property management agreements. Pursuant to the property management agreements, our Group may charge property management fees to property owners and residents either monthly, quarterly, semi-annually or annually in advance or near the end of the relevant period as prescribed in the property management agreement.

During the Track Record Period, the majority of our Group's property management agreements require customers to settle the property management fees in advance at the beginning of each billing period, which typically covers (i) 12 months starting from the delivery date of the property for the first billing period; (ii) the day following the first billing period until the first calendar year end for the second billing period; and (iii) 1 January until 31 December for the subsequent billing periods. According to CIA, it is noted that property owners are generally given a grace period of six to 12 months and giving 12-months grace period is not uncommon for property management service providers in the PRC. Under our enhanced internal control policy, property owners are still generally given a grace period of 12 months before we initiate any legal proceedings as our Directors consider that (i) it is also important to maintain a stable relationship with our customers; (ii) and our enhanced internal control policy should help improve the collection rate despite the 12-month grace period given to our customers.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Leveraging our property management expertise, we offer value-added services to non-property owners, including (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties.

Revenue from our value-added services to non-property owners amounted to approximately RMB12.0 million, RMB38.8 million, RMB51.5 million and RMB31.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing approximately 14.3%, 29.2%, 23.2% and 27.1% of our total revenue for the same period.

The table below sets forth the breakdown of revenue of our value-added services to non-property owners by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	8,556	71.3	26,177	67.4	33,475	64.9	16,474	72.2	24,018	75.9
Properties co-developed by companies controlled by Sundy Land Group	415	3.5	4,103	10.6	7,999	15.5	2,043	8.9	2,730	8.6
Properties co-developed by companies not controlled by Sundy Land Group	1,961	16.3	8,123	20.9	5,774	11.2	3,596	15.8	4,472	14.1
Properties developed by independent third-party property developers	1,070	8.9	427	1.1	4,300	8.4	710	3.1	439	1.4
Total	12,002	100.0	38,830	100.0	51,548	100.0	22,823	100.0	31,659	100.0

The table below sets forth the gross profit margin of our value-added services to non-property owners during the Track Record Period by type of property developers:

	FY2017	FY2018	FY2019	6M2020
	Gross profit margin	Gross profit margin	Gross profit margin	Gross profit margin
	%	*%*	*%*	*%*
Properties solely developed by Sundy Land Group	35.5	37.8	39.2	39.9
Properties co-developed by Sundy Land Group	32.9	31.7	34.6	30.3
Properties developed by independent third-party property developers	37.5	39.5	40.5	100.0
Total	35.1	35.9	38.1	38.6

During the Track Record Period, our gross profit margin for value-added services to non-property owners provided to properties co-developed by Sundy Land Group was generally lower than that of properties solely developed by Sundy Land Group and developed by independent third-party property developers, primarily because our value-added services to non-property owners provided to properties co-developed by Sundy Land Group were mainly sale assistance services, which generally have lower gross profit margin than other types of value-added services to non-property owners. For FY2017, FY2018 and FY2019, our gross profit margin for properties solely developed by Sundy Land Group was in line with our gross profit margin for independent third-party developers. For 6M2020, we recorded gross profit margin of 100.0% for properties developed by independent third-party developers due to consulting services projects which commenced in June 2020 and were at the initial stage, accordingly, minimal costs were incurred for 6M2020.

During the Track Record Period, we did not provide value-added services to non-property owners to certain properties co-developed by Sundy Land Group primarily because pursuant to the cooperation agreements entered into among Sundy Land Group and the other shareholders of the project companies, it was agreed that the service provider of value-added services to non-property owners shall be designated by the other shareholders instead of Sundy Land Group. Our Directors believe that the third-party service providers were given preference over us primarily due to their business or shareholding relationship with the other shareholders of the project companies. Our Directors confirmed, to their best knowledge, that we provided value-added services to non-property owners to all properties solely developed by Sundy Land Group during the Track Record Period. We consider that our value-added services to non-property owners allow us to gain early access to property development projects, establish and cultivate business relationships with the property developers, and may put us in a stronger position to secure engagements for property management service compared to our competitors.

As at 30 June 2020, the contract backlog of our projects of value-added services to non-property owners amounted to approximately RMB29.9 million.

Service types

Consulting Services

Our consulting services primarily comprise:

- *Project planning advisory services*. We advise property developers on the overall planning and market position of their proposed development projects, such as development strategies and design concepts.

- *Design advisory services*. We offer consultations to optimise the layout and design plans to property developers, including architectural designs and designs of common facilities such as drainage systems.

- *Construction management consulting services*. We provide construction management consulting services to property developers by conducting periodic inspections of the construction sites as the construction progresses and by providing ongoing suggestions on issues such as appropriate construction techniques.

Sales assistance services

Property developers may engage us to provide sales assistance services in relation to their marketing and selling activities. We deploy staff on-site to assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects. We also assist property developers with responding to general enquiries and maintaining order at property sales venue.

Pre-delivery services

We help property developers clean units before delivery to property buyers to make the properties suitable for delivery and improve their customer satisfaction rate, and provide property developers inspection services and security services of completed projects.

The table below sets forth the breakdown of the number of tenders for value-added services to non-property owners that we submitted and we won by type of property developers for the years/periods indicated:

	FY2017		FY2018		FY2019		6M2020	
	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won	Number of tenders submitted	Number of tenders won
Properties solely developed by Sundy Land Group	–	–	–	–	–	–	–	–
Properties co-developed by Sundy Land Group	–	–	–	–	–	–	–	–
Properties developed by independent third-party property developers	–	–	–	–	–	–	2	2
Total	–	–	–	–	–	–	2	2

According to CIA, it is an industry norm that property developers usually prefer their affiliated property management companies to provide value-added services to non-property owners and the selection process does not necessarily involve a public tendering process. However, our Group has started implementing measures to diversify its revenue of value-added services to non-property owners. Please refer to the paragraph headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Operational independence".

Pricing Policy

We normally determine our service fee rates of value-added services to non-property owners by taking into account various factors including (i) our budgeted expenses, such as the headcount and positions of the personnel we deploy; (ii) the types and locations of properties; (iii) GFA under management of properties; and (iv) prevailing market price for similar services in the market.

COMMUNITY VALUE-ADDED SERVICES

We offer community value-added services to property owners and residents with a focus on their daily needs. We consider, as an extension of our property management services, that our community value-added services to property owners and residents can address their daily needs, provide them more convenient living community, and enhance customer experience, satisfaction and loyalty. Our community value-added services mainly include property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services, which allow us to diversify our revenue and may enable us to capture future growth opportunities. Our Directors consider that, in general, the service scope of our community value-added services provided to residential properties and non-residential properties under our management are similar. During the Track Record Period, revenue generated from our community value-added services amounted to approximately RMB11.4 million, RMB17.3 million, RMB54.6 million and RMB19.7 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing approximately 13.6%, 13.0%, 24.5% and 16.8% of our total revenue for the same periods. During the Track Record Period, revenue generated from community value-added services provided to non-residential properties under our management amounted to approximately RMB3.6 million, RMB6.8 million, RMB25.8 million and RMB13.0 million for FY2017, FY2018, FY2019 and 6M2020, respectively, representing approximately 31.7%, 39.3%, 47.3% and 66.0% of our revenue of community value-added services for the same periods.

The table below sets forth the breakdown of revenue of our community value-added services by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	9,368	82.3	13,950	80.7	48,370	88.6	11,715	79.5	17,714	90.1
Properties co-developed by companies controlled by Sundy Land Group	1,208	10.6	2,430	14.1	5,020	9.2	2,616	17.8	1,601	8.2
Properties co-developed by companies not controlled by Sundy Land Group	16	0.2	67	0.4	16	less than 0.1	12	0.1	2	Less than 0.1
Properties developed by independent third-party property developers	788	6.9	836	4.8	1,181	2.2	387	2.6	339	1.7
Total	11,380	100.0	17,283	100.0	54,587	100.0	14,730	100.0	19,656	100.0

The table below sets forth the gross profit margin of our community value-added services during the Track Record Period:

	FY2017	FY2018	FY2019	6M2020
	Gross profit margin	**Gross profit margin**	**Gross profit margin**	**Gross profit margin**
	%	%	%	%
Properties solely developed by Sundy Land Group	65.3	45.0	33.7	35.9
Properties co-developed by Sundy Land Group	90.2	96.6	95.1	92.0
Properties developed by independent third-party property developers	97.0	97.2	91.5	98.1
Total	70.2	54.9	40.6	41.5

During the Track Record Period, our gross profit margin for community value-added services provided to properties solely developed by Sundy Land Group was significantly lower than that of properties co-developed by Sundy Land Group and developed by independent third-party property developers, mainly due to our standardised remodelling and decoration services, which had a lower profit margin among other types of community value-added services, and were only provided to properties solely developed by Sundy Land Group during the Track Record Period. As our revenue from standardised remodelling and decoration services increased during the Track Record Period, there was a decreasing trend in our gross profit margin for our community value-added services derived from properties solely developed by Sundy Land Group.

The services that we provide mainly include:

- *Property repair and maintenance*. We offer property repair and maintenance services upon customers' request. For example, we provide home appliance, window and roof repair and maintenance services.

- *Waste cleaning*. Our cleaning services mainly include collecting waste produced from property construction and/or interior decoration.

- *Utility fee collection*. We pay charges for utility fee on behalf of property owners and residents.

As our community value-added services are mainly provided to individual property owners and residents no tendering is involved for the provision of our community value-added services.

Remodelling and Decoration Services

During the course of provision of sales assistance services, we became aware that purchasers of bare shell property units had the need to engage third-party service providers for remodelling and decoration services in order to create a more comfortable residence. As such, we commenced the provision of standardised remodelling and decoration services in late 2017 after being aware of such need. We cooperate with subcontractors in the process of provision of standardised remodelling and decoration services, which typically include interior and balcony design and fitting out services, to property purchasers, saving property purchasers time and efforts. When we are engaged by our customers, we are typically responsible for the overall project implementation by providing or coordinating with our subcontractors to provide the necessary labour and expertise required. The project management involves the process of planning, providing decoration layout, organising, and controlling of time, quality, resources and procedures to ensure timely progression of the project. During the Track Record Period, there were certain properties solely-developed and/or co-developed by Sundy Land Group which we did not offer our standardised remodelling and decoration services, mainly because during the course of provision of sales assistance services, we determined that the property purchasers’ demand for such services was not sufficient enough.

As advised by our PRC Legal Advisers, a property developer is prohibited from providing any remodelling and decoration services to purchasers of properties which are approved by the relevant government authority to be delivered in bare shell condition. Therefore, our Directors believe that Sundy Land Group was not in the capacity to provide remodelling and decoration services to property purchasers, and we were not engaged in the provision of standardised remodelling and decoration prior to the disposal of entire equity interest in Sundy Property by Sundy Real Estate in December 2016.

As advised by our PRC Legal Advisers, no qualification is needed to carry out the standardised remodelling and decoration services. Our subcontractors generally provide decoration work, electrical and water system installation works. The services fees charged by our Group and our subcontractors are generally determined based on the scope of fitting out and the costs of labour and materials required. We believe that property purchasers choose to engage us for standardised remodelling and decoration services was also attributable to our cost advantage and economies of scale, which enable us to offer services at a relatively competitive price.

The table below sets forth a brief summary of the key terms of agreements with our subcontractors:

Principal terms	Summary
Scope of services	Our agreements with our subcontractors typically state that the site location and scope of services shall be in accordance with the specifications stated in each quotation that we agreed with our customers. The scope of work may include interior decoration, the renovation of balcony, as well as the installation of the electrical and water supply systems of the unit in accordance with the relevant remodelling and decoration service scope.
Our rights and obligations	We are primarily responsible for, among other things, supervising and coordinating the project, especially in aspects relating to the quality, safety and progress of the construction.
Subcontractor's rights and obligations	Subcontractors' main obligations may include providing a periodical update on the work progress and provide services required in the agreement.

As at the Latest Practicable Date, to the best knowledge of our Directors, except Supplier I, which was one of our five largest suppliers during FY2019 and 6M2020 and was also engaged by Sundy Land Group for the provision of curtain wall engineering services, which were of different nature, there was no past or present relationship between each of the subcontractors engaged by us for providing standardised remodelling and decoration services during the Track Record Period and our Group, our Directors, Shareholders, senior management members, or any of their respective associates.

For sold property units, we enter into a remodelling and decoration agreement with each property purchaser, upon which we generally require the property purchaser to make full advance payment of our service fees. In order to facilitate our standardised remodelling and decoration services, we also enter into a cooperation agreement with the property developer for unsold property units, pursuant to which the property developer would appoint us to provide the standardised remodelling and decoration services on behalf of the majority of the property owners of such property, which the property developer acted in the capacity of property owner in respect of unsold property units. Our services were directly provided to property owners, instead of Sundy Land Group, in respect of sold property units, and there was no rebate arrangement between Sundy Land Group and us. Set below are the key summary of the cooperation agreement:

(i) when the property developer enters into a property sale agreement with each property purchaser, each property purchaser shall enter into a property remodelling and decoration agreement with Songdu Exhibition and shall pay the service fee to Songdu Exhibition upon signing the property remodelling and decoration agreement;

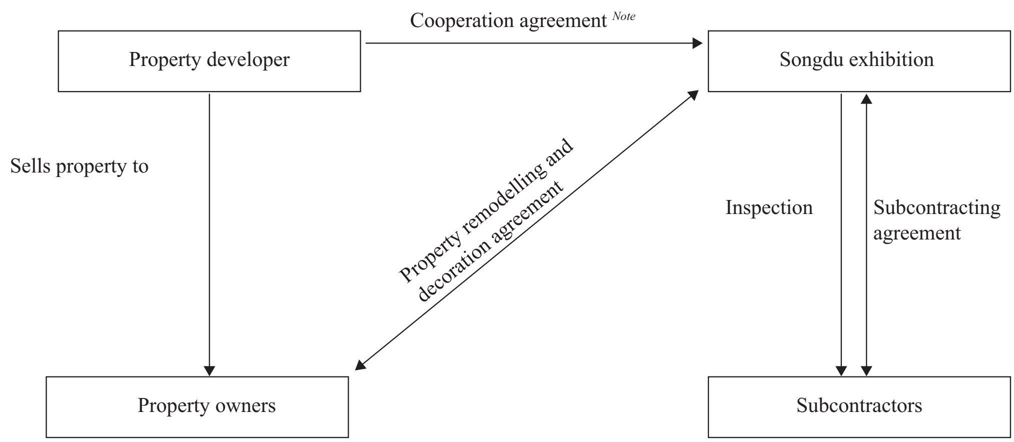
(ii) after each property unit is delivered to each property purchaser and it is inspected and accepted, Songdu Exhibition will provide the standardised remodelling and decoration services in respect of each property unit;

(iii) the property developer shall pay the fees to Songdu Exhibition within 12 months upon the individual property purchaser's signing of property sale agreement if such service fee is not paid by individual property owner or within 12 months from the time of signing the cooperation agreement in respect of unsold units (the "**Guaranteed Payment Term**").

To the best knowledge of our Directors, the reason for Sundy Land Group to include the Guaranteed Payment Term in the cooperation agreements was because Sundy Land Group aimed to cooperate with a trustworthy service provider which should be responsible for the day-to-day management of the properties which allow property owners to follow up on after service supports and included the Guaranteed Payment Term in order to compensate our risk of Sundy Land Group failing to sell the relevant properties timely or the individual property owner failing to pay the service fee. We normally commence our standardised remodelling and decoration works after the property units are delivered and accepted by individual property purchasers in bare shell condition. Our standardised remodelling and decoration fees are either borne by individual property owners or Sundy Land Group, depending on the sales status of the particular property units which we performed our services to. Where any property units which we conducted standardised remodelling and decorations works to remain unsold for 12 months from the date of cooperation agreement, Sundy Land Group shall be responsible for the payment of service fees to us, instead of the future individual property owners. During the Track Record Period, we received payments of nil, nil, nil and approximately RMB2.8 million, respectively, from Sundy Land Group pursuant to the Guarantee Payment Term under the cooperation agreement, which represent the remodelling and decoration fees for property units which remained unsold for 12 months from the date of cooperation agreement, and/or for sold property units where individual property owners refused to pay for the remodelling and decoration fees. Save for the aforesaid service fees received from Sundy Land Group pursuant to the cooperation agreements, we did not receive any form of compensation or subsidies from Sundy Land Group for our standardised remodelling and decoration services.

During the Track Record Period, all properties that we provided standardised remodelling and decoration services were solely developed or co-developed by Sundy Land Group. To the best knowledge of our Directors, during the Track Record Period, Sundy Land Group did not engage other third party for providing such standardised remodelling and decoration services. As all property purchasers of those properties that we provided standardised remodelling and decoration services during the Track Record Period enter into standardised remodelling and decoration agreement with us, we consider that the property purchasers did not have the need to engage additional service provider for providing such services. As confirmed by CIA, the provision of standardised remodelling and decoration services for new properties is not uncommon in Zhejiang province and the selling price of the unfurnished units of those properties that we provided standardised remodelling and decoration services were generally in line with market price of comparable properties without furnishing in similar location as the purchase amount of the units of these properties and the standardised remodelling and decoration services fees are charged separately. Our PRC Legal advisers advised that the current arrangement among the property purchasers, Sundy Land Group, our Group and subcontractors did not breach any relevant laws and regulations in the PRC during the Track Record Period.

Operational flowchart



Note: Each cooperation agreement includes the Guaranteed Payment Term.

From time to time, our remodelling and decoration services may also cover common areas of our managed properties.

Community Space Services

Community space services primarily represent (i) assisting property owners to lease out common areas to advertisement companies for advertisement placements and telecommunication companies for the installation of telecommunication base stations; and (ii) utilising common areas in our managed properties.

We profit from our community space services by collecting a portion of the fees in accordance with an agreed-upon percentage. We enter into separate agreements with lessees in relation to such services.

Pricing Policy

We generally price our community value-added services based on various factors, including (i) the size and location of the properties; (ii) budgeted expenses including but not limited to labour and administrative expenses; (iii) scope and quality of the services proposed; and (iv) prevailing market price to similar services in the market.

For our remodelling and decoration services, we generally set our price based on various factors, including (i) our cost budget such as subcontracting cost and other costs that we may incur in the process of providing services; (ii) decoration material to be used for providing the services; and (iii) reasonable gross profit. During the Track Record Period, we recorded a gross profit margin of our remodelling and decoration services of approximately 7.7%, 19.6%, 28.0% and 28.6% for FY2017, FY2018, FY2019 and 6M2020, respectively.

We recorded a relatively low gross profit margin for our remodelling and decoration services of 7.7% for FY2017 as our remodelling and decoration services were still at the early stage of business operation with minimal revenue contribution. As our remodelling and decoration services started to expand, we managed to undertake a larger number of minor renovation works on property units located within the residential properties under our management, and recorded a higher gross profit margin of 19.6% for FY2018 as compared to FY2017. The further increase in gross profit margin of our remodelling and decoration services from 19.6% for FY2018 to 28.0% for FY2019 and 28.6% for 6M2020 was mainly due to the significant increase in revenue derived from the standardised remodelling and decoration works undertaken to three properties developed by Sundy Land Group which entered delivery stage during FY2019 and 6M2020, the gross profit margin of which was higher due to our cost advantage and economies of scale. For further details of model of our standardised remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document.

The gross profit margin of our community value-added services (not including remodelling and decoration services) was approximately 70.3%, 66.0%, 65.9% and 62.9% for FY2017, FY2018, FY2019 and 6M2020, respectively. During the same periods, the revenue contribution of our remodelling and decoration services to our total revenue from community value-added services was approximately 0.1%, 23.8%, 66.7% and 62.4%, respectively. Due to the lower gross profit margin and the increasing revenue contribution of our remodelling and decoration services, the overall gross profit margin of our community value-added services decreased from approximately 70.2% for FY2017 to approximately 54.9% for FY2018, and further decreased to approximately 40.6% for FY2019, while the overall gross profit margin of our community value-added services also decreased from approximately 49.1% for 6M2019 to approximately 41.5% for 6M2020.

Our cost structure of standardised remodelling and decoration services primarily consists of subcontracting and labour costs. Generally, the scope of services provided by our subscontractors include decoration work and electrical and water supply installation work, the price of which can affect our total charge as it is one of the major components of the cost structure of our remodelling and decoration services. For properties which we provided standardised remodelling and decoration services to during the Track Record Period, our service fee (i) ranged from RMB5,000 to RMB7,000 for the renovation of balconies; and (ii) amounted to RMB20,000 for the interior decoration works. According to CIA, the local market rate for similar scope (i) ranged from RMB3,600 to RMB9,600 for the renovation of balconies; and (ii) ranged from RMB13,250 to RMB31,800 for the interior decoration works, in the same regions. Therefore, our Directors consider, and the Sole Sponsor concurs, that the pricing of our standardised remodelling and decoration services was generally in line with the local market rate. Pursuant to the cooperation agreement entered into between Sundy Land Group and us, Sundy Land Group was required to pay the same amount of fees as the individual property owners for any unsold units located within the same property. After performing all due diligence work which the Sole Sponsor considers appropriate, the Sole Sponsor is of the view that the service fees payable by Sundy Land Group were in line with the service fees payable by independent third-party property purchasers for our standardised remodelling and decoration services during the Track Record Period.

OTHER BUSINESSES

We also engaged in other businesses, namely our hotel business and long-term rental apartment business, during the Track Record Period. Revenue from our other businesses amounted to approximately RMB0.8 million, RMB5.7 million, RMB20.7 million and RMB5.9 million for FY2017, FY2018, FY2019 and 6M2020, respectively, accounting for approximately 0.9%, 4.3%, 9.3% and 5.1% of our total revenue for the same periods.

Hotel Business

We commenced the operation of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) ("**Atour West Lake**") through our operating subsidiary, Sundy Jiahe, in October 2018. Atour West Lake is a hotel situated in Hangzhou with easy access to various sightseeing spots such as Qinghefang Historic & Culture Feature Street* (清河坊歷史文化特色街區) and with convenient transportation to Hangzhou railway station.

Atour West Lake offers gym, restaurant, conference room and other facilities for hotel guests. As at 30 June 2020, Atour West Lake had 147 rooms, each offering contemporary accommodations and amenities. Revenue from hotel business is primarily generated from hotel room charge, food services and sales of personal care products.

For FY2018, FY2019 and 6M2020, the occupancy rates of Atour West Lake was approximately 47.0%, 75.8% and 52.0%, respectively. Occupancy rate is calculated as the aggregate number of room nights sold as a percentage of the total number of room nights available for sale during the relevant period, which may not directly reflect the total number of rooms in inventory due to renovations or other considerations.

Hotel Lease Agreement

On 1 June 2017, we, as a lessee, entered in to a lease agreement with Sundy Real Estate, as a lessor, in relation to the rental of the premise of Atour West Lake (the "**Hotel Lease Agreement**").

The following table sets out a brief summary of the key terms of the Hotel Lease Agreement:

Principal terms	Summary
Parties	Sundy Real Estate as the lessor and Sundy Jiahe (formerly known as Hangzhou Qiyu Internet Technology Co., Ltd* (杭州琪寓網絡科技有限公司) as the lessee.
Duration	Three years commencing from delivery date of the hotel premise.
Rent	With respect to the hotel operation, 15% of the revenue (excluding tax) of Atour West Lake in its first six months of operation, and 20% of its revenue (excluding tax) from the seventh month onwards. With respect to the sub-letting of the shops in the hotel premise, 50% of the total rental income in 2018 and 60% of the total rental income from 2019 onwards.
Renewal	Sundy Jiahe shall inform Sundy Real Estate in writing three months before the expiration of the Hotel Lease Agreement, failing which Sundy Jiahe is deemed not to opt for renewal.

Hotel Management Agreement and Franchise Agreement

Atour West Lake is managed by the hotel manager (the "**Hotel Manager**"), Shanghai Atour Business Management (Group) Co., Ltd.* (上海亞朵商業管理(集團)股份有限公司) (formerly known as Yaduo (Shanghai) Hotel Management Co., Ltd.* (亞朵(上海)酒店管理有限公司) ("**Yaduo Shanghai**"), an independent third party. The Hotel Manager has been appointed to be responsible for day-to-day management, operation and marketing of Atour West Lake pursuant to the hotel management agreement. The management fees payable by us under the hotel management agreement mainly comprise a fixed percentage of the total revenue of the hotel payable on a monthly basis. We also bear the salaries of the general manager and the assistant general manager which are designated by the Hotel Manager. In addition to the general manager and the assistant general manager, we send our representatives to Atour West Lake for the monitoring of overall service and quality.

To operate under the brand "亞朵" and the relevant registered trademarks, we entered into a franchise agreement with Yaduo Shanghai. The franchise fee payable by us under the franchise agreement mainly comprised a one-off fee calculated based on a fixed amount per room.

Our Directors consider that the major reasons why we engaged the Hotel Manager to operate Atour West Lake were, (i) we needed to use the brand "亞朵", which is owned by the Hotel Manager; and (ii) the Hotel Manager has more experience in the management and operation of hotels and hotel staff training. Our Directors also consider that, with the cooperation with the Hotel Manager, we may save cost and time in the management and operation of Atour West Lake.

Our Directors confirmed that there were two major reasons why our Group, instead of Sundy Land Group, expanded into the hotel business, (i) considering Hangzhou being a popular tourism place and the potential market of boutique business hotel, our Group intended to enter boutique business hotel market to diversify our revenue base; and (ii) the principal business of Sundy Land Group is development and sale of properties and hotel business is not in line with the principal business of Sundy Land Group. Although Sundy Land Group also indirectly operates two hotels, those hotels were only developed and operated as an integral part of their property development projects in order to fulfill the requisite requirements of the PRC Government. Therefore, we decided to enter this market during the Track Record Period. According to CIA, leasing a self-developed and self-own hotel to the property management arm of the property developer is not uncommon in the PRC as property developers tend to develop hotel properties to diversify their property development portfolio whereas upon completion, they tend to transfer such hotel business to their other business arm for the further operation to avoid divergence of their financial resources and human resources. Furthermore, as detailed in the paragraph headed "Relationship with Controlling Shareholders — Delineation of business", our Directors are of the view that there is a clear delineation between our Group and the two hotels operated by Sundy Land Group.

Long-term Rental Apartment Business

We currently conduct long-term rental apartment business in Hangzhou through our operating subsidiary, Sundy Jiahe. Our business model involves renting the apartments from the landlords and then sub-letting those apartments to the tenants. By doing so, we earn the difference between the amount we pay to the landlords and the rental income we receive from the tenants. We consider that we were able to sub-let apartments to tenants and profit from the difference in rent primarily due to (i) the flexible rental period of our long-term rental apartment; and (ii) the inclusion of our unit cleaning services. According to CIA, the residential rental market in the PRC is highly fragmented and inefficient. Our business model features collaborating with property developers in the process of property sales and enter into lease agreements with individual property owners and carry out centralised management of our leased units. Our Directors consider that our rental business model provides advantages to both property owners and lessees as finding an apartment can be inconvenient and the quality of apartments and services may be inconsistent. We consider that the landlords gain various benefits from leasing the apartments to tenants through us, including but not limited to saving time and cost on transportation and avoiding loss during apartment vacancy period.

During the Track Record Period, all the units we leased were located on the 12th floor and 13th floor at Time International Building* (時間國際大廈) in Hangzhou, named as Qiyu Apartment* (琪寓公寓) ("**Qiyu Apartment**"). Eyeing at the opportunities provided by certain policy encouraging long-term rental apartment market such as Action Plan for of Supply-side Structural Reform of the Real Estate Market in Zhejiang Province* (浙江省房地產供給側結構性改革行動方案), we considered that there would be an opportunity within long-term rental apartment market and decided to expand into this industry to diversify our revenue base. We considered that as we were not familiar with the market, it would save us time and cost by cooperating with a trustworthy property developer with suitable property in the initial development stage of our long-term rental apartment business, therefore, we sought to cooperate with Sundy Land Group. We initially entered into a lease with respect to the units which were used for our long-term rental apartment business (the "**2017 Lease Agreement**") with Hangzhou Taotiandi Real Estate Development Company Limited* (杭州淘天地房地產開發有限公司) ("**Taotiandi**"), a subsidiary of Sundy Real Estate and the developer of Time International Building.

The table below sets out a brief summary of the key terms of the 2017 Lease Agreement:

Principal terms	Summary
Duration	The tenancy commences upon signing of the 2017 Lease Agreement and expires on 31 May 2021 (the "**Initial Rental Period**").
Rent	Approximately RMB5.2 million (inclusive of tax) (the "**Initial Rent**").
Rights and obligations	Taotiandi shall deliver the units of Qiyu Apartment ("**Qiyu Units**") to Sundy Jiahe before 1 June 2017 or when Qiyu Units are in deliverable status, whichever comes first. Sundy Jiahe shall pay rent to Taotiandi on a quarterly basis. Sundy Jiahe shall bear cost incurred due to use of Qiyu Units including utilities fees. Further, Sundy Jiahe shall be responsible for the repair and maintenance of Qiyu Units.

We consider that the determination of the Initial Rental Period was primarily based on the consideration that our Group was in the initial development stage of our long-term rental business and a rental period of four years would allow us to be in a flexible position to explore other development direction if the development of our long-term rental business would not be in line with our expectation. We consider that the determination of the Initial Rent was based on various factors including, among others, the location of Time International Building and local market rent, which was approximately RMB49.9 per sq.m. per month in 2017. When we entered into the 2017 Lease Agreement, to the best knowledge of our Directors, none of Qiyu Units were leased out.

According to Sundy Land Group, as the potential purchasers of serviced apartment property (酒店式公寓物業) were mainly real estate investors instead of end-users, by having an existing lease, namely, the 2017 Lease Agreement, the individual property purchasers of Qiyu Units only needed to enter into an individual lease agreement with the existing tenant of Qiyu Units, namely, Sundy Jiahe, instead of spending time and effort on identifying suitable tenants and negotiating new contract terms. Furthermore, by entering into the 2017 Lease Agreement, the individual property purchasers would have better confidence in Sundy Land Group's sales promotion strategy of guaranteed return and receiving rent payments in a timely fashion, which may facilitate the sales of Qiyu Units. Therefore Sundy Land Group entered into the 2017 Lease Agreement with Sundy Jiahe.

According to CIA, because the maximum term with respect to the land use right in respect of commercial property (including serviced apartment property) is 40 years and the term of the right to use land for construction not for dwelling houses is not renewed automatically upon expiration, commercial apartments may not be as popular as residential property in the property market. Time International Building was the first serviced apartment property developed by Sundy Land Group, and after taking into account the fact that (i) its land use right is only 40 years and the term of right is not renewed automatically upon expiration; (ii) the adoption of sales strategy of guaranteed return for serviced apartment property was not uncommon among property developers in the Hangzhou real estate market in 2017; (iii) the relatively higher selling price of units attached with a guaranteed return; and (iv) the likelihood to facilitate sales of the property units, Sundy Land Group promoted the guarantee return rent of 5% of the purchase amount of Qiyu Units (the "**Guaranteed Return Rent**") for a period of three years starting from the second year after the date of purchasing the unit (the first year is rent-free) to potential property purchasers as an incentive. Generally all the units were furnished and equipped with electrical appliances, the cost of which is borne by Sundy Land Group, before the tenants move in, including bed, wardrobe, working desk, sofa, washer, refrigerator, television and air-conditioner. During the process, there was no rebate arrangement between Taotiandi and us. Subsequently, Taotiandi and Sundy Jiahe entered into two supplementary agreements dated 18 April 2017 and 31 May 2017, respectively, to the 2017 Lease Agreement (the "**Supplementary Agreements**"), whereby the parties agreed, among others, that: i) Taotiandi entered into unit sale agreement with each purchaser subject to the 2017 Lease Agreement; ii) Sundy Jiahe shall cooperate with Taotiandi's marketing strategy of Guaranteed Return Rent, and Sundy Jiahe shall enter into a lease agreement with each purchaser, agreeing paying each purchaser the Initial Rent and the difference between the Initial Rent and Guaranteed Return Rent, the latter of which was borne by Taotiandi and shall be paid to purchasers through Sundy Jiahe as Taotiandi no longer directly communicates and settles with the purchasers after completing the sale of the units, and Sundy Jiahe would make regular rent payable to the purchasers. In addition, the Supplementary Agreements also clarified that it was rent free period from 1 June 2017 to 31 May 2018 (the "**Rent Free Period**"). In return, Taotiandi and Sundy Jiahe reached a strategic cooperation that, in the event there is a new opportunity to partake in a long-term rental apartment cooperation, Taotiandi agrees to give Sundy Jiahe priority in considering giving such business opportunity to Sundy Jiahe first. By entering into the Supplementary Agreements, we consider that while Sundy Jiahe still enjoys the benefit of paying original rental rate of individual property purchasers pursuant to the Supplementary Agreements, Sundy Jiahe bears the risk of paying the difference of the Initial Rent and the Guaranteed Return Rent to individual property purchasers of Qiyu Units if Taotiandi fails to pay Sundy Jiahe such difference.

Pursuant to the 2017 Lease Agreement, Sundy Jiahe shall pay rent to Taotiandi on a quarterly basis and shall pay the first installment of rent before 31 May 2018. As Taotiandi sold all Qiyu Units to individual property owners before the end of the Rent Free Period and we started paying rent to individual property owners of Qiyu Units directly since then, we did not pay Sundy Land Group any rent for Qiyu Units during the Track Record Period. Sundy Land Group granted the Rent Free Period to us mainly because i) there would be a few months of decoration period for Qiyu Units at the commencement of the Initial Rental Period; and ii) the location of the district where Time International building is situated was still to be developed, which would require a relatively long period of time for us to accumulate a client basis for our long-term rental apartment business.

When Qiyu Units were sold to individual property purchasers subsequently and we entered into individual lease agreement with those individual property purchasers. The key terms of the individual lease agreement include: (i) the rental period is in general four years (the first year is rent-free); and ii) starting from the second year after the date of purchase, the purchasers' rate of guaranteed rent return is 5% of the purchase amount of respective unit for a period of three years.

During the Track Record Period, after taking into account of the difference between the Initial Rent and the Guaranteed Return Rent, the net rental payment to property purchasers of Qiyu Units borne by us amounted to nil, approximately RMB0.4 million, RMB1.9 million and RMB0.8 million, respectively. Our revenue for long-term rental apartment business amounted to approximately RMB0.8 million, RMB2.2 million, RMB2.1 million and RMB0.8 million during the Track Record Period, respectively, which accounted for a very insignificant portion of our total revenue for the same periods, respectively. We generally pay the rent to the individual property purchasers of Qiyu Units on a quarterly basis. By the time of entering into the Supplementary Agreements, based on our expected occupancy rate and market rent of Qiyu Units, we expected that our long-term rental apartment business would become profit-making and we would be able to recoup our rent payable to individual property owners within a few years. Our Directors are of the view that without the difference between the Initial Rent and the Guarantee Return Rent from Sundy Land Group, we would bear the risk that the financial performance of our long-term rental apartment business would not be in line with our expection. After the Track Record Period, we have entered into agreements with Sundy Land Group for several of their self-owned properties for our planned expansion of our long-term rental apartment business. In the future, for those self-owned properties of Sundy Land Group, we cooperate with property developers and our business model focuses on centralised apartment management, which no longer involves the renting of the property from property owner and our revenue will be primarily generated from a fixed percentage of total revenue from the long-term rental apartment business, which will be operated and managed by us. Therefore, the current business model of long-term rental apartment involving rent difference borne by property developer will no longer be adopted.

We are responsible for procuring tenants and entering apartment leases with those tenants for Qiyu Apartment. Our service process involves our sales team interacting with potential tenants, understanding their budget and needs, in order to provide them with suggestions as to which type of unit best suits them. Then, the potential customers will be brought to view various units for selection. If they decide to rent a particular unit, they would have to sign an apartment lease (the "**Apartment Lease**"). The tenants are responsible for utilities fees including electricity and water charges as per their usage.

Our PRC Legal Advisers advised that in accordance with the PRC laws, in the circumstances of any change of ownership of Qiyu Units, the new property owners and us shall continue to be bound by the rights and obligations of the individual lease agreements entered into between the original property owners of Qiyu Units and us, and Taotiandi and us shall continue to be bound by the rights and obligations of the Supplementary Agreements regarding the rent payment arrangement.

The table below sets forth the average selling price per sq.m. of Qiyu Units, other units of Time International Building ("**Other Units**") and a comparable property located in Hangzhou for the indicated periods:

	Average selling price in FY2017	**Average selling price in FY2018**
	RMB'000 per sq.m.	*RMB'000 per sq.m.*
Qiyu Units	23.2	24.1
Other Units	14.1	21.9
Comparable property in Hangzhou*Note*	27.0	29.0

Note: Source is CIA. The average selling price was that of furnished units of one property close to the location of Time International Building.

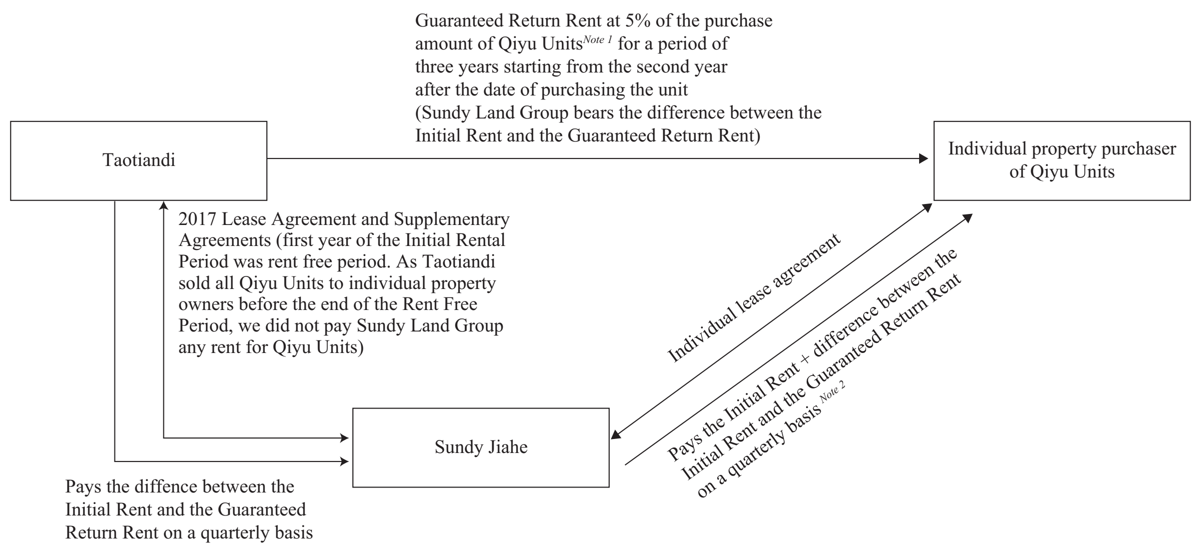
For FY2017 and FY2018, the average selling price of Qiyu Units amounted to approximately RMB23,200 per sq.m. and RMB24,100 per sq.m., respectively, which was approximately 64.5% and 10.0% higher than the average selling price of the Other Units, respectively, which amounted to approximately RMB14,100 per sq.m. and RMB21,900 per sq.m., respectively. Our Directors consider that there were three primary reasons why the average selling price of Qiyu Units was higher than that of Other Units: i) Qiyu Units were sold in furnished condition whereas the Other Units were sold in bare shell condition; ii) Qiyu Units had Guaranteed Return Rent whereas the Other Units did not have Guarantee Return Rent; and (iii) Qiyu Units were primarily sold in second half of 2017 whereas the majority of Other Units were sold before June 2017 and the market selling price of serviced apartment property in the former period was generally higher than the selling price of the latter period, according to CIA. For FY2017 and FY2018, the average selling price of one comparable property in Hangzhou amounted to approximately RMB27,000 and RMB29,000, respectively, which was approximately 16.4% and 20.3% higher than the average selling price of Qiyu Units, respectively. According to CIA, the average selling price of the comparable property was higher than that of Qiyu Units because the price of land where the comparable property was built was higher than the price of the land of Time International Building.

As at the Latest Practicable Date, to the best knowledge of our Directors, there was no past or present relationship between each of the property purchasers of Qiyu Units and our Group, our Directors, Shareholders, senior management members or any of their respective associates.

As at the Latest Practicable Date, to the best knowledge of our Directors, Sundy Land Group did not enter into similar arrangement with other third party for Other Units or other properties developed by Sundy Land Group during the Track Record Period.

Our industry expert, CIA, is of the view that the current arrangement among the property purchasers of Qiyu Units, Taotiandi and our Group regarding Qiyu Apartment is not uncommon for long-term rental apartments in Hangzhou. Our PRC Legal Advisers advised that such arrangement was not in breach of relevant laws and regulations in the PRC during the Track Record Period.

Operational flowchart



Note:

1. Maximum term of the land use right of Time International Building (serviced apartment property) is 40 years.

2. The difference between the Initial Rent and the Guaranteed Return Rate is borne by Taotiandi.

Operational performance

As at 30 June 2020, we operated 76 apartment units. During the Track Record Period, our occupancy rate was approximately 65.5%, 77.6%, 80.4% and 74.0% for FY2017, FY2018, FY2019 and 6M2020, respectively. Our renewal rate was approximately 15.6%, 17.9%, 29.7% and 25.0% for FY2017, FY2018, FY2019 and 6M2020, respectively. Our average contracted monthly rent per sq.m. was approximately RMB72.8, RMB77.4, RMB75.9 and RMB74.7 for FY2017, FY2018, FY2019 and 6M2020, respectively. Our average contracted rental period was approximately 5.7 months, 8.4 months, 7.1 months and 10.5 months for FY2017, FY2018, FY2019 and 6M2020, respectively.

According to CIA, the average monthly rent per sq.m. of a comparable long-term rental apartment located close to Qiyu Apartment was approximately RMB64.4, RMB88.9, RMB104.4 and RMB98.6 for FY2017, FY2018, FY2019 and 6M2020, respectively. While the average monthly rent of the comparable long-term rental apartment was approximately 11.5% lower than the average contracted monthly rent of Qiyu Apartment for FY2017, and was approximately 14.9%, 37.5% and 32.0% higher than the average contracted monthly rent of Qiyu Apartment for FY2018, FY2019 and 6M2020, respectively. CIA and our Directors consider that the rent of this comparable long-term rental apartment is lower than the rent of Qiyu Apartment for FY2017 because the comparable long-term rental apartment was at the initial stage of its trial of market establishment. CIA and our Directors consider that the rent of this comparable long-term rental apartment is in general higher than the rent of Qiyu Apartment for FY2018, FY2019 and 6M2020 because it is more convenient in terms of transportation and it started increasing its rent gradually after considering that it has established its brand in the market.

To the best knowledge of our Directors, while some tenants of Qiyu Apartment were Sundy Land Group, Sundy Holdings Group and Sundy Property, substantially all other tenants were independent third parties of our Group during the Track Record Period, and were independent from the property purchasers of Qiyu Units during the Track Record Period.

During the Track Record Period, some of our tenants terminated the Apartment Lease before its expiration date due to various reasons such as job relocation. We had early termination of 17, 46, 25 and 16 Apartment Leases for FY2017, FY2018, FY2019 and 6M2020, respectively. As we use a template agreement for the Apartment Lease, in general except for rental amount and rental period, the terms of the Apartment Leases of those customers who terminated the Apartment Lease before the expiration date are basically the same as the Apartment Lease of other customers.

Apartment Lease

The following table sets out a brief summary of the key terms of the Apartment Lease:

Principal terms	**Summary**
Duration	The duration is tailored to fit the needs of the tenant but the minimum duration is one month.
Rent	The rent is payable according to the payment period prescribed in the Apartment Lease, including monthly payment and quarterly payment. The tenant bears all utilities fees of the leased unit.
Maintenance	We are responsible for providing maintenance services to all furniture and electrical appliances provided by us.
Renewal	If the tenant plans to renew the Apartment Lease upon its expiry, the tenant shall notify Sundy Jiahe one month in advance and sign a new Apartment Lease upon mutual agreement.

Pricing Policy

The room rates of Atour West Lake are determined, and adjusted from time to time, based on various factors, including the local market conditions and demand, the occupancy levels and seasonality. We expect to determine our room rates based on similar factors in the future. For our long-term rental apartment business, we consider that the rent we charge the tenants were mainly determined based on comparable local market rent and the length of the Apartment Lease.

OUR CUSTOMERS

Our customer base for property management services, value-added services for non-property owners and community value-added services primarily consists of property developers, property owners and residents. Our customer base for hotel business primarily consists of walk-in hotel guests, and guests making reservations through third-party booking networks and travel agency. Our customer base for long-term rental apartment business primarily consists of walk-in customers with rental needs.

For FY2017, FY2018, FY2019 and 6M2020, revenue generated from our top five largest customers, amounted to approximately RMB26.2 million, RMB56.4 million, RMB94.4 million and RMB68.4 million, respectively, accounting for approximately 31.3%, 42.4%, 42.4% and 58.6% of our Group's total revenue for the same period, respectively.

During the Track Record Period, our largest customer, Sundy Holdings Group, was also one of our suppliers. Through its subsidiaries, Sundy Holdings Group principally engages in the property development and the manufacturing and sales of food and beverage. During the Track Record Period, Sundy Holdings Group engaged us primarily for our property management services and value-added services to non-property owners, and our revenue generated from Sundy Holdings Group amounted to RMB20.8 million, RMB45.4 million, RMB79.4 million and RMB48.8 million, respectively, accounting for approximately 24.8%, 34.2%, 35.7% and 41.8% of our total revenue.

On the other hand, we also (i) leased properties from Sundy Holdings Group, which were mainly used as our offices and hotel premise; and (ii) procured food and beverage from Sundy Holdings Group during the Track Record Period. Our right-of-use assets purchased from Sundy Holdings Group amounted to RMB1.5 million, nil, nil and nil, during the Track Record Period. And our payment including interest and capital elements for the right-of-use assets to Sundy Holdings Group amounted to RMB0.2 million, RMB0.5 million, RMB0.3 million and RMB17,000, respectively, during the Track Record Period. Our variable rental expense incurred for hotel premise from Sundy Holdings Group amounted to approximately nil, RMB0.9 million, RMB3.8 million and RMB0.6 million, respectively, during the Track Record Period. Our purchase from from Sundy Holdings Group amounted to approximately RMB57,000, RMB0.1 million, RMB0.2 million and RMB45,000, respectively, during the Track Record Period.

Our Directors confirmed that the provision of services, lease arrangements and procurement were neither interconnected nor inter-conditional with each other. Our Directors confirmed that the terms and the transactions with Sundy Holdings Group were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

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

FY2017

Rank	Customer	Principal business	Revenue	% of total revenue	Major service provided	Commencement of business relationship
			RMB'000	%		
1	Sundy Holdings Group	Property development	20,791	24.8	Property management services, value-added services to non-property owners and community value-added services	1998
2	Sundy Holdings' joint ventures and associates	Property development	3,701	4.4	Property management services, value-added services to non-property owners and community value-added services	2012
3	Customer C	Property development	637	0.8	Value-added services to non-property owners	2017
4	Customer D	Investment and sub-leasing of commercial properties	604	0.7	Community value-added services	2014
5	Customer E	Media advertising	472	0.6	Community value-added services	2017
Total			26,205	31.3		

FY2018

Rank	Customer	Principal business	Revenue	% of total revenue	Major service provided	Commencement of business relationship
			RMB'000	*%*		
1	Sundy Holdings Group	Property development	45,446	34.2	Property management services, value-added services to non-property owners and community value-added services	1998
2	Sundy Holdings' joint ventures and associates	Property development	9,434	7.1	Property management services, value-added services to non-property owners and community value-added services	2012
3	Customer E	Media advertising	699	0.5	Community value-added services	2017
4	Customer F	Manufacturing and sales of engine components	498	0.4	Property management services	2018
5	Customer G	Telecommunications tower infrastructure services	328	0.2	Community value-added services	2016
Total			56,405	42.4		

FY2019

Rank	Customer	Principal business	Revenue	% of total revenue	Major service provided	Commencement of business relationship
			RMB'000	*%*		
1	Sundy Holdings Group	Property development	79,410	35.7	Property management services, value-added services to non-property owners and community value-added services	1998
2	Sundy Holdings' joint ventures and associates	Property development	8,126	3.6	Property management services, value-added services to non-property owners and community value-added services	2012
3	Customer H	Development and operation of tourist attractions	4,528	2.0	Property management services and value-added services to non-property owners	2019
4	Customer I	Property development	1,469	0.7	Value-added services to non-property owners	2019
5	Customer J	Health technology	837	0.4	Property management services	2018
Total			94,370	42.4		

6M2020

Rank	Customer	Principal business	Revenue	% of total revenue	Major service provided	Commencement of business relationship
			RMB'000	*%*		
1	Sundy Holdings Group	Property development	48,813	41.8	Property management services, value-added services to non-property owners, community value-added services and hotel services	1998
2	Customer K	Subdistrict office* (街道辦事處), a government organisation	11,113	9.5	Property management services	2019
3	Sundy Holdings' joint ventures and associates	Property development	4,804	4.1	Property management services, value-added services to non-property owners and hotel services	2012
4	Customer H	Development and operation of tourist attractions	3,396	2.9	Property management services	2019
5	Customer J	Health technology	302	0.3	Property management services	2018
Total			**68,428**	**58.6**		

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

OUR SUPPLIERS

Our major suppliers are primarily our subcontractors. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that, we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers.

For FY2017, FY2018, FY2019 and 6M2020, purchase amount from our single largest supplier amounted to approximately RMB2.6 million, RMB11.3 million, RMB12.7 million and RMB7.2 million, representing approximately 4.5%, 11.8%, 8.1% and 8.5% of our total cost of sales, respectively. During the same periods, purchase amount from our five largest suppliers amounted to approximately RMB9.2 million, RMB33.5 million, RMB43.4 million and RMB23.8 million, representing approximately 15.5%, 35.1%, 27.5% and 28.2% of our total cost of sales, respectively. Our top five suppliers usually grant us a credit term ranging from seven days to 20 days. We generally do not enter into any long-term agreement with our five largest suppliers. We generally entered into agreements with a term of one to two years with a majority of our five largest suppliers during the Track Record Period and review their performance on an annual basis with monthly review of certain services.

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

FY2017

Rank	Supplier	Products/ services purchased	Purchase amount	Percentage of total cost of sales	Commencement of business relationship
			RMB'000	*%*	
1	Supplier A	Cleaning and sanitary services	2,646	4.5	2017
2	Supplier B	Security services	1,812	3.1	2014
3	Supplier C	Cleaning and sanitary services	1,780	3.0	2014
4	Supplier D	Remodelling and decoration services	1,559	2.6	2017
5	Supplier E	Supply of electricity	1,367	2.3	1998
Total			**9,164**	**15.5**	

FY2018

Rank	Supplier	Products/ services purchased	Purchase amount	Percentage of total cost of sales	Commencement of business relationship
			RMB'000	*%*	
1	Supplier D	Remodelling and decoration services	11,258	11.8	2017
2	Supplier F	Security services	10,208	10.7	2018
3	Supplier A	Cleaning and sanitary services	5,030	5.3	2017
4	Supplier G	Security services	4,764	5.0	2017
5	Supplier H	Cleaning and sanitary services	2,237	2.3	2017
Total			**33,497**	**35.1**	

FY2019

Rank	Supplier	Products/ services purchased	Purchase amount	Percentage of total cost of sales	Commencement of business relationship
			RMB'000	*%*	
1	Supplier I	Architectural decoration engineering and other engineering services	12,700	8.1	2019
2	Supplier F	Security services	10,877	6.9	2018
3	Supplier A	Cleaning and sanitary services	8,090	5.1	2017
4	Supplier J	Decoration services	6,204	3.9	2019
5	Supplier G	Security services	5,546	3.5	2017
Total			**43,417**	**27.5**	

6M2020

Rank	Supplier	Products/ services purchased	Purchase amount	Percentage of total cost of sales	Commencement of business relationship
			RMB'000	*%*	
1	Supplier K	Security services	7,183	8.5	2016
2	Supplier I	Remodelling and decoration services	7,008	8.3	2019
3	Supplier A	Cleaning and sanitary services	3,426	4.0	2017
4	Supplier F	Security services	3,387	4.0	2018
5	Supplier L	Cleaning and sanitary services	2,843	3.4	2019
Total			**23,847**	**28.2**	

As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationship with any of our five largest suppliers. As at the Latest Practicable Date, save for otherwise disclosed in this document, our Directors confirmed that none of our Directors, their respective close associates or any Shareholders which, to the best knowledge of our Directors, owned more than 5% of our number of issued shares, had any interest in any of our five largest suppliers during the Track Record Period.

Subcontracting

To utilise our own workforce more efficiently, we have been and will continue to outsource certain labour-intensive services, primarily security, cleaning, remodelling and decoration service, maintenance and gardening which require requisite qualifications, to subcontractors. As confirmed by our Directors, our subcontracting arrangement is in line with industry practice. For FY2017, FY2018, FY2019 and 6M2020, our subcontracting costs amounted to approximately RMB12.0 million, RMB45.6 million, RMB89.3 million and RMB51.1 million, accounting for approximately 20.3%, 47.8%, 56.7% and 60.4% of our total cost of sales, respectively. The increasing proportion of subcontracting costs in our total cost of sales during the Track Record Period was attributable to our business strategy to outsource part of our property management services to subcontractors as our Directors considered that we could leverage the human resources and technical expertise of the subcontractors.

Our Directors believe that such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our operation costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. To ensure that the subcontractors meet our requirements and standards of services and are able to serve our customers, we monitor and evaluate subcontractor's performances. We aim to create and maintain a quality-oriented, effective and comprehensive system for subcontractor management. Based on our experience in the property management service industry in the PRC, we believe that there are readily available alternative subcontractors that could replace any of our existing subcontractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our subcontractors.

We maintain a list of approved subcontractors. Our list of approved subcontractors is subject to periodic review. We typically engage our subcontractors through a bidding process, which is managed by our internal committee. We select certain subcontractors to form a subcontractor pool and send invitations for bids to the subcontractor in such subcontractor pool. The internal committee assesses the bids and consider a wide range of factors, including but not limited to professional qualifications, industry reputation, quality of service and price competitiveness. The internal committee is usually responsible for approving the engagement.

After a selected subcontractor commences the contracted services, we regularly monitor and evaluate its performance. The subcontractors' records will also be updated from time to time based on such evaluations. We may consider to terminate the agreement with any subcontractor who repeatedly delivers sub-standard performances and remove such subcontractor from our list of approved subcontractors.

Subcontracting Agreements

The following table sets out a brief summary of the key terms of our subcontracting agreements:

Principal terms	Summary
Scope of service	The subcontracting agreements usually set out the scope, frequency and location of the services required from subcontractors.
Our responsibilities	We are generally responsible for providing necessary working facilities and/or accommodation.
Obligations of our subcontractors	Subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the subcontracting agreement and in compliance with all applicable laws and regulations. In the event of substandard performance, the subcontractors are required to take necessary rectification measures. If they fail to do so, we have the right to treat such occurrence as breach of agreement. Subcontractors are required to manage their staff providing the contracted services and there is no employment relationship between us and the staff personnel assigned by our subcontractors.
Subcontracting fees	Subcontracting fees are typically determined with reference to costs incurred in connection with labour costs and other miscellaneous costs incurred by the subcontractors.
No assignment	Subcontractors may not assign or subcontract their obligations to any third party without our prior consent.
Termination and renewal	The subcontracting agreement may be terminated with a notice period of not less than one month. Likewise notice shall be given at least one month before expiration by the subcontractor if renewal is desired subject to re-negotiation.

As at the Latest Practicable Date, our Directors confirmed that none of our Directors, their associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our share capital or had any interest in any of our five largest subcontractors.

SALES AND MARKETING

Our marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, and coordinating our sales and marketing activities to seek potential customers and maintain our relationship with our existing customers.

We have adopted the following sales and marketing strategies:

- *Property owners and residents*. We plan to continue improving the quality of property services, aiming to obtain more referrals from existing property owners and residents. We consider this being effective and cost-effective business promotion measurements. We also believe that our value-added services will enable property owners and residents to enjoy various services and/or products, meet their pursuit of quality life and daily needs, which may help us to renew our existing property management agreements and obtain potential new property management service engagements.

- *Property developers*. We will endeavour to expand our cooperation with independent third-party property developers by providing customised, diversified and quality services. We have implemented various incentive measures to encourage our employees to obtain property management agreements developed by property developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise.

QUALITY CONTROL

We believe that quality control is crucial to the long-term success of our business. We have a quality control team, who primarily focuses on maintaining service standards and supervising service quality throughout our operational processes.

We have established a quality management system and an environmental and occupation health and safety management system to ensure our service quality. Our business activities and quality of service are subject to inspection and assessment. In addition, we have formulated an assessment guideline to clarify the various steps to ensure satisfaction of our customers.

We hire third-party consultants to evaluate our various property management services in regards to service quality, response speed and customer service. We aim to enhance and improve the quality of our services through the findings of the consultants.

Quality Control over Subcontractors

We typically include in the agreements with subcontractors quality standards for the services to be provided. We 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 may consider to terminate the agreement with any subcontractor who repeatedly delivers sub-standard performances and remove such subcontractor from our list of approved subcontractors.

Quality recognitions

During the Track Record Period, we have obtained the following certifications in recognition of our service quality:

Year of award	Certification/ recognition	Particulars
2017	GB/T24001-2016 ISO14001:2015	It is a family of standards related to environmental management that is designed to help organisations (a) minimise how their operations (processes, etc.) negatively effect the environment (i.e., cause adverse changes to air, water, or land); (b) comply with applicable laws, regulations, and other environmentally oriented requirements, and (c) continually improve in the above.
2017	GB/T28001-2001 OHSAS 18001:2007	It is an international occupational health and safety management system specification to ensure consistent and high-quality services.
2018	GB/T19001-2016 ISO9001:2015	It is related to a family of quality management system standards, including the eight management principles upon which the family of standards is based. It is designed to help organisations ensure that they meet the needs of their customers and stakeholders while meeting statutory and regulatory requirements related to a product.

Complaint management

During our ordinary course of business, from time to time, we receive complaints from property owners and residents in our property management projects. We have established a complaint guidelines to handle all complaints in a timely manner. Upon receiving complaints, our employees are required to approach the complainant to understand the situation and solve the problem. The relevant employee may visit the concerned site to resolve the issue when necessary.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from property owners and residents in our property management projects that may have any material adverse impact on our operations. Please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — We may be involved in legal and other disputes and claims from time to time arising from our operations" in this document for further details.

INTELLECTUAL PROPERTY

We regard our trademarks, domain names and other intellectual property rights as key components of our brand equity and an integral part of our business operations. As at the Latest Practicable Date, we had registered one domain name in the PRC. We were authorised by Sundy Land Group to use four of its trademarks and Yaduo Shanghai to use four of its trademarks in the PRC, and we registered four trademarks in Hong Kong and eight trademarks in Mainland China. Please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group" in this document for more details of our intellectual property rights.

As at the Latest Practicable Date, we were not aware of (a) 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 (b) any disputes with third parties with respect to intellectual property rights.

COMPETITION

According to CIA, the property management service industry in the PRC is highly competitive and fragmented with a large number of market participants. Our Directors consider that our major competitors include large regional and local property management companies, some of which may have better track records and greater financial and other resources, greater name recognition and greater economies of scale than us. According to CIA, as at the end of 2019, there were almost 130,000 property management companies in the PRC. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition as well as financial resources.

We consider that, in respect of non-residential property management market, Sundy Property competes with a relatively large number of competitors in providing services to non-residential properties. We consider that our primary competitors in the Yangtze River Delta region include large national and medium-sized property companies, and leading property management companies in the Yangtze River Delta region. According to CIA, the primary competing factors in non-residential property management market include price level, brand image, service scope, service quality and maintenance capability of specialty facilities. As non-residential properties include a wide range of properties including commercial properties, office properties, public properties, hospitals and education establishments, and managing each of them requires different professional knowhow, each property management company may have different competitive advantage in managing different types of non-residential properties.

Our Directors consider that (i) for our value-added services to non-property owners, we primarily compete against other property management companies providing similar services; (ii) for our community value-added services, we primarily compete against a wide range of firms and individuals providing similar services, such as firms and individuals providing customised cleaning services; (iii) for our hotel business, we primarily compete with local hotels with similar charge; and (iv) for our long-term rental apartment business, we primarily compete with other local companies operating long-term rental apartments in nearby communities with similar rents.

Please refer to the section headed "Industry Overview" in this document for more details about the property management industry and markets that we operate in.

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labour, safety and environment protection matters. In addition, we have established occupational health and safety systems, implemented the national occupational rules and standards such as OHSAS 18001 standards, and provided employees with workplace safety trainings to increase their awareness of work safety issues. Our PRC Legal Advisers confirmed that we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations during the Track Record Period and up to the Latest Practicable Date.

Our Group takes seriously the occupational health and safety of our employees. We have implemented the following measures to maintain a hygienic working environment:

- we record the health conditions of our employees;
- we measure our employees' body temperature before they enter into our managed properties or our office. If an employee has a fever, he/she is required to take leave and shall go see the doctor;
- our employees shall wear masks and wash their hands;
- if any of our employees has recently visited or stayed in Hubei province, he/she is required to take leave and shall only return to work upon our further notice or a health certificate being issued by a hospital;
- we sanitise our managed properties and office regularly to improve workplace hygiene condition;
- we post epidemic information in various areas in our workplace and our managed properties to enhance our employees' awareness to public health; and
- we cancel our gathering with employees.

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, our PRC Legal Advisers confirmed that no fines or penalties for non-compliance of PRC environmental laws had been imposed on us, and we have not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

LICENCES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material approvals, permits, licences and certificates for our operations from the relevant government authorities, all of which are valid and current, and we had been in compliance in all material respects with the applicable PRC laws and regulations, except as otherwise disclosed under the paragraph headed "— Legal proceedings and compliance" in this section.

As advised by our PRC Legal Advisers, our Group does not have any material approvals, permits, licences and certificates for our operations that is close to expiration.

PROPERTIES

As at the Latest Practicable Date, we occupied certain properties in the PRC in connection with our business operations. The leased properties were mainly used as: (i) our office premises; (ii) hotel premise; (iii) long-term rental apartment units; and (iv) staff quarters. Some of our leased properties were leased from Sundy Land Group. For further details, please refer to the paragraph headed "Connected Transactions — Continuing connected transactions exempt from independent shareholders' approval" in this document for further details. During the Track Record Period and up to the Latest Practicable Date, we did not have any self-owned properties.

During the Track Record Period, we have entered into eleven lease agreements with our landlords which were not registered with relevant PRC authorities. Our PRC Legal Advisers have advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. Accordingly, the maximum penalty for failure to register the relevant lease agreements would be RMB110,000. However, as at the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Advisers has advised us that the non-registration of such lease agreements would not affect their validity.

We have three leased properties which do not have title certificates and another two which are in the process of applying for title certificate. In relation to the leased properties for which our landlords did not obtain title certificates and proofs of ownership, our PRC Legal Advisers have advised that we are unable to ascertain whether our landlords have the legal right or requisite authority to lease such properties to us, whether such properties are subject to mortgages or third-party rights, or whether such leases are subject to challenge by third parties. In the event that we are required to relocate from those leased properties, given the nature of our operation, we do not believe that relocation would result in material disruptions to our business. Moreover, replacement premises for the leased properties without title certificates and proofs of ownership, which we are using as office and staff quarter, are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

As at the Latest Practicable Date, we did not own any real properties, and we had no single property with a carrying amount of 15% or more of our total assets. Therefore, we did not need to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to ensure that we maintain an effective internal control and risk management systems to safeguard our Shareholders' investment and our Group's assets at all times. We have engaged an external internal control advisory firm to (i) carry out a review of financial procedures, systems and controls (including accounting and management systems) in preparation for the [**REDACTED**] and to further enhance our internal control measures; and (ii) issue a report to our Company on factual findings and recommendations for enhancing our internal controls in the above-mentioned aspects. We have implemented rectification and improvement measures to respond to the findings and recommendations.

During the ordinary course of our business, we are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk. Please refer to the paragraph headed "Financial Information — Qualitative and quantitative disclosure about market risk" for further details of the market risks that we face.

Furthermore, in order to continuously enhance our internal control and risk management policies, we intend to adopt or have adopted the following measures:

- we have adopted quality control and supervision measures to prevent risks. Please refer to the paragraph headed "— Quality control" in this section for further details;

- we have put in place internal procedures for handling complaints from customers;

- we have formed the Audit Committee comprising three independent non-executive Directors. Please refer to the section headed "Directors and Senior Management" in this document for details of the professional qualifications and industry experience of the committee members. The primary duties of the audit committees are to provide our Directors with an independent review on the effectiveness of the financial reporting process, to develop and review our policies, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board; and

- we have established a selection and monitoring policy in relation to the subcontractors engaged by our Company, including the selection criteria and the review systems to deal with any complaints/negligence with regards to the subcontractors.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As at the Latest Practicable Date, our Directors confirmed that neither we nor any of our Directors is currently a party to any material legal, arbitral or administrative proceedings which would have a material adverse effect on our financial position or results of operations. Our Directors confirmed that we are not aware of any threat of, any claims or any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material adverse effect on our business, financial condition or results of operations.

Set out below is a summary of our non-compliance incidents during the Track Record Period. Based on the advice of our PRC Legal Advisers, our Directors and the Sole Sponsor consider that none of the legal and compliance matters as mentioned below will have any material operational or financial impact on our operations. Having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section, our Directors' integrity, our Group's internal control measures to avoid recurrence of the non-compliance incidents, and the preventive measures mentioned below, our Directors and the Sole Sponsor are of the view that we have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules, and the past non-compliance incidents will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for [**REDACTED**] of our Company under Rule 8.04 of the Listing Rules.

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
We failed to make full contributions to the social insurance and housing provident funds for some of our employees as required by the PRC Government. Our outstanding contribution for social insurance were approximately RMB1.7 million, RMB1.0 million, RMB0.6 million and nil for FY2017, FY2018, FY2019 and 6M2020, respectively, while the outstanding contribution of housing provident funds were approximately RMB1.5 million, RMB0.8 million, RMB0.3 million and nil for FY2017, FY2018, FY2019 and 6M2020, respectively.	These non-compliance incidents occurred primarily because (i) some of our employees chose not to be enrolled in the social insurance and/or housing provident fund as they did not want to bear their portion of the contributions; and (ii) our staff who were responsible for such matters did not adequately understand the requirements under PRC laws and regulations.	Our PRC Legal Advisers have advised us that, under PRC laws and regulations, we might be subject to late fees and fines for not making social insurance contributions in full amount in a timely manner. If any competent government authority is of the view that the social insurance payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social insurance contribution. Our PRC Legal Advisers have advised that the maximum penalty would be approximately RMB4.4 million. Our PRC Legal Advisers have also advised us that we will be fined in the range of RMB10,000 to RMB50,000 for failing to make the housing provident fund registration for employees within the prescribed time limit. If any competent government authority is of the view that the housing provident fund contributions we made did not satisfy the requirements under PRC laws and regulations, it can order us to pay the unpaid amount to the relevant local authorities within a certain period. Our PRC Legal Advisers have advised that the maximum penalty would be approximately RMB2.6 million. For more information relating to risk associated with this non-compliance, please refer to the paragraph headed "Risk Factor — Risks relating to our business and industry — We may be subject to fines for failing to contribute to social insurance and/or housing provident funds on behalf of some of our employees" in this document for further details.	During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay the outstanding social insurance or housing provident fund contributions, complete the housing provident fund registrations or open housing provident fund accounts. We obtained written and/or oral confirmations with the competent PRC authorities of certain cities and county stating that no administrative penalty had been imposed. Our PRC Legal Advisers are of the opinion that the relevant written/oral confirmations are addressed by competent authorities. Based on the above, our PRC Legal Advisers are of the view that the risk of us being asked to pay the extra short fall in excess of the provisions or penalised is extremely low. In addition, we have made provisions in relation to the outstanding contributions in the total amount of approximately RMB3.2 million, RMB1.8 million, RMB0.9 million and nil in our financial statements in respect of such potential liabilities for FY2017, FY2018. FY2019 and 6M2020, respectively. In addition, we have established internal control policy for social insurance and housing fund contributions and designated an officer to enforce the policy and avoid future non-compliance. Our Controlling Shareholder, Mr. Yu, have undertaken to indemnify us for any unpaid amount, penalty and other monetary damages incurred as a result of our failure to make contributions to the social insurance and housing provident funds. In view of the above, our Directors are of the view that it will not have a material adverse effect on our business operations, nor will such events constitute a material legal obstacle for the [**REDACTED**].

Non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
For FY2017, FY2018, FY2019 and 6M2020, we granted inter-company borrowings to related parties and a third party in total amount of approximately RMB42.0 million, RMB38.0 million, RMB130.2 million and nil, respectively, for their temporary working capital need (the "**Loans**"). According to the General Lending Provisions (《貸款通則》) promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans, and loans as between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. The above-mentioned non-trade amounts due to/from related parties involved the lending of money which may not be in compliance with the General Lending Provisions. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Provisions**") promulgated on 23 June 2015 and effective on 1 September 2015, loans among companies are legal if extended for purposes of financing production or business operations. PRC courts will also support a company's claim for interest in respect of such a loan as long as the annual interest rate does not exceed 24%. Pursuant to the Notice of the Supreme People's Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於認真學習貫徹適用《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》的通知) published on 25 August 2015, the Provisions shall apply to loans entered into prior to the implementation of the Provisions that are invalid under the former judicial interpretations but valid under the Provisions.	The non-compliance matters were mainly due to our unfamiliarity with the General Lending Provisions, which, in our opinion, only applied to financial institutions rather than companies in property management industry.	Our PRC Legal Advisers have advised us that under the General Lending Provisions, the PBOC may impose a penalty on lenders equal to between one and five times of inter-enterprise loans the "illegal income" derived from such a loan.	As at the Latest Practicable Date, (i) the full amounts of the principal and interest on the Loans had been repaid in full in accordance with the loan agreements; (ii) we are not aware of any pending or threatened dispute arising out of or in connection with the Loans; (iii) none of the borrowers, to our knowledge, has been subject to any notice or order from the PBOC regarding the Loan; and (iv) as confirmed by our Directors, as at the Latest Practicable Date, the above loans have been repaid, and our Company had not received any notice of claim or penalty relating to such advances. The PRC Legal Advisers are of the view that, under normal circumstances, the possibility that the PBOC would impose a penalty on our Company in respect of the abovementioned advances pursuant to the General Lending Provisions is low.

Our Directors, as advised by our PRC Legal Advisers, confirmed that as at the Latest Practicable Date, except as disclosed in the above table, we had complied with relevant PRC laws in all material respects.

INSURANCE

We maintain certain insurance coverage primarily including public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations. We require our subcontractors to purchase accident insurance for their employees who provide services to our Group, and in accordance with our agreements with subcontractors, the subcontractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us. We believe our insurance coverage is in line with industry practice for similar property management companies in the PRC. However, our insurance coverage may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. For further details, please refer to the paragraph headed "Risk Factors — Risks relating to our business and industry — Our insurance coverage may not adequately cover all claims related to our business" in this document.

EMPLOYEES

As at 30 June 2020, we had a total of 603 full time employees in the PRC. The following table sets forth a breakdown of our employees by department as at 30 June 2020:

Department	**Number of employees**
Customer services	278
General management and administration	190
Engineering	90
Security	27
Cleaning	18
Total	603

The following table sets forth a breakdown of our employees by geographic location as at 30 June 2020.

Location	**Number of employees**
Hangzhou	347
Zhejiang province (excluding Hangzhou)	127
Hefei, Anhui province	66
Huai'an, Jiangsu province	21
Nanjing, Jiangsu province	17
Nanning, Guangxi province	14
Liyang, Jiangsu province	7
Kunshan, Jiangsu province	3
Shanghai	1
Total	603

We have been outsourcing and expect to continue outsourcing part of our labour-intensive service tasks and specialised technical service tasks, primarily including security and cleaning services to subcontractors. Our Directors consider that such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors and reduce our reliance on labour.

Our employees have formed a labour union to help protect their rights and benefits. We believe that we maintain a good working relationship with our employees. Our Directors confirmed that we did not experience any material labour disputes or shortages that may have a material adverse effect on our business, financial position and results of operations during the Track Record Period and up to the Latest Practicable Date. Pursuant to applicable PRC laws, we have made contributions for our employees to social insurance and housing provident fund, except for instances disclosed in the paragraph headed "— Legal proceedings and compliance" in this section.

We endeavour to recruit suitable employees in the market by offering competitive wages and benefits, training opportunities and internal upward mobility. We source candidates through a variety of channels including head hunters, online advertisements and employee referrals. Our review and screening of candidates takes into account a variety of factors, such as education credentials, work experience, professional qualifications, personality and potential.

We provide training programmes to our employees, including induction training to new hires and professional development trainings. We also to plan to enhance our incentive mechanism, such as promoting performance bonus, to ensure the association of remuneration, bonus and performance.

HONOURS AND AWARDS

The table below sets out our major industry and business honours and awards during the Track Record Period and up to the Latest Practicable Date:

Year	Award/Recognition	Awarding entity
2017	China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)	Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心)
2017	2017 China Top 100 Property Management Companies* (2017中國物業服務百強企業)	CIA
2018	2017 Advanced Community — Waste Treatment and Order Regulation Work* (2017年度治廢治序工作先進社區)	Hangzhou City Jianggan District Committee of the Communist Party of China* (中共杭州市江幹區委) & Hangzhou City Jianggan District People's Government* (杭州市江幹區人民政府)

Year	Award/Recognition	Awarding entity
2018	2017 Superior Community — Property Management Services* (優勝社區 – 2017年度物業管理工作)	Hangzhou City Jianggan District Sijiqing Street Office* (杭州市江幹區四季青街道辦事處)
2018	2017 Best Cooperating Property for Garbage Sorting* (2017年度生活垃圾分類"最佳"配合物業)	Hangzhou City Jianggan District Jiubao Street Office* (杭州市江幹區九堡街道辦事處)
2018	2018 China Top 100 Property Management Companies (2018中國物業服務百強企業)	CIA
2018	AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)	Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司)
2018	AAA Class Quality Service Unit (AAA級質量服務信譽單位)	Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司)
2019	2018 Property Management Golden Butler Award* (2018年度物業管理工作金管家獎)	Hangzhou City Jianggan District Sijiqing Street Office* (杭州市江幹區四季青街道辦事處)
2019	2019 Top 100 Property Management Companies in China (2019中國物業服務百強企業)	CIA
2019	2019 China Five Star Property Service Project* (中國五星級物業服務項目) for our "Sundy Time International* (宋都時間國際)" project	CIA
2020	2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業)	CIA

CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (assuming no Shares are to be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme), Sundy Heye will be interested in approximately [**REDACTED**]% of the issued share capital of our Company. As at the Latest Practicable Date, Sundy Heye is owned as to 100% by CMB Wing Lung (through its nominee companies) as trustee of The Jianwu Yu's Trust and Mr. Yu as settlor. Mr. Yu and his family members are the discretionary beneficiaries of The Jianwu Yu's Trust. Accordingly, Sundy Heye and Mr. Yu will be our Controlling Shareholders within the meaning of the Listing Rules.

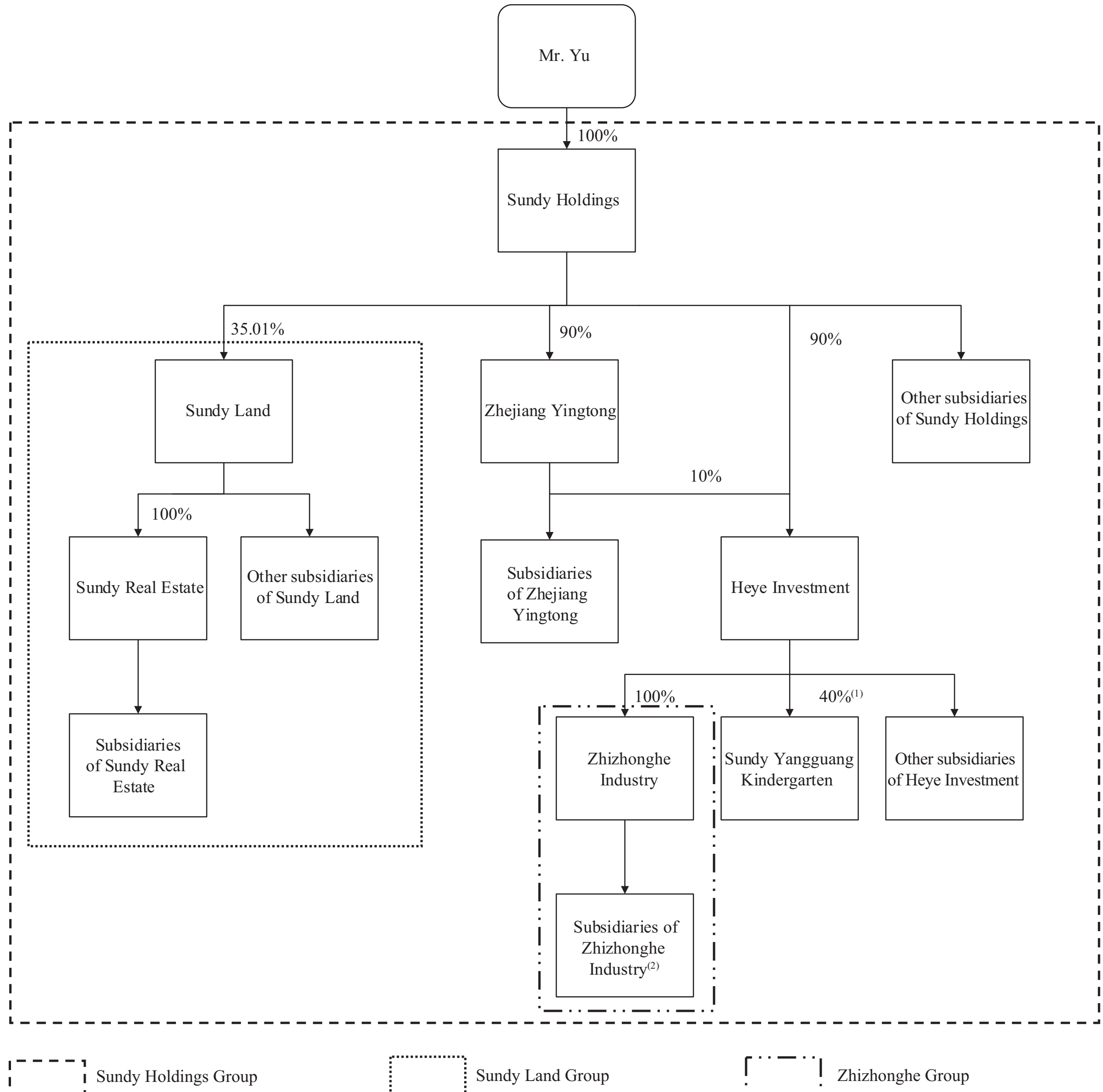
Sundy Heye and Mr. Yu

Sundy Heye is a company incorporated in the BVI on 21 March 2017 and is principally engaged in investment holding.

Mr. Yu is an experienced businessman with various businesses in the PRC. He is currently an standing member of the eleventh executive committee of Zhejiang Federation of Industry and Commerce* (浙江省工商業聯合會第十一屆執行委員會常委) and the executive vice president of Chamber of Commerce of Zhejiang Federation of Industry and Commerce* (浙江省工商業聯合會直屬商會). Mr. Yu was appointed as the chairman of the board of directors and president of Sundy Land in March 2010 and has various directorships in group members of Sundy Holdings Group (including Sundy Land Group). Mr. Yu has never been a director of Sundy Property, our Group's principal operating subsidiary holding our Group's other principal operating subsidiaries, since its establishment. Also, other than Songdu Exhibition, Mr. Yu has never been a director of other operating subsidiaries of our Group, namely Sundy Jiahe, Lusong Property, Hongdu Information, Hangzhou Herui and Jilin Sundy since their establishment. Our Group confirmed that Mr. Yu has not been involved in the day-to-day management of our Group from the commencement of the Track Record Period up to the Latest Practicable Date. Accordingly, our Directors consider that Mr. Yu does not have any relevant influence over the management and operations of our Group other than his controlling shareholding in our Company.

Sundy Holdings, a company wholly owned by Mr. Yu, was sanctioned and fined by CSRC in 2012 for trading securities using Mr. Yu's mother's securities account between 2010 and 2011. Mr. Yu was not a defendant in the incident. Our Directors are of the view that the incident did not impugn the integrity of Mr. Yu and the Sole Sponsor considers that the judgment of the incident did not question Mr. Yu's integrity. Further, our Directors are of the view and the Sole Sponsor concurs that, Mr. Yu, merely as a controlling shareholder of our Company, does not have any relevant influence over the management and operations of our Group, and therefore does not impugn our Company's suitability for [**REDACTED**].

As at the Latest Practicable Date, Mr. Yu held interests, directly or indirectly in Sundy Holdings Group, Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten and was the chairman of the board of directors and president of Sundy Land. The structure chart below, for illustrative purpose, sets out the simplified shareholding structure of Sundy Holdings Group, Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten as at the Latest Practicable Date:



Note:

(1) Sundy Yangguang Kindergarten was indirectly owned by Heye Investment.

(2) Subsidiaries of Zhizhonghe Industry included but not limited to Guangxi Zhizhonghe Food Co., Ltd.* (廣西致中和食品有限公司), Jiande Zhizhonghe Alcohol Sales Co. Ltd.* (建德致中和酒銷售有限公司), Zhejiang Zhizhonghe Biotechnology Co., Ltd.* (浙江致中和生物工程有限公司) and Hangzhou Zhizhonghe Guoyang Food Co., Ltd.* (杭州致中和國養食品有限公司).

Details of Sundy Holdings Group, Sundy Land Group, Zhizhonghe Group and Sundy Yangguang Kindergarten as at the Latest Practicable Date are set out below:

Sundy Holdings Group

Sundy Holdings was a company established in the PRC with limited liability on 29 December 2006. It was wholly owned by Mr. Yu. Its paid-up registered capital was RMB36 million.

Other than acting as a vehicle to hold and lease out properties, Sundy Holdings also acted as Mr. Yu's investment holding company for his interests in various PRC businesses and entities, such as Sundy Land, Zhizhonghe Industry and Sundy Yangguang Kindergarten.

Except the overlapping of major customers with Zhizhonghe Group as stated in the paragraph headed "— Controlling Shareholders — Zhizhonghe Group" below in this section, there was no overlapping of major customers and suppliers between our Group and Sundy Holdings Group during the Track Record Period. Also, as at the Latest Practicable Date, one of our major suppliers was engaged by Sundy Land Group, while such supplier was not the major supplier of Sundy Land Group (which is part of Sundy Holdings Group) during the Track Record Period. Please refer to the paragraph headed "— Controlling Shareholders — Sundy Land Group" below in this section for further details.

During the Track Record Period, our Group had certain related party transactions with Sundy Holdings Group which arose from our operating activities and were in trade nature. Such transactions included (i) provision of property management services, value-added services, hotel business and long-term rental apartment business by our Group as service provider and Sundy Holdings Group as the customer; (ii) purchase of goods from Sundy Holdings Group, and (iii) lease entered into between Sundy Holdings Group as landlord and our Group as tenant. Our Directors considered that such transactions were conducted on normal commercial terms and were fair and reasonable as a whole. For more details, please refer to the paragraphs headed "Business — Other businesses — Long-term rental apartment business", "Financial Information — Related party transactions" and note 28 to the Accountants' Report set forth in Appendix I to this document.

Further, our Group as lender provided certain related party loans to Sundy Holdings Group as borrower during the Track Record Period. As at Latest Practicable Date, all such loans had been fully settled. Our Directors consider that such transactions were conducted on normal commercial terms and were fair and reasonable as a whole. Please refer to the paragraph headed "Financial Information — Related party transactions" and note 28 to the Accountants' Report set forth in Appendix I to this document.

Save as disclosed above and in this document, our Directors confirmed that there was no sharing of resources or fund flow between our Group and Sundy Holdings Group during the Track Record Period and up to the Latest Practicable Date. Furthermore, unless otherwise stated in the section headed "Connected Transactions", there is no other anticipated transaction, sharing of resources or fund flow between our Group and Sundy Holdings Group after [**REDACTED**] constituting continuing connected transactions for our Company.

Sundy Land Group

Sundy Land was a company established in the PRC with limited liability on 22 March 1999 and was listed on the Shanghai Stock Exchange (stock code: 600077) on 20 May 1997. Mr. Yu was indirectly interested in approximately 35.01% and directly interested in approximately 9.74% of Sundy Land. Also, Ms. Guo Yijuan ("**Ms. Guo**"), spouse of Mr. Yu, was also interested in approximately 4.51% of Sundy Land. Sundy Real Estate was a subsidiary of and wholly owned by Sundy Land. As such, Sundy Land and Sundy Real Estate are our connected persons. Please refer to the section headed "Connected Transactions" in this document for further details of the connected transactions between Sundy Land Group and us after [**REDACTED**].

Sundy Land Group (i.e. Sundy Land and its subsidiaries) was principally engaged in property development and sales of properties in PRC. Sundy Land's subsidiaries include Sundy Real Estate and various other real estate development project companies.

For FY2017, FY2018, FY2019 and 6M2020, the revenue of Sundy Land Group amounted to approximately RMB2,749.3 million, approximately RMB4,592.2 million, approximately RMB4,167.0 million and approximately RMB2,430.9 million, respectively. During the same periods, the net profit of Sundy Land Group amounted to approximately RMB157.7 million, approximately RMB399.8 million, approximately RMB585.5 million and approximately RMB112.7 million, respectively. As at the Latest Practicable Date, Sundy Land's market capitalisation was approximately RMB4.4 billion.

Our Directors confirmed that during the Track Record Period, there was no overlapping of major customers or suppliers between our Group and Sundy Land Group. As at the Latest Practicable Date, one of our major suppliers was also engaged by Sundy Land Group for the provision of curtain wall engineering services. For further details, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document. To the best knowledge of our Directors, the said supplier was not the major supplier of Sundy Land Group during the Track Record Period.

Zhizhonghe Group

Zhizhonghe Industry was a company established in the PRC with limited liability on 15 December 2010. It was wholly owned by Heye Investment. Heye Investment was owned as to 90% by Sundy Holdings and 10% by Zhejiang Yingtong, which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo, spouse of Mr. Yu. As such, Zhizhonghe Industry and its subsidiaries are our connected persons. Please refer to the section headed "Connected Transactions" in this document for further details of the connected transactions between Zhizhonghe Group and us after [**REDACTED**].

Zhizhonghe Group (i.e. Zhizhonghe Industry and its subsidiaries) was principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶). Its paid-up registered capital was RMB50 million.

Zhizhonghe Industry's subsidiaries included but not limited to Guangxi Zhizhonghe Food Co., Ltd.* (廣西致中和食品有限公司) ("**Guangxi Zhizhonghe**"), Jiande Zhizhonghe Alcohol Sales Co. Ltd.* (建德致中和酒銷售有限公司) ("**Jiande Zhizhonghe**"), Zhejiang Zhizhonghe Biotechnology Co., Ltd.* (浙江致中和生物工程有限公司) ("**Zhizhonghe Biotechnology**") and Hangzhou Zhizhonghe Guoyang Food Co., Ltd.* (杭州致中和國養食品有限公司) ("**Zhizhonghe Guoyang**"), all of which were established in the PRC. The paid-up registered capitals of Guangxi Zhizhonghe, Jiande Zhizhonghe,

Zhizhonghe Biotechnology and Zhizhonghe Guoyang were approximately RMB16.7 million, RMB10 million, RMB80.1 million and RMB5 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, while there was no overlapping of major suppliers between our Group and Zhizhonghe Group, there were overlapping of a few major customers, being Sundy Holdings and certain property companies and joint ventures and associates of Sundy Land Group. Notwithstanding the above, our Directors considered the natures of services or products provided by our Group and Zhizhonghe Group are different. While our Group principally provides property management services, value-added services to non-property owners and community value-added services, Zhizhonghe Group manufactures and sells alcohol, Chinese herbal jelly and Chinese herbal tea to such overlapping customers. As such, our Directors considered that there is a clear delineation of business and no competition of principal businesses between our Group and Zhizhonghe Group.

The revenue of Zhizhonghe Group generated from the sales of food and beverage to such overlapping customers accounted for approximately 1.7%, 2.3%, 2.7% and 3.8% of its total revenue for FY2017, FY2018, FY2019 and 6M2020, respectively. While some of the overlapping customers are major customers of our Group, they are insignificant to Zhizhonghe Group given the immaterial revenue contribution to it during the Track Record Period. As such, our Directors confirmed that the extent of overlapping of customers is not material.

Sundy Yangguang Kindergarten

Sundy Yangguang Kindergarten was a company established in the PRC with limited liability on 16 August 2018. It was indirectly owned as to 40% by Heye Investment, a company owned as to 90% Sundy Holdings and 10% by Zhejiang Yingtong. Zhejiang Yingtong was owned as 90% by Sundy Holdings and 10% by Ms. Guo, spouse of Mr. Yu. As such, Sundy Yangguang Kindergarten is our connected person. Please refer to the section headed "Connected Transactions" in this document for further details of the connected transactions between Sundy Yangguang Kindergarten and us after [**REDACTED**].

Sundy Yangguang Kindergarten was principally engaged in the provision of preschool education service. Its paid-up registered capital was RMB3 million.

As confirmed by our Directors, there was no material overlapping of major customers or suppliers between our Group and Sundy Yangguang Kindergarten during the Track Record Period and up to the Latest Practicable Date.

DELINEATION OF BUSINESS

As stated above, Sundy Land Group, i.e. Sundy Land and its subsidiaries, is principally engaged in property development and sales of properties. For certain development projects, establishment of a hotel is one of the requisite requirements of the PRC Government. Therefore, Sundy Land indirectly owns and operates certain hotels with details as set out below, which are limited to and ancillary to the corresponding development projects.

Our Group, on the other hand, is principally engaged in (i) property management services, (ii) value-added services to non-property owners; and (iii) community value-added services. As disclosed in the paragraph headed "Business — Other businesses — Hotel business" in this document, as part of our other business, we commenced the operation of Atour West Lake through our operating subsidiary, Sundy Jiahe. Atour West Lake is a hotel situated in Shangcheng District, Hangzhou, with walk-in hotel guests, guests making reservations through third-party booking networks and travel agency and corporate hotel guests as its target customers.

Sundy Real Estate, a wholly-owned subsidiary of Sundy Land, and Xinhua Yuan Real Estate Group Co., Ltd.* (新華園房產集團有限公司) ("**Xinhua Yuan**") (an independent third party) jointly incorporated Hangzhou Daqishanjun Property Co., Ltd.* (杭州大奇山郡實業有限公司) ("**Hangzhou Daqishanjun**"). As at the Latest Practicable Date, Hangzhou Daqishanjun wholly owned Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司) ("**Tonglu Daqishanjun**"), which owned and operated Tonglu Landison Resort* (桐廬雷迪森度假酒店) ("**Landison Resort**"). Tonglu Daqishanjun was established in July 2009. For FY2017, FY2018, FY2019 and 6M2020, the revenue generated by Tonglu Daqishanjun was approximately RMB28.4 million, RMB31.5 million, RMB30.1 million and RMB7.3 million, respectively.

The reasons for not including Tonglu Daqishanjun into our Group are as follows:

(i) Landison Resort was established as an integral part of the Daqishanjun County development project* (大奇山郡發展項目) developed by Sundy Land Group due to the requisite requirement of the PRC Government;

(ii) Landison Resort is operated as a resort, the business focus of which is distinct from our hotel business; and

(iii) the target customers of Landison Resort are visitors to the Tonglu Daqishanjun, which are not likely to overlap with the target customers of our hotel business located in Hangzhou city.

Zhoushan Blue County Hotel Co., Ltd.* (舟山藍郡酒店有限公司) ("**Zhoushan Blue County**"), a wholly-owned subsidiary of Sundy Real Estate, wholly owns Holiday Inn Express Zhoushan Dinghai* (舟山定海智選假日酒店) ("**Dinghai Holiday Inn**"). As at the Latest Practicable Date, Zhoushan Blue County owned Dinghai Holiday Inn. Zhoushan Blue County was established in April 2019. For FY2019 and 6M2020, the revenue generated by Zhoushan Blue County was approximately RMB1.5 million and RMB1.6 million, respectively.

The reasons for not including Zhoushan Blue County into our Group are as follows:

(i) Zhoushan Blue County was incorporated for the investment in and operation of Dinghai Holiday Inn only. Dinghai Holiday Inn was established as an integral part of Zhoushan Blue County International development project* (舟山藍郡國際發展項目) by Sundy Land Group;

(ii) Dinghai Holiday Inn is geographically located in Zhoushan, where is far from Hangzhou. Its target customers are visitors to Zhoushan, which are not likely to overlap with the target customers of our hotel business in Hangzhou city; and

(iii) Dinghai Holiday Inn is an international chain-branded hotel and uses the "Holiday Inn" brand in its operation.

Based on the above, our Directors are of the view that there is a clear delineation between the businesses of our Group, and Tonglu Daiqishanjun and Zhoushan Blue County (collectively the "**Excluded Group**"). Moreover, our Directors consider not to include the Excluded Group into our Group as:

(i) the business of the Excluded Group is only business ancillary to the principal business of Sundy Land Group and is not its standalone business;

(ii) the Excluded Group has its own operational management team which is independent from our Group;

(iii) based on the reasons of not including Tonglu Daqishanjun and Zhoushan Blue County as set out above, any potential competition between our Group and the Excluded Group would be minimal;

(iv) in view that the Excluded Group is not a standalone business of Sundy Land, Sundy Land intends to dispose each of Tonglu Daqishanjun and Zhoushan Blue County to a suitable purchaser at a reasonable consideration when and where opportunity arises; and

(v) in addition to the Deed of Non-competition executed by the Controlling Shareholders as stated below, Mr. Yu executed a separate letter of undertaking, pursuant to which, among others, he shall not directly or indirectly (including through companies he is directly or indirectly interested in) invest in any company, enterprise or other institution or organisation with business which is the same as, similar to, or in competition with the hotel business operated by Sundy Property and its subsidiaries in the PRC subject to the terms as stated therein.

To further safeguard our Group from any potential competition from our Controlling Shareholders, each of our Controlling Shareholders will enter into the Deed of Non-competition in favour of our Group. Please refer to the paragraph headed "— Non-competition undertakings" in this section for further details.

As at the Latest Practicable Date, none of our Controlling Shareholders and our Directors have interest in any business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules save as disclosed in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after [**REDACTED**].

Management independence

We are able to carry on our business independently from our Controlling Shareholders and their respective close associates from a management perspective. Our management and operational decisions are made by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors.

While Ms. Zhu Jin, our executive Director, serves as supervisors in various members of Sundy Land Group, she is not involved in the day-to-day management of Sundy Land Group. She can therefore devote most of her time and attention to the management of our Group. Accordingly, our Directors believe that Ms. Zhu Jin's roles as a supervisor in such subsidiaries of Sundy Land Group will not affect the management independence of our Group. Also, our other executive directors and senior management members including but not limited to Mr. Cheng Huayong, Ms. Miao Jianping and Mr. Xu Ya are also involved in the day-to-day management of our Group. Please refer to the paragraph headed "Directors and Senior Management — Senior management" in this document for further details.

Ms. Yu Qian (余倩) is a director of Sundy Property and Lusong Property. On the other hand, during the Track Record Period and up to the Latest Practicable Date, Ms. Yu Qian also served as a director of Sundy Holdings, supervisors of several members of Sundy Holdings Group and Sundy Yangguang Kindergarten and directors of various members of Zhizhonghe Group, including but not limited to Zhizhonghe Industry, Guangxi Zhizhonghe, Jiande Zhizhonghe and Zhizhonghe Guoyang. Ms. Yu Qian has been responsible for only the financial and fund raising of Sundy Property and has not been involved in the daily management and operations of Sundy Property and Lusong Property, therefore she has not been regarded as a key management member of our Group.

As at the Latest Practicable Date, other than Ms. Zhu Jin and Ms. Yu Qian, none of our Directors or the members of our senior management team or directors of any member of our Group holds any position at our Controlling Shareholders or their respective close associates.

Furthermore, our Directors are of a view that our Board and senior management will function independently from our Controlling Shareholders because:

(a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum subject to the provision of the Articles of Association;

(c) other than Ms. Zhu Jin as disclosed above and Ms. Yu Yun as disclosed in the paragraph headed "Directors and Senior Management — Directors — Executive Directors" in this document, all of our other Directors and our senior management members are independent from our Controlling Shareholders. Our Group has established our own business, finance, human resources, administration departments which are responsible for daily operations of our Group; and

(d) our independent non-executive Directors constitute three-sevenths of our Board. They will bring independent judgement to the decision-making process of our Board.

Operational independence

We have established our own organisational structure with independent departments, each with specific areas of responsibilities. We do not share our operation team, facilities and equipment with our Controlling Shareholders and their close associates. Our Group has also established a set of internal control measures to facilitate the effective operations of our business.

Save for the continuing connected transactions set out in the section headed "Connected Transactions" in this document, which will continue after [**REDACTED**], our Directors do not expect that there will be any other transactions between our Company and our Controlling Shareholders or their respective close associates after [**REDACTED**]. The continuing connected transactions between the Sundy Land Group and Zhizhonghe Group with our Group involve various transactions such as leasing of properties and purchase of food and beverage. It is expected that in the event that either of Sundy Land Group and Zhizhonghe Group does not lease properties or sell food and beverage to our Group or we cease to engage either of them as supplier, there will be other comparable landlord or vendor (where applicable) readily available in the market for replacement.

Further, we extended our services to independent third parties back in 2017. In 2019, we set up a business development department responsible for, among others, overseeing business expansion with third-party property developers. Such department has been proactively exploring market opportunities through market research and soliciting independent third-party customers via industry referrals and introduction from residents, property owners or other customers. We also encourage our staff to explore third-party customers and motivate them by distributing a bonus in accordance with the revenue brought about as a result of such new engagement. As at 30 June 2020, our total GFA under management of properties developed by independent third-party property developers was approximately 2.6 million sq.m., representing approximately 41.1% of our total GFA under management as at the same date, and a growth of over 50 times from our total GFA under management of properties developed by independent third-party property developers of approximately 50,000 sq.m. as at 31 December 2017.

In order to further reduce our reliance on Sundy Land Group and diversify our revenue source to independent third party customers, we will continue adopting the aforesaid and following measures:

(a) Property management services

From 1 July 2020 and up to the Latest Practicable Date, we entered into five new agreements and won two tenders for the provision of property management services for properties developed by independent third-party developers. The aggregated contract sum and expected contract sum of the said new agreements and tenders are approximately RMB[**REDACTED**]. Also, we intend to apply approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], to acquire, invest in or form strategic alliance with property management companies with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region. For further details, please refer to paragraphs headed "Business — Our business strategies" and "Future Plans and [**REDACTED**] — [**REDACTED**]". Such acquisition, investment or formation of strategic alliance may (i) introduce us to independent third-party property developers and customers; (ii) expand our customer base; (iii) increase our total GFA under management of properties developed or owned by independent third parties; and (iv) lower the percentage of our revenue contributed from Sundy Land Group. Considering the potentially vast opportunities in the property management market, our experience and expertise, our achievement in expanding our business in respect of services provided to properties developed by independent third parties, we believe that we are well-positioned to capture potential opportunities and could further expand our business in respect of properties developed by independent third parties. Furthermore, as advised by CIA, our Directors believe that there are sufficient number of suitable target companies available in the market for our expansion plan. Also, we commenced a property management project for an old residential community under the Future Community Pilot Plan during the Track Record Period. Leveraging the said experience, our Directors are of the view we are capable of obtaining more old residential community projects, including but not limited to those under the Future Community Pilot Plan, by way of tendering or negotiation for agreement. For instance, from 1 July 2020 and up to the Latest Practicable Date, through the introduction by the local government, we commenced the management of one additional old residential community located in Hangzhou, which is of similar nature to that of our first project under the Future Community Pilot Plan. For further details, please refer to the paragraph headed "Business — Our business strategies". Given that (i) we believe the Future Community Pilot Plan is the future trend for socio-economic development; and (ii) the customers of projects under the Future Community Pilot Plan are independent from Sundy Land Group, leveraging our experiences in the management of old residential communities, we believe that our participation in the Future Community Pilot Plan can greatly increase and diversify our revenue source on property management services to independent sources. As such, despite the increase in the actual amount of revenue from Sundy Land Group, it is expected that the percentage of its relevant revenue contribution to our Group will taper in growth and decrease in the long run.

(b) Value-added services to non-property owners

From 1 July 2020 and up to the Latest Practicable Date, we won two tenders regarding a property developed by an independent third party for the provision of value-added services, with an aggregated expected contract sum of approximately RMB3.1 million. Despite the industry norm that property developers usually prefer their affiliated property management companies to provide value-added services to non-property owners, we will continue putting in significant effort to identify potential projects available in the market and reaching out to independent third-party customers, especially those do not have strong affiliation with any property management companies. For instance, we will seek for tender opportunities through available information channels, communicating with industry organisations and participating in industry events to identify co-operation opportunities, and conducting market research to understand the preference of our potential customers. With over two decades of experience in the property management service industry in the PRC, and being ranked 5th and 7th in Hangzhou and Zhejiang province, respectively, among the 2019 Top 100 Property Management Companies in terms of net profit, our Directors are of the view that we are able to leverage our experience and reputation in the market to identify and capture new business opportunities from independent third-party property developers and customers. As at the Latest Practicable Date, we were also in discussion with certain independent third-party developers regarding potential new engagements.

(c) Community value-added services

As our total GFA under management of properties developed or owned by independent third parties continues to increase, our Directors believe that the revenue of our community value-added services attributable to independent third-party customers will also increase accordingly. Furthermore, during the Track Record Period, we started participating in the Future Community Pilot Plan as mentioned above, which also involves the provision of various types of community value-added services including home care services for the elderly, household services, recycling services and other professional services to property owners and residents which are independent from Sundy Land Group. Further to the said impact of the Future Community Pilot Plan on our property management services, similarly, we believe our participation in the Future Community Pilot Plan can also greatly increase and diversify our revenue source on community value-added services to independent sources. Going forward, our Group plans to increase our efforts to pursue opportunities to introduce a variety of other community value-added services to satisfy the basic living needs of property owners and residents. We believe that such value-added services will contribute to the future growth of our Group, and facilitate increase in the proportion of our total revenue generated from community value-added services provided to independent third parties.

In light of the above, our Directors are of the view, and based on the views of our Directors and the information provided by, and the confirmation from, our Company, the Sole Sponsor concurs, that the above measures adopted or to be adopted by our Group are realistic and effective to further reduce our reliance on Sundy Holdings Group.

As at the Latest Practicable Date, save as disclosed in this document, our Group does not rely on our Controlling Shareholders or their respective close associates and has an independent management team to handle our day-to-day management and operations. We are also in possession of all relevant licences, permits and approvals necessary to carry on and operate our business and we have sufficient workforce to operate independently from our Controlling Shareholders and their close associates.

Immediately after the [**REDACTED**], save as disclosed in this document, there are no continuing connected transactions between our Group and our Controlling Shareholders and/or their respective close associates. As such, our Directors are of the view that our Group can operate independently from our Controlling Shareholders and their respective close associates.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs. As at the Latest Practicable Date, there is no security or guarantee provided by our Controlling Shareholders.

Our Directors confirm that our Group can operate independently from our Controlling Shareholders and their respective close associates, and we will not rely on our Controlling Shareholders for financing after the [**REDACTED**] as we expect that our working capital will be funded by our operating income and bank borrowings. Our own finance department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and their respective close associates.

NON-COMPETITION UNDERTAKINGS

Mr. Yu and Sundy Heye, our Controlling Shareholders (the "**Covenantors**", and each of them, a "**Covenantor**"), entered into a Deed of Non-competition in favour of our Company (for itself and as trustee for our subsidiaries):

(a) Subject to the terms and conditions of the Deed of Non-competition, each of the Covenantors jointly, severally, irrevocably and unconditionally undertakes to and covenants with our Company (for itself and as trustee for our subsidiaries) that, during the period in which the Covenantors are subject to the provisions of the deed:

(i) he/it will not, and will procure his/its close associates and/or the companies controlled by him/it (other than members of our Group) not to, directly or indirectly, either on his its own account or in conjunction with or on behalf of any person, firm or company, partnership, joint venture, or other contractual arrangement, among other things whether directly or indirectly, for profit or not, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or provide any form of assistance to any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time, including but not limited to the provision of property management services, value-added services to non-property owners, community value-added services and long-term rental apartment business (the "**Restricted Business**");

(ii) if he/it and/or any of his/its close associates has received, is offered or has identified any business investment or other business opportunity that competes or may compete, directly or indirectly, with the Restricted Business (the "**New Business Opportunity**"), he/it and/or any of his/its close associates shall (1) immediately give a notice in writing to our Company in respect of such New Business Opportunity, setting out all reasonably necessary information for our Group to make an informed assessment; and (2) use his/its/their best efforts to assist our Company in acquiring such New Business Opportunity at terms and conditions no less favourable than those available to him/it and/or his/its close associates;

(iii) neither he/it nor any of his/its close associates, directly or indirectly, carries out, participates or is engaged in, invests in, acquires or holds (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or is otherwise involved (other than through our Group) in the Restricted Business;

(iv) he/it will provide all necessary information for our Directors (including our independent non-executive Directors) to review his/its compliance with and implementation of the Deed of Non-competition on an annual basis and, if necessary, make annual statements in respect of his/its compliance with and implementation of the Deed of Non-competition in the annual reports of our Company;

(v) he/it will allow our Directors, their respective representatives and auditors to have full access to his/its records and/or will procure his/its close associates to use their best efforts to allow our Directors, their respective representatives and auditors to have full access to their records, in order for him/it to meet the terms and conditions of the Deed of Non-competition; and

(vi) for so long as he/it or any of his/its close associates, either alone or as a whole, remains the Controlling Shareholder of our Company (within the meaning of the Listing Rules) or a Director:

(1) he/it will not participate in, carry on or invest in any project or business opportunity that competes or may compete, directly or indirectly, with the business conducted by our Group from time to time;

(2) he/it will, in accordance with the Articles of Association and the Listing Rules, declare his/its interests and, where required, abstain from voting at any board meeting and/or general meeting of our Company and not be counted as quorum where required, if there is any actual or potential conflict of interests;

(3) he/it and his/its close associates (other than our Group) will not solicit any existing or then existing employee of our Group;

(4) without the consent of our Company, he/it will not use any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder of our Company and/or a Director for any purposes; and

(5) he/it will procure his/its close associates (other than our Group) not to participate in, carry on or invest in any project or business opportunity mentioned above (except pursuant to paragraph (b)(i) below).

(b) The non-competition undertakings made by the Covenantors do not apply in the following circumstances:

(i) if the information on the principal terms of the Restricted Business, project or New Business Opportunity has been made available to our Group and our Directors, the principal terms in accordance with which the relevant Covenantor(s) or his/its(their) close associates participate in, carry on or invest in such Restricted Business, project or business opportunity are approximately the same or are no more favourable than those offered to our Company, and our Company has confirmed that it, after review by our Directors (including our independent non-executive Directors, provided that the resolution shall be approved by the majority of our independent non-executive Directors at a meeting in the absence of Directors who have beneficial interest in such a project or business relating to such project or business), will refuse to operate, participate in or carry on such Restricted Business relating to such New Business Opportunity, then any close associate of the Covenantors (other than our Group) has the right to participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity that has previously been offered to our Group, irrespective of the value of such business. Subject to the foregoing, if the Covenantors or any of his/its close associates has decided to directly or indirectly participate in, carry on or invest in any Restricted Business relating to such New Business Opportunity, he/it/they shall be subject to any conditions imposed by our independent non-executive Directors and shall disclose to our Company the terms under which he/it/they operate, participate or carry on such Restricted Business as soon as practicable; and

(ii) without prejudice to the principle of (i) above, the undertakings made by the Covenantors do not apply to any of the following:

(1) holding of shares or other securities issued by our Company or our subsidiaries; and

(2) where a company is a company listed on any stock exchange recognised by national laws and holds the shares or securities in any company participating in any Restricted Business, the total interest (within the meaning of Part XV of the SFO) held by each of the Covenantors and his/its close associates is less than 5% of the share capital of such company.

(c) The non-competition undertakings given by our Controlling Shareholders of our Company will take effect from the date on which dealings in our Shares first commence on the Stock Exchange and will cease to have any effect upon the earlier of the date on which:

(i) our Controlling Shareholders and his/its close associates and/or successor, individually and/or collectively, cease to own 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder of our Company; or

(ii) our Shares cease to be listed on the Stock Exchange (except for temporary suspension of our Shares due to any reason).

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage potential conflict of interests between our Controlling Shareholders and our Group, and to safeguard the interests of our Shareholders:

(i) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving certain contract or arrangement or other proposal in which he or any of his close associates is materially interested. In this context, such interest include interest which our Directors have in their capacity as Controlling Shareholders of our Group;

(ii) The independent non-executive Directors shall give their independent opinions to the Shareholders on the relevant connected transaction(s) pursuant to the Listing Rules;

(iii) Our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;

(iv) Any transactions between our Company and its connected persons shall be in compliance with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules; and

(v) Our Company has appointed Cinda International as our compliance adviser and will appoint a Hong Kong legal adviser upon completion of the [**REDACTED**], which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Our Directors consider that our Company has sufficient control mechanisms to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders.

OVERVIEW

Certain members of our Group have entered into certain transactions with parties who are connected persons of our Company and these transactions are expected to continue on a continuing basis after the [**REDACTED**], thereby constituting continuing connected transactions for our Company under the Listing Rules.

CONNECTED PERSONS

As at the Latest Practicable Date, the following connected persons of our Company will conduct continuing connected transactions with our Group:

(i) Sundy Land was principally engaged in property development and sales of properties. It was owned as to approximately 35.01% by Sundy Holdings (which was wholly owned by Mr. Yu), approximately 9.74% by Mr. Yu and approximately 4.51% by Ms. Guo, spouse of Mr. Yu. Therefore, Sundy Land is an associate of Mr. Yu, hence our connected person. Sundy Real Estate is a wholly-owned subsidiary of Sundy Land, hence connected person of our Company. Please refer to the paragraph headed "Relationship with Controlling Shareholders — Controlling Shareholders — Sundy Land Group" for further details.

(ii) Zhizhonghe Industry was principally engaged in manufacturing and sales of food and beverage, in particular, alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶). It was wholly owned by Heye Investment, a company owned as to 90% by Sundy Holdings, which was wholly owned by Mr. Yu, and 10% by Zhejiang Yingtong Technology Development Co., Ltd* (浙江盈通科技發展有限公司) ("**Zhejiang Yingtong**"), which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo, spouse of Mr. Yu. Therefore, Zhizhonghe Industry is an associate of Mr. Yu, hence our connected person. Please refer to the paragraph headed "Relationship with Controlling Shareholders — Controlling Shareholders — Zhizhonghe Group" for further details.

(iii) Sundy Yangguang Kindergarten was principally engaged in the provision of preschool education service. It was indirectly owned as to 40% by Heye Investment, a company owned as to 90% by Sundy Holdings and 10% by Zhejiang Yingtong, which was owned as to 90% by Sundy Holdings and 10% by Ms. Guo, spouse of Mr. Yu. Therefore, Sundy Yangguang Kindergarten is an associate of Mr. Yu, hence our connected person. Please refer to paragraph headed "Relationship with controlling shareholders — Controlling Shareholders — Sundy Yangguang Kindergarten" for further details.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Trademark Licence Agreement with Sundy Real Estate

Principal terms

On 9 December 2020, Sundy Property (for itself and as trustee for the benefit of other members of our Group) entered into a trademark licence agreement (the "**Trademark Licence Agreement**") with Sundy Real Estate, pursuant to which Sundy Real Estate granted to our Group the right to use the trademarks set out in the paragraphs headed "Statutory and General Information

— B. Further information about our business — 2. Intellectual property rights of our Group — (b) Trademark licensed” in Appendix IV of this document owned by Sundy Real Estate.

Pursuant to the Trademark Licence Agreement, the licence is granted to our Group on a royalty-free basis for the period from 1 January 2021 to 31 December 2023.

Historical transaction amounts

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the royalty fees paid by Sundy Property to Sundy Real Estate were nil, nil, nil, nil and nil, respectively.

Listing Rules implications

Since all of the applicable percentage ratios are less than 0.1%, the transactions contemplated under the Trademark Licence Agreement are fully exempt from all reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

2. Master Purchase Agreement with Zhizhonghe Group

Principal Terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master purchase agreement (the “**Master Purchase Agreement**”) with Zhizhonghe Industry (for itself and as trustee for the benefit of other members of Zhizhonghe Group), pursuant to which our Group agreed to purchase food and beverage, including but not limited to alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea (涼茶), from Zhizhonghe Group for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give the other party not less than three months’ prior written notice to terminate the Master Purchase Agreement.

The purchase amount concerned will be negotiated by the relevant subsidiaries of both parties with reference to (i) the prevailing market price of same or comparable kind of food and beverage in the local community; and (ii) the uniqueness and availability of the food or beverage (where applicable) to be purchased in the local community, and in good faith which will be set out in separate purchase agreements in accordance with the terms set out in the Master Purchase Agreement.

Historical transaction amounts

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the aggregated purchase amount paid by us to Zhizhonghe Group were approximately RMB57,000, RMB147,000, RMB197,000, RMB144,000 and RMB45,000, respectively.

Annual caps and basis

Our Directors estimate that the maximum purchase amount payable by us to Zhizhonghe Group under the Master Purchase Agreement for each of the years ending 31 December 2020, 2021 and 2022 will not exceed RMB250,000, RMB300,000 and RMB350,000, respectively.

To determine the above annual caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) our Group's budget on food and beverages for each of the years ending 31 December 2020, 2021 and 2022; and (iii) the annual increment in the purchase price taking into account of the expected inflation in the PRC.

Listing Rules implications

Since the highest relevant percentage ratio in respect of the transactions under the Master Purchase Agreement is less than 5% and the highest annual cap will be less than HK$3 million, the transactions contemplated under the Master Purchase Agreement are fully exempt from all reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL

1. Master Lease Agreement with Sundy Land Group

Principal terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master property lease agreement (the "**Master Lease Agreement**") with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), pursuant to which our Group shall lease from Sundy Land Group certain premises for hotel use for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give not less than three months' prior written notice to terminate the Master Lease Agreement.

The specific rental fee concerned and other relevant matters will be negotiated by the relevant subsidiaries for both parties with reference to the then prevailing market rates and in good faith which will be set out in separate lease agreements in accordance with the terms set out in the Master Lease Agreement.

Historical transaction amounts

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the aggregate rental fee incurred by us in relation to the leased hotel premises from Sundy Land Group amounted to nil, approximately RMB0.92 million, RMB3.84 million, RMB1.74 million and RMB0.63 million, respectively.

Annual caps and basis

Our Directors estimate that the maximum annual rental fee payable under the Master Lease Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB4.45 million, RMB4.70 million and RMB4.90 million, respectively.

To determine the above annual caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) the prevailing market rate of the comparable premises in the local community; (iii) our Group's hotel business and expansion plans for each of the years ending 31 December 2020, 2021 and 2022; (iv) the expected increase in the total GFA of properties to be leased to us by Sundy Land Group based on the estimated needs of our Group's business development plan; and (v) the revenue forecast of our hotel business for each of the years ending 31 December 2020, 2021 and 2022, taking into account of, among others, its occupancy rate and hotel room charge.

Listing Rules implications

Since the highest relevant percentage ratio in respect of the transactions under the Master Lease Agreement is more than 5%, but less than 25% and the highest annual cap is less than HK$10 million, the transactions contemplated under the Master Lease Agreement are exempt from the independent shareholders' approval requirements, but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Property Management Agreements with Sundy Yangguang Kindergarten, Zhizhonghe Group and Sundy Land Group

On 21 December 2020, our Group entered into Yangguang Master Agreement (as defined below), Zhizhonghe Master Agreement (as defined below) and Master Property Management Agreement (as defined below) (collectively named as the "**Property Management Agreements**") with Sundy Yangguang Kindergarten, Zhizhonghe Group and Sundy Land Group, respectively. Details of each of the Property Management Agreements are set out below:

(a) Master Property Management Agreement with Sundy Land Group

Principal terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master property management agreement (the "**Master Property Management Agreement**") with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), pursuant to which our Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties developed or owned by Sundy Land Group for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Master Property Management Agreement.

The service fees concerned will be negotiated by the relevant members of both parties with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) the prevailing market price for similar services in the market, and in good faith which will be set out in separate property management agreements in accordance with the terms set out in the Master Property Management Agreement.

Historical transaction amounts

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the aggregated property management service fees paid to us by Sundy Land Group were approximately RMB9.25 million, RMB10.48 million, RMB23.18 million, RMB9.37 million and RMB9.87 million, respectively.

(b) Master Property Management Agreement with Zhizhonghe Group

Principal Terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master property management agreement (the "**Zhizhonghe Master Agreement**") with Zhizhonghe Industry (for itself and as trustee for other members of Zhizhonghe Group), pursuant to which our Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties owned or operated by Zhizhonghe Group for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Zhizhonghe Master Agreement.

The service fees concerned will be negotiated by the relevant members of both parties with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) the prevailing market price for similar in the market, and in good faith which will be set out in separate property management agreements in accordance with the terms as set out in the Zhizhonghe Master Agreement.

Historical transaction amounts

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the aggregated service fees paid to us by Zhizhonghe Group were approximately RMB130,000, RMB540,000, RMB1.63 million, RMB816,000 and RMB804,000, respectively.

(c) Master Property Management Agreement with Sundy Yangguang Kindergarten

Principal Terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master property management agreement (the "**Yangguang Master Agreement**") with Sundy Yangguang Kindergarten, pursuant to which our Group agreed to provide property management services, including but not limited to security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services, to the properties operated by Sundy Yangguang Kindergarten for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Yangguang Master Agreement.

The service fees concerned will be negotiated between Sundy Yangguang Kindergarten and our relevant member with reference to (i) the size and location of the properties; (ii) budgeted operational expenses including but not limited to labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) the prevailing market price for similar services in the market, and in good faith which will be set out in separate property management agreements in accordance with the terms as set out in the Yangguang Master Agreement.

Historical transaction amounts

There is no transaction between our Group and Sundy Yangguang Kindergarten for FY2017 and FY2018. For FY2019, 6M2019 and 6M2020, the aggregated service fee paid to us by Sundy Yangguang Kindergarten was approximately RMB72,000, RMB36,000 and nil, respectively. There was no transaction amount for 6M2020 as its operations were suspended due to outbreak of NCP.

Annual caps and basis

The aggregate annual caps under the Property Management Agreements for the years ended 31 December 2020, 2021 and 2022 are as follows:

	For the year ended		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Master Property Management Agreement	22,000	22,800	24,800
Zhizhonghe Master Agreement	1,670	1,800	2,000
Yangguang Master Agreement	70	70	70
Aggregated annual cap	**23,740**	**24,670**	**26,870**

To determine the above annual caps, our Directors have considered, among other thing, (i) the historical transaction amounts during the Track Record Period; (ii) the number of property units and corresponding GFA that we have been currently engaged by Sundy Land Group, Zhizhonghe Group or Sundy Yangguang Kindergarten (as the case maybe) as a property management service provider; (iii) the number of projects and corresponding GFA that we expect to be engaged by Sundy Land Group, Zhizhonghe Group or Sundy Yangguang Kindergarten (as the case maybe) as a property management service provider for each of the years ending 31 December 2020, 2021 and 2022, respectively, taking into account of, among others, the number of pipeline properties and their expected delivery date with details as set out in paragraph headed "Business – Property management services – Overview" and the expected sales of such pipeline properties (if applicable); and (iv) the annual increment in the service fees to be charged by our Group taking into account of, among others, the expected inflation in the PRC and the expected increase in labour costs.

After sales of the managed properties from Sundy Land Group to individual property owners and the establishment of the property owners' association, a new property management agreement will be entered into with the property owners' association and such transactions will no longer be considered as connected transactions with Sundy Land Group. After having made all reasonable enquiries, and to the best of the knowledge and belief of our Directors, the sales of the pipeline properties by Sundy Land Group for the financial years ending 31 December 2020, 2021 and 2022 are expected to be faster than the sales of the managed properties in FY2019, therefore the historical transaction amount for FY2019 is higher than the annual caps for the financial years ending 31 December 2020, 2021 and 2022.

Listing Rules Implications

The Property Management Agreements have been aggregated for the Listing Rules purposes on the basis that they all relate to the property management services provided by us to Sundy Yangguang Kindergarten, Zhizhonghe Group and Sundy Land Group, associates of Mr. Yu.

Since the highest relevant percentage ratio in respect of the transactions under the Property Management Agreements, when aggregated, is more than 25%, the transactions contemplated under the Property Management Agreements are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Master Service Agreement with Sundy Land Group

Principal Terms

On 21 December 2020, our Company (for itself and as trustee for the benefit of other members of our Group) entered into a master service agreement (the "**Master Service Agreement**") with Sundy Land (for itself and as trustee for other members of the Sundy Land Group), pursuant to which our Group agreed to provide (i) value-added services to non-property owners, including but not limited to consulting services, sale assistance services and pre-delivery services; (ii) community value-added services, including but not limited to property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iii) other services, including but not limited to provision of conferencing and meeting spaces for rental by corporate clients at properties developed or owned by Sundy Land Group or provision of accommodation to the employees of members of Sundy Land Group (where applicable), for a term commencing from the [**REDACTED**] until 31 December 2022, and at any time either party may give the other party not less than three months' prior written notice to terminate the Master Service Agreement.

The service fees concerned will be negotiated by the relevant members of both parties with reference to:

(a) in respect of value-added services to non-property owners, (i) our budgeted expenses, such as the headcount and positions of the personnel we deploy; (ii) the types of locations of properties; (iii) GFA under management of properties; and (iv) the prevailing market price for similar services in the market;

(b) in respect of community value-added services, (i) the size and locations of the properties; (ii) budgeted expenses including but not limited to labour, administrative, subcontracting and other expenses; (iii) scope and quality of the services proposed; and (iv) the prevailing market price for similar services in the market; and

(c) in respect of other services, (i) budgeted expenses including but not limited to labour and administrative expenses; (ii) nature, scope and quality of services proposed; and (iii) the prevailing market price for similar services in the market,

and in good faith which will be set out in separate service agreements in accordance with the principles as set out in the Master Service Agreement.

Historical transaction amounts

The following table sets forth the breakdown of the historical transaction amounts of our value-added services to non-property owners, community value-added services and other services:

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Value-added services to non-property owners	8,971	30,201	40,171	18,517	26,748
Community value-added services	2,261	3,796	14,121	5,482	11,338
Other services	–	–	270	140	48
Total	**11,232**	**33,997**	**54,562**	**24,139**	**38,134**

Annual caps and basis

Our Directors estimate that the maximum service fee payable by Sundy Land Group to us under the Master Service Agreement for each of years ending 31 December 2020, 2021 and 2022 will not exceed RMB70.30 million, RMB71.00 million and RMB79.50 million, respectively. The following table sets forth the breakdown of the annual caps by types of services for Master Service Agreement:

	For the year ending 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Value-added services to non-property owners	49,036	57,386	64,722
Community value-added services	21,084	13,404	14,549
Other services	180	210	229
Aggregated annual cap	**70,300**	**71,000**	**79,500**

To determine the above annual caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) the number of property units and corresponding GFA that we have been currently engaged by Sundy Land Group as a value-added service provider; (iii) the number of projects and corresponding GFA that we expect to be engaged by Sundy Land Group as a value-added service provider for each of the years ending 31 December 2020, 2021 and 2022, taking into account of, among others, the number of development projects under construction and pipeline development projects of Sundy Land Group based on the third quarterly report for the nine months ended 30 September 2020 of Sundy Land dated 29 October 2020 ("**2020 third quarterly report of Sundy Land Group**"), the number of pipeline properties of property management services and their expected delivery date with details as set out in paragraph headed "Business – Property management services — Overview" in this document and the expected sales of such pipeline properties, which substantially overlaps with the ones of value-added services; (iv) the types of other services we have been currently engaged by Sundy Land Group; (v) the number of projects that we expect to be engaged by Sundy Land Group as a service provider for other services; and (vi) the annual increment in the service fees to be charged by our Group taking into account of the expected inflation in the PRC.

The increase in the annual caps for the value-added services to non-property owners as compared to the historical transaction amounts for the Track Record Period is primarily driven by the expected increase in the demand from Sundy Land Group for such services, taking into account of (i) the number of our projects on value-added services to non-property owners engaged by Sundy Land Group (excluding those developed by project companies non-wholly owned and not controlled by Sundy Land Group) was 15, 24, 28 and 29 for FY2017, FY2018, FY2019 and 6M2020; and (ii) according to 2020 third quarterly report of Sundy Land, 34 property projects with estimated total GFA of approximately 5.5 million sq.m. were or were prepared to be under construction and based on our historical tender rate and long-term business cooperation with Sundy Land Group, we expect to be engaged by Sundy Land Group for providing value-added service to non-property owners for such properties after construction being completed.

After being aware of the needs of purchasers of bare shell property units to engage third-party service providers for standardised remodelling and decoration services, we commenced the provision of the standardised remodelling and decoration services and entered into a cooperation agreement with Sundy Land Group in late 2017. For further details, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document. As the subject properties under the said cooperation agreement entered delivery stage during FY2019 and 6M2020, a significant amount of our revenue from standardised remodelling and decoration services was recognised in FY2019, and is expected to be recognised for the year ending 31 December 2020, resulting in the relatively higher annual cap required for our community value-added services for the year ending 31 December 2020.

However, in early 2018, it came to our attention that the Department of Housing and Urban-Rural Development of Zhejiang Province (浙江省住房和城鄉建設廳) published a notice on Zhejiang housing sales contract, stating, among others, the requirements of "full decoration" of residential properties should be comprehensively implemented, thereby encouraging property developers to sell fully decorated property units. Based on the discussion with Sundy Land Group, we understand that in response to the said policy, Sundy Land Group has elected to increase the proportion of furnished property units to be developed and sold instead of bare shell property units. Therefore, our Directors are of the view that the demand for standardised remodelling and decoration services of bare shell property units may decrease due to the aforesaid notice, and since then, we have been closely monitoring the latest market development, and have not entered into any new cooperation agreements with Sundy Land Group for standardised remodelling and decoration services. Therefore, the revenue of our community value-added services to be derived from Sundy Land Group for the years ending 31 December 2021 and 2022 is expected to be decreased. Accordingly, the relevant annual cap for the year ending 31 December 2020 is higher than the ones of years ending 31 December 2021 and 2022.

Listing Rules implications

Since the highest relevant percentage ratio in respect of the transactions under the Master Service Agreement is more than 25%, the transactions contemplated under the Master Service Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM DIRECTORS

Our Directors (including our independent non-executive Directors) confirm that all of the continuing connected transactions exempt from independent Shareholders' approval and the non-exempt continuing connected transactions as described above have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole. The proposed aggregate annual caps for the continuing connected transactions exempt from independent Shareholders' approval and the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical transaction amounts prepared and provided by our Company relating to the continuing connected transactions exempt from independent Shareholders' approval and the non-exempt continuing connected transactions described above, has conducted due diligence by discussing these transactions with our Company, and has obtained various representations and confirmations from our Company and our Directors. Based on the Sole Sponsor's due diligence, the Sole Sponsor is of the view that: (a) the continuing connected transactions exempt from independent Shareholders' approval and the non-exempt continuing connected transactions described above have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (b) the proposed aggregate annual caps of such connected transactions mentioned above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

APPLICATION FOR WAIVER

In respect of the transactions described in paragraph headed "— Continuing connected transactions exempt from independent shareholders' approval" in this section, since the highest relevant percentage ratio is more than 5%, but less than 25% and the highest annual cap is less than HK$10 million, such transactions are exempt from the independent shareholders' approval requirements, but subject to the reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules.

In respect of the transactions described in paragraph headed "— Non-exempt continuing connected transactions" in this section, since the highest relevant percentage ratios of such transactions are more than 25%, they are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As described above, we expect the continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement, circular and/or independent shareholders' approval requirements (as the case may be) under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Stock Exchange has granted in accordance with Rule 14A.105 of the Listing Rules to us, (i) a waiver from strict compliance with the announcement requirement in respect of the continuing connected transactions under the Master Lease Agreement; and (ii) a waiver from strict compliance with the announcement and independent Shareholder's approval requirements in respect of the continuing connected transactions under the Property Management Agreements and the Master Service Agreement, subject to the aggregate value of each of these continuing connected transactions for each financial year not exceeding the relevant annual caps amount set forth in this section.

We will re-comply with the applicable requirements under Chapter 14A of the Listing Rules before any of the relevant annual caps is exceeded or a material change of the terms and conditions of each of the Master Lease Agreement, Property Management Agreements and Master Service Agreement is proposed.

OVERVIEW

Our Board currently consists of seven Directors, being four executive Directors, and three independent non-executive Directors. The powers and duties of our Board include determining business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with our executive Directors. We have also entered into letters of appointment with our independent non-executive Directors.

The table below shows certain information in respect of the members of our Board:

Directors

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Ms. YU, Yun (俞昀)	26	Chairman of the Board and executive Director	Responsible for overall strategic planning and overall management of our Group	19 March 2018	15 December 2019	None
Ms. ZHU, Jin (朱瑾)	48	Chief executive officer and executive Director	Responsible for overall strategic planning and overall management of our Group	15 August 2007	15 December 2019	None
Mr. CHENG, Huayong (程華勇)	40	Executive Director	Overseeing the daily operations and management of our Group	1 September 2014	3 April 2020	None
Mr. SHEN, Guangming (沈光明)	56	Executive Director	Responsible for overall strategic planning, business development and corporate compliance governance of our Group	3 April 2020	3 April 2020	None

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. ZHANG, Jingzhong (章靖忠)	57	Independent non-executive Director	Providing independent judgement and supervision to our Board	17 December 2020	17 December 2020	None
Mr. XU, Rongnian (許榮年)	57	Independent non-executive Director	Providing independent judgement and supervision to our Board	17 December 2020	17 December 2020	None
Mr. LAU, Kwok Fai Patrick (劉國煇)	48	Independent non-executive Director	Providing independent judgement and supervision to our Board	17 December 2020	17 December 2020	None

DIRECTORS

Executive Directors

Ms. YU, Yun (俞昀) ("**Ms. Yu**"), aged 26, is our executive Director and the Chairman of the Board. She was appointed to our Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of our Group, overseeing our business operations, finance and human resources. Ms. Yu has been a director of Sundy Property since March 2018. She has also served various positions with other members of our Group as follows:

Company Name	Position	Period of Service
Hui Du	Director	Since December 2019
Rong Du	Director	Since December 2019
Hangzhou Xingrun	Executive director and general manager	Since January 2020
Lusong Property	Director	Since May 2019

From August 2015 to July 2016, Ms. Yu apprenticed as an intern at Sundy Property and rotated to various departments with the purposes of understanding and familiarising herself with the PRC property management industry and our Group's operations. In particular, from 1 August 2015 to 31 December

2015, she rotated to the general management department, finance department and engineering department. Her work responsibilities in the abovementioned departments include coordinating internal and external communications and public relations management; assisting in staff recruitment management work, participating in talent building and talent pool work; assisting in budget and accounting management; and assisting in the evaluation of engineering suppliers and procurement of engineering materials. From 1 January 2016 to 31 July 2016, she was assigned to the quality control department, maintenance department and market development department on a rotational basis. Her work responsibilities in the abovementioned departments include assisting in the inspection and assessment of the property service treatment for projects; assisting in collating property-related issue reports by the property owners; organising preliminary investigations and demonstrations of potential projects, and assisting in drafting property management related documents; and assisting in drafting bidding contracts and documents, and participating in the bidding process for new projects.

As a director of Sundy Property since March 2018, Ms. Yu has committed substantial time and attention to Sundy Property and has been responsible for, among others, overseeing the business operations of Sundy Property. Ms. Yu has also been actively involved in our Group's business since then. For instance, she has been involved in several property management service projects, including Daqishan County* (大奇山郡), a residential property ("**Daqishan Project**"), Dongjun International Phase III* (東郡國際三期), a residential property ("**Dongjun Project**") and Hangzhou Gate* (杭州之門), a non-residential property ("**Hangzhou Gate Project**"). Ms. Yu was generally responsible for overall operational management, overseeing and control of the expenditure of each of the project teams, and human resource management. Ms. Yu was in charge of supervising and leading each of the project teams to ensure the timely and orderly completion of each of the projects. For the Daqishan Project, Ms. Yu held overall responsibility for the performance and operating results of the project. She chaired departmental meetings to assess the work progress of each of the departments, and reviewed and delivered weekly reports to the head office of our Group. She was also responsible for increasing the overall technical standards of the project staff and enhancing service quality. For the Dongjun Project, Ms. Yu established and improved the internal management system of the project team. She supervised the project staff's compliance with the established rules and operation manuals to ensure the orderly development of the project work. She was also responsible for the overall operations of the management office and was in charge of formulating and reviewing the monthly work plan, presiding over the regular work meetings and overseeing internal financial matters. For the Hangzhou Gate Project, Ms. Yu held overall responsibility for the effective execution of the plans and tasks under the project. In particular, she supervised and led the implementation of various marketing and promotional activities to develop new markets, seek new clients and expand business volume. She was also in charge of the coordinating the deployment of personnel and resources for the marketing activities.

From August 2016 to August 2017, Ms. Yu was a personnel of the human resources recruitment team of Lufax (Shanghai) Technology Services Co., Ltd.* (陸金所(上海)科技服務有限公司) (currently known as Weikun (Shanghai) Technology Services Co., Ltd.* (未鯤(上海)科技服務有限公司)), an integrated online wealth management platform company, where she was responsible for management work of recruitment work. From March 2018 to December 2019, Ms. Yu was the general manager and executive director of Shanghai Yongdu Enterprise Management Co., Ltd.* (上海湧都企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. From March 2018 to December 2019, Ms. Yu was the executive director and general manager of Hangzhou Yuanqi Enterprise Management Co., Ltd.* (杭州源祺企業管理有限公司), a corporate advisory services company, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company.

Ms. Yu obtained a bachelor of science in business administration degree from the University of Southern California in May 2015.

She is the daughter of Mr. Yu, our Controlling Shareholder.

Ms. ZHU, Jin (朱瑾) ("**Ms. Zhu**"), aged 48 is our executive Director and chief executive officer. She was appointed to our Board on 15 December 2019 and was designated as an executive Director on 15 January 2020. She is primarily responsible for overall strategic planning and overall management of our Group.

Ms. Zhu has over 12 years of experience in property management. She joined Sundy Property in August 2007 as the legal representative and executive director, and has been responsible for supervising operations of property management projects since then. From August 2007 to December 2016, she was also a manager of Sundy Property, primarily responsible for its daily operation and management. In March 2018, Ms. Zhu was also appointed as the chairman of the board of Sundy Property. In addition to the said responsibilities, she has also been responsible for overall strategic planning, overall management, operation and business development since then. She has also served various positions with other members of our Group as follows:

Company Name	Position	Period of Service
Songdu Exhibition	Supervisor	From June 2016 to September 2017
	Executive director and general manager	Since September 2017
Sundy Jiahe	Executive director and general manager	Since January 2017
Sundy Agency	Executive director	Since March 2017
Lusong Property	Chairman of the board of directors	Since May 2019
Hongdu Information	Executive director and general manager	Since August 2019
Hangzhou Herui	Executive director	Since November 2019
Jilin Sundy	Director	Since July 2020
Ningbo Sundy	Executive director	Since November 2020

From January 2008 to October 2011, Ms. Zhu was a director of Sundy Real Estate, where she was responsible for the strategic planning, overall management and supervision of the operations of the company. From February 2009 to June 2018, she served as an office manager of the same company, where she was responsible for the overall office work and coordinating the administrative support work of the company. From March 2017 to December 2019, Ms. Zhu was the executive director and general manager of Hangzhou Rongsheng Asset Management Limited* (杭州榮昇資產管理有限公司), an investment and assets management company, where she was responsible for the strategic planning, overall management and supervision of the operation, finances and human resources of the company. From July 2016 to December 2019, Ms. Zhu was the executive director and general manager of Anhui Shunwang Postpartum Caring Clubhouse Limited* (安徽順望月子會所有限公司), a company involved in the provision of postpartum caring and health consultancy service, where she was responsible for strategic planning, overall management and supervision of the operation, finances and human resources of the company. Since December 2018, Ms. Zhu has been a director of Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司), a company owned as to 40% by Sundy Property involving in the provision of environmental engineering and landscaping services, where she was responsible for the daily operations and management of the company.

Ms. Zhu was accredited as an intermediate real estate economist* (中級房地產經濟師) by the Ministry of Personnel of the PRC* (中華人民共和國人事部) (currently known as the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)) in November 1998.

Ms. Zhu obtained a bachelor in business enterprise management degree through an online course from Renmin University of China (中國人民大學) in September 2005.

Ms. Zhu was a director, supervisor or member of the management of the following companies in the PRC immediately prior to their respective deregistration:

Name of the company	Nature of business	Place of incorporation	Position	Reason of the deregistration	Date of the deregistration
Hangzhou Sundy Materials Management Co., Ltd.* (杭州宋都物資經營有限公司)	Wholesale and retail of construction materials	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	8 October 2002
Hangzhou Sundy Real Estate Agency Co., Ltd.* (杭州宋都房地產中介代理有限公司)	Real estate agency	PRC	Member of the management	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2002
Suzhou Zhongdu Venture Technology Park Development Co., Ltd.* (蘇州中都創業科技園發展有限公司)	Information technology services	PRC	General manager	Voluntary deregistration in accordance with relevant laws and regulations	27 December 2007
Baike (Hangzhou) Enterprise Management Co., Ltd* (百科(杭州)企業管理有限公司)	Corporate management	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	15 September 2010

Name of the company	Nature of business	Place of incorporation	Position	Reason of the deregistration	Date of the deregistration
Shanghai Sundy Equity Investment Co., Ltd.* (上海宋都股權投資有限公司)	Investment management	PRC	Director	Deregistration by way of resolutions	28 February 2012
Hangzhou Sundy Chinese Medicine Clinic Co., Ltd.* (杭州宋都中醫門診部有限公司)	Traditional Chinese medicare	PRC	Supervisor	Deregistration by way of resolutions	7 March 2016
Hangzhou Jiangdu Real Estate Development Co., Ltd.* (杭州江都房地產開發有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	30 December 2019
Zhoushan Ruidu Real Estate Co., Ltd.* (舟山瑞都置業有限公司)	Real estate development and operations	PRC	Supervisor	Deregistration by way of resolutions	14 January 2020
Hangzhou Songyi Investment Management Co., Ltd.* (杭州頌怡投資管理有限公司)	Non-securities related investment management and consultancy	PRC	Supervisor	Deregistration by way of resolutions	29 May 2020
Hangzhou Sundy Ziyang Health Management Co., Ltd.* (杭州宋都紫陽健康管理有限公司)	Non-medical health consultancy	PRC	Supervisor	Deregistration by way of resolutions	24 June 2020

Mr. CHENG, Huayong (程華勇) ("**Mr. Cheng**"), aged 40, is our executive Director. He was appointed to our Board as an executive Director on 3 April 2020. He is primarily responsible for overseeing the daily operations and management of our Group. He is the general manager of the branch in Hefei of Sundy Property since September 2014. He was further appointed as the deputy operating officer of Sundy Property since January 2017. He has been the manager of Sundy Property since October 2019. He has been the manager of each of Hangzhou Herui and Ningbo Sundy since November 2019 and November 2020, respectively.

Mr. Cheng has over 15 years of experience in the property management industry. From December 2000 to July 2007, Mr. Cheng was a customer service supervisor of Jiangxi Wanke Yida Property Service Co., Ltd. (江西萬科益達物業服務有限公司), a property management services company, where he was mainly responsible for coordination between the various departments of the company and handling the requests of property owners and emergencies. From August 2007 to October 2008, Mr. Cheng was a project manager of Hefei Hanjia Property Management Co., Ltd.* (合肥漢嘉物業管理有限公司), a property management services company, where he was mainly responsible for managing work arrangements and supervising, inspecting and evaluating the work of the employees. From November 2008 to September 2014, Mr. Cheng was the Anhui district person-in-charge at the Hefei branch of Zhejiang Zhong'an Property Management Co., Ltd.* (浙江眾安物業服務有限公司), a property management services company, where he was mainly responsible for organising and coordinating the establishment, implementation, maintenance and transformation of the quality management system of the company.

Mr. Cheng obtained a bachelor in computer application degree from Jiangxi Dayu College* (江西大宇專修學院) (currently known as Nanchang Vocational University (南昌職業大學)) in July 2004.

Mr. SHEN, Guangming (沈光明) ("**Mr. Shen**"), aged 56, is our executive Director. He was appointed to our Board as an executive Director on 3 April 2020. He is primarily responsible for overall strategic planning, business development and corporate compliance governance of our Group.

From December 1999 to December 2001, Mr. Shen was a deputy mayor of Haining City People's Government (海寧市人民政府), where he was responsible for managing foreign trade, tourism, and radio and television. From January 2002 to November 2005, Mr. Shen was an investment management and development department manager of Zhejiang Grand Glory (Holdings) Co., Ltd (浙江榮大集團控股有限公司), an industrial investment and state asset management company. From December 2005 to February 2008, he was further appointed as an assistant to the general manager of the same company. He was responsible for industry investments and securities investments. From November 2008 to July 2015, Mr. Shen was a deputy general manager of Wuchan Zhongda Group Co., Ltd. (物產中大集團股份有限公司), a supply chain integration services company listed on the Shanghai Stock Exchange (stock code: 600704). From July 2015 to March 2019, he was a director and deputy general manager of the same company. He was responsible for, among others, supply chain management and investment. From June 2019 to January 2020, Mr. Shen was a deputy general manager of Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a bio-medical devices company listed on the Shenzhen Stock Exchange (stock code: 300003), where he was responsible for operational management and internal control.

In November 2011, Mr. Shen was appointed as a part-time tutor for professional degree in international business of the School of Economics, Zhejiang University (浙江大學經濟學院), for a term of three years.

Mr. Shen was accredited as a senior economist by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) (previously known as Zhejiang Province Personnel Department* (浙江省人事廳)) in November 2002.

Mr. Shen obtained a bachelor of mathematics degree from Hangzhou University* (杭州大學) (currently known as Zhejiang University (浙江大學)) in July 1984. Mr. Shen obtained a master in engineering degree from China Textile University (中國紡織大學) (currently known as Donghua University (東華大學)) in June 1991. Mr. Shen obtained a doctor in political economy degree from Zhejiang University (浙江大學) in March 2005.

Mr. Shen was a director, supervisor or member of the management of the following companies in the PRC immediately prior to their respective deregistration:

Name of the company	Nature of business	Place of incorporation	Position	Reason of the deregistration	Date of the deregistration
Zhejiang Grand Glory (Holdings) Co., Ltd (浙江榮大集團控股有限公司)	Operation and management of state-owned assets and industrial investment	PRC	Supervisor	Voluntary deregistration in accordance with relevant laws and regulations	14 February 2008

Independent non-executive Directors

Mr. ZHANG, Jingzhong (章靖忠) ("**Mr. Zhang**"), aged 57, is our independent non-executive Director. He was appointed to our Board on 17 December 2020. Mr. Zhang is mainly responsible for providing independent judgement and supervision to our Board.

From December 2015 to September 2019, Mr. Zhang was an independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司), a copper product research, development, manufacturing and sales company listed on the Shenzhen Stock Exchange (stock code: 002203).

Since October 1988, Mr. Zhang has been the head (主任) of T&C Law Firm (天冊律師事務所), where he is responsible for advising on corporate law, capital markets and dispute resolution. Since April 2015, Mr. Zhang has served as a legislative consultancy expert for the legal office of the Zhejiang Provincial People's Government (浙江省人民政府法制辦公室). Since August 2015, Mr. Zhang has been an independent director of Zhejiang Jinggong Technology Co., Ltd. (浙江精功科技股份有限公司), a high-tech products research, development and production company listed on the Shenzhen Stock Exchange (stock code: 002006). Since September 2016, Mr. Zhang has been an independent director of Kweichow Moutai Co., Ltd. (貴州茅台酒股份有限公司), an alcohol production and sales company listed on the Shanghai Stock Exchange (stock code: 600519). Since May 2017, Mr. Zhang has been an independent director of Shanghai M&G Stationery Inc. (上海晨光文具股份有限公司), a stationery manufacturing and sales company listed on the Shanghai Stock Exchange (stock code: 603899). Since July 2017, Mr. Zhang has served as a legal consultant for the Zhejiang Provincial People's Government (浙江省人民政府), where he is responsible for providing legal advice. Since August 2017, Mr. Zhang has been an independent director of Lily Group Co., Ltd. (百合花集團股份有限公司), a company engaged in production of organic pigments and pigments intermediates and is listed on the Shanghai Stock Exchange (stock code: 603823).

Since May 2018, Mr. Zhang has been an arbitrator of the Shanghai International Arbitration Center (上海國際仲裁中心). Since February 2019, Mr. Zhang has been an arbitrator of the Shenzhen Court of International Arbitration (深圳國際仲裁院).

Mr. Zhang obtained a bachelor of law degree from Hangzhou University* (杭州大學) (currently known as Zhejiang University (浙江大學)) in the PRC in July 1984. Mr. Zhang further completed an executive master of business administration program from the Shanghai National Accounting Institute (上海國家會計學院) in the PRC in May 2011.

Mr. Zhang is currently a lawyer registered by the Zhejiang Provincial Department of Justice (浙江省司法廳).

Mr. XU, Rongnian (許榮年) ("**Mr. Xu**"), aged 57, is our independent non-executive Director. He was appointed to our Board on 17 December 2020. Mr. Xu is mainly responsible for providing independent judgement and supervision to our Board.

From July 1986 to December 1999, Mr. Xu successively served as technician, supervisor, deputy head (副主任) and head (主任) of the Zhejiang Institute of Light Industry* (浙江省輕工業研究所) (currently known as Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司)), a company primarily engaged in the research, development and manufacturing of surfactants and oleochemicals and providing third-party testing services on food safety, environment and occupational health, and is listed on the Shenzhen Stock Exchange (stock code: 002637), where he was responsible for food quality inspection and testing work. Since September 2007, Mr. Xu was the deputy general manager of the same company, where he was responsible for the management of food safety inspection and testing, scientific research project development and technological transformation projects of the company. Since August 2016, Mr. Xu has been a director of the same company. He is responsible for management and development of scientific research and testing work.

From January 1993 to December 2000, Mr. Xu successively served as deputy station leader, technical person-in-charge, laboratory director, and inspection centre director of the Zhejiang Province Food Quality Supervision and Inspection Station* (浙江省食品質量監督檢驗站) (currently known as Zhejiang Gongzheng Testing Center Inc. (浙江公正檢驗中心有限公司)), a food safety testing services company, where he was responsible for food safety inspection and testing, establishment of branches and subsidiaries of the company and active development of the markets and businesses of the company. Since November 2003, Mr. Xu has been the chairman of the board and general manager of the same company, where he is responsible for food safety inspection and testing, and management and development of the markets and businesses of the company.

From January 2001 to December 2010, Mr. Xu was a member of the Zhejiang Food Standardisation Professional Committee* (浙江省食品標準化專業委員會). From January 2001 to December 2010, Mr. Xu was a member of the Zhejiang Province Mineral Water Professional Evaluation Committee* (浙江省礦泉水專業評審委員會). Since April 2013, Mr. Xu has been a member of the Food Safety Expert Advisory Group of the Zhejiang Provincial Government (浙江省人民政府食品安全專家諮詢組).

Mr. Xu was accredited as a professor-level senior engineer in biochemical engineering by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2011.

Mr. Xu obtained a bachelor of food engineering degree in biochemical engineering from the South China Institute of Technology (華南工學院) (currently known as South China University of Technology (華南理工大學)) in July 1986.

Mr. LAU, Kwok Fai Patrick (劉國煇) ("**Mr. Lau**"), aged 48, is our independent non-executive Director. He was appointed to our Board on 17 December 2020. Mr. Lau is mainly responsible for providing independent judgement and supervision to our Board.

Mr. Lau has more than 20 years of experience in the fields of accounting, auditing, financial management and corporate governance.

From September 1996 to November 1997, Mr. Lau successively served as auditor III and auditor II of Glass Radcliffe Chan & Wee, an accounting firm, where he was mainly responsible for auditing and accountancy work. From December 1997 to April 1999, Mr. Lau was an associate of PricewaterhouseCoopers, an accounting firm, where he was mainly responsible for auditing work. From October 1999 to June 2011, Mr. Lau successively served in various positions in KPMG, Hong Kong office, KPMG Huazhen (Guangzhou office) and KPMG Advisory (China) Limited, with his last position as a manager of KPMG Advisory (China) Limited, a consulting services company, where he was mainly responsible for conducting financial due diligence, corporate reorganisation and liquidation work. From July 2011 to June 2016, Mr. Lau was a deputy general manager and financial controller of China City Railway Transportation Technology Holdings Company Limited (currently known as BII Railway Transportation Technology Holdings Company Limited), a company engaged in intelligent railway transportation services, civil communication transmission services and business development investment and is listed on the Main Board of the Stock Exchange (stock code: 1522). From December 2011 to June 2016, he was further appointed as the company secretary and authorised representative of the same company. Mr. Lau was responsible for the listing, financial, company secretarial and compliance matters of the company. From July 2016 to October 2019, Mr. Lau was the chief financial officer of International Alliance Financial Leasing Co., Ltd., a finance leasing company listed on the Main Board of the Stock Exchange (stock code: 1563). From May 2018 to October 2019, Mr. Lau was further appointed as the company secretary and authorised representative of the same company. Mr. Lau was responsible for the listing, financial, fund raising, company secretarial and compliance matters of the company. From September 2017 to July 2020, Mr. Lau was an independent non-executive director of Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company mainly engaged in providing manpower outsourcing services, dormitory services and construction service and is listed on the Main Board of the Stock Exchange (stock code: 2225), where he was responsible for providing independent judgement on the strategy, performance, resources and standard of conduct of the company.

Since January 2018, Mr. Lau has been an independent non-executive director of Steering Holdings Limited (formerly known as Dafy Holdings Limited), a construction consultancy company listed on the Main Board of the Stock Exchange (stock code: 1826), where he is responsible for providing independent judgement on the strategy, performance, resources and standard of conduct of the company. Since February 2020, Mr. Lau has been an independent non-executive director of Ximei Resources Holdings Limited, a producer of tantalum- and niobium-based metallurgical products listed on the Main Board of the Stock Exchange (stock code: 9936), where he is responsible for supervising and providing independent opinion and judgement to the board of the company.

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (currently known as Hong Kong Shue Yan University) in July 1996. He obtained the HKICPA diploma in insolvency from The Hong Kong Institute of Certified Public Accountants in June 2004. He obtained a master of science in corporate governance and directorship degree with distinction from Hong Kong Baptist University in November 2014.

Mr. Lau was admitted as a member of the Association of Chartered Certified Accountants in the United Kingdom in December 2002. He was admitted as an associate of the Hong Kong Society of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) in July 2003. He was admitted as a fellow of the Association of Chartered Certified Accountants in the United Kingdom in December 2007. He became a member of Beta Gamma Sigma, an international honour society for collegiate schools of business, in April 2014.

General

Save as disclosed, none of our Directors:

(i) held any other positions in our Company or other members of Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;

(iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date; and

(iv) have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Position	Roles and responsibility	Date of joining our Group	Date of appointment as senior management member	Relationship with other Directors and other senior management member
Ms. MIAO, Jianping (繆建萍)	46	Chief financial officer	Overseeing the financial operations of our Group	1 June 2020	1 June 2020	None
Mr. XU, Ya (徐亞)	42	Chief operating officer	Overseeing the daily operations and management of our Group	22 July 2019	22 July 2019	None
Mr. CHENG, Huayong (程華勇)	40	Deputy operating officer	Overseeing the daily operations and management of our Group	1 September 2014	1 January 2017	None

Ms. MIAO, Jianping (繆建萍) ("**Ms. Miao**"), aged 46, is the chief financial officer of our Group. Ms. Miao joined our Group in June 2020 and is primarily responsible for overseeing the financial operations of our Group.

Ms. Miao has more than 15 years of experience in the fields of finance management. From January 2004 to April 2008, Ms. Miao served as a chief financial officer in Hangzhou Zhong Qiangda Holiday Hotel Co., Ltd.* (杭州中強假日大酒店有限公司), where she was responsible for overseeing the overall financial operation. From April 2008 to August 2014, Ms. Miao was a finance controller in Hangzhou Longhill Hotel Co., Ltd.* (杭州龍禧大酒店有限公司), where she was responsible for the overseeing the overall financial operation of the company. From August 2014 to May 2020, Ms. Miao was the landloard representative and chief financial officer of Tonglu Daqishanjun Hotel Co., Ltd.* (桐廬大奇山郡酒店有限公司), where she was responsible for representing the landlord (i.e. shareholder) to assist in management and the overall financial operation of the hotel.

Ms. Miao obtained a bachelor in accounting degree through an online course from China Central Radio and Television University* (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in July 2009. She obtained the qualification as an assistant accountant* (助理會計師) by Ministry of Finance of the People's Republic of China (中華人民共和國財政部) in May 1996.

Mr. XU, Ya (徐亞) ("**Mr. Xu**"), aged 42, is the chief operating officer of our Group. Mr. Xu joined our Group in July 2019 as the deputy operating officer and was appointed as the chief operating officer in January 2019 and is primarily responsible for overseeing the daily operations and management of our Group. Mr. Xu was appointed as the executive director of Jilin Sundy in June 2020 and is currently the chairman of the board of directors of Jilin Sundy.

Mr. Xu has over 18 years of experience in the property management industry. From January 2000 to July 2007, Mr. Xu was a commercial project general manager of China Overseas Property Management Guangzhou Co., Ltd.* (中海物業管理廣州有限公司), a property management services company, where he was responsible for the management and operation of Dongshan Plaza* (東山廣場) and Jinheng Commercial Plaza* (錦恒商業廣場). From July 2007 to July 2019, Mr. Xu was an assistant president of Zhong Ao Home Group Limited (中奧到家集團有限公司), a property management company listed on the Main Board of the Stock Exchange (stock code: 1538), where he was responsible for the overall operation and management of the company.

Mr. Xu obtained a college degree in education management from Fuyang Normal College* (阜陽師範學院) (currently known as Fuyang Normal University (阜陽師範大學)) in July 2004. He was accredited as a property manager* (物業管理師) by the Human Resources and Social Security Occupational Skill Testing Authority* (人力資源和社會保障部職業技能鑒定中心) of the PRC in July 2009. He was accredited as an intermediate property manager* (中級物業經理) by Shanghai Property Management Association (上海市物業管理行業協會) in May 2019.

Mr. CHENG, Huayong (程華勇), aged 40, is our executive Director and the deputy operating officer of Sundy Property, the general manager of the branch in Hefei of Sundy Property and the manager of Sundy Property. For the biographical details of Mr. Cheng, please refer to the paragraph headed "— Directors — Executive Directors" in this section.

JOINT COMPANY SECRETARIES

Ms. ZHANG, Qisi (張綺思) ("**Ms. Zhang**"), aged 26, was appointed as one of the joint company secretaries of our Company in January 2020. She is primarily responsible for the corporate secretarial matters of our Company.

From March 2018 to December 2019, Ms. Zhang was an assistant to the chairman and investor relations personnel of Sundy Real Estate, where she is primarily responsible for coordinating daily administrative affairs for the chairman of the company, and coordinating the external investment business of the company.

Ms. Zhang obtained a bachelor in economics degree from Zhejiang Gongshang University (浙江工商大學) in June 2016. Ms. Zhang further obtained a master of science in economics degree from the University of Bath in November 2017.

Mr. TSANG, Ho Yin (曾浩賢) ("**Mr. Tsang**"), aged 35, was appointed as one of the joint company secretaries of our Company in January 2020. He is primarily responsible for the corporate secretarial matters of our Company.

From November 2018 to July 2019, Mr. Tsang was the company secretary and authorised representative of Sino Energy International Holdings Group Limited, a company principally engaged in the manufacturing and sales of casual footwear, apparel and related accessories and is listed on the Main Board of the Stock Exchange (stock code: 1096). From January 2019 to November 2019, Mr. Tsang was the company secretary of Moody Technology Holdings Limited, a company principally engaged in the sales of garment fabrics and trading of clothes and is listed on the Main Board of the Stock Exchange (stock code: 1400). From June 2019 to June 2020, Mr. Tsang was an independent non-executive director of Inno-Tech Holdings Limited, an advertising company listed on GEM of the Stock Exchange (stock code: 8202), where he was responsible for providing independent advice to the company.

Since May 2019, Mr. Tsang has been the company secretary of Mabpharm Limited, a biopharmaceutical company listed on the Main Board of the Stock Exchange (stock code: 2181) , where he has been responsible for company secretarial matters for the said companies. Since November 2019, Mr. Tsang has been the joint company secretary and authorised representative of Sunshine 100 China Holdings Ltd, a real estate development company listed on the Main Board of the Stock Exchange (stock code: 2608), where he is responsible for company secretarial matters. Since January 2020, Mr. Tsang has been a non-executive director of China Regenerative Medicine International Limited, a company principally engaged in the research and development of bio-medical and healthcare products and medical techniques, the provision of the production and sales of tissue engineering products and its related by-products, as well as sales and distribution of medical products and equipment, and is listed on GEM of the Stock Exchange (stock code: 8158). He is responsible for, among others, overseeing the company's compliance and corporate governance matters and providing independent judgement. Since February 2020, Mr. Tsang has been a company secretary of Mobile Internet (China) Holdings Limited, a company engaged in mobile game business and packaging business and is listed on the Main Board of Stock Exchange (stock code: 1439), where he has been responsible for company secretarial matters.

Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in May 2012 and December 2013, respectively. Mr. Tsang is currently a senior associate of Stevenson, Wong & Co., specialising in corporate finance and commercial law.

Mr. Tsang obtained a bachelor in laws degree and a bachelor in commerce (accounting) degree, both from the University of Melbourne, Australia in August 2008. Mr. Tsang obtained a master in laws degree from the University of Melbourne, Australia in August 2010. Mr. Tsang obtained the postgraduate certificate in laws from the City University of Hong Kong in July 2011.

We have applied to the Stock Exchange for and have obtained a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules. Please refer to the paragraph headed "Waivers from Strict Compliance with the Listing Rules — Appointment of joint company secretaries" in this document for further details.

AUTHORISED REPRESENTATIVES

Ms. Zhu and Mr. Tsang are the authorised representatives of our Company for the purpose of the Listing Rules.

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We established the Audit Committee on 21 December 2020, with effect from the [**REDACTED**], with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhang, Mr. Xu and Mr. Lau. The Audit Committee is chaired by Mr. Lau. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We established the Remuneration Committee on 21 December 2020, with effect from the [**REDACTED**], with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Zhang, Mr. Xu, Mr. Lau. The Remuneration Committee is chaired by Mr. Zhang. The primary duties of the Remuneration Committee include making recommendations to our Directors regarding our policy and structure for the remuneration of all of our Directors and senior management.

Nomination Committee

We established the Nomination Committee on 21 December 2020, with effect from the [**REDACTED**], with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The Nomination Committee consists of three independent non-executive Directors, namely Mr. Zhang, Mr. Xu, Mr. Lau and one executive

Director, Ms. Yu. The Nomination Committee is chaired by Ms. Yu. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board and/or in senior management.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth.

Pursuant to our board diversity policy, selection of our Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that our Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balance composition of skills and experience at our Board level in order to provide a range of perspectives, insights and challenge that enable our Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of our Group, and support succession planning and development of our Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Nomination Committee is responsible for monitoring the implementation of our board diversity policy. After the [**REDACTED**], our Nomination Committee will review our Board's composition at least once annually taking into account the benefits of all relevant diversity aspects, and adhering to our board diversity policy when making recommendation on any Board appointments. Our Nomination Committee will also ensure that diversity of our Board is considered as part of evaluation of our Board's effectiveness. A summary of our board diversity policy together with any measurable objectives and specific diversity targets set out implementing the policy, and the progress made towards those objectives and targets will be disclosed in the corporate governance report contained in our Company's annual report.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, see the paragraph headed "Statutory and General Information — D. Other information — 1. Share Option Scheme" in Appendix IV to this document.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means at least two of the executive Directors must be ordinarily residents in Hong Kong. Our Group's business operations are located in China. Due to the business requirements of our Group, none of our executive Directors has been, is or will be based in Hong Kong.

Our Company has applied for, and the Stock Exchange has granted, a waiver from the strict compliance with the requirement under Rule 8.12 of the Listing Rules.

For details, please refer to the paragraph headed "Waivers from Strict Compliance with the Listing Rules — Management presence in Hong Kong" in this document.

COMPLIANCE ADVISER

We have appointed Cinda International as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) if we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) if the Stock Exchange makes an inquiry of our Company under the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the [**REDACTED**] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our Directors for FY2017, FY2018, FY2019, 6M2019 and 6M2020 were approximately RMB216,000, RMB410,000, RMB495,000, RMB247,000 and RMB877,000, respectively. The said remuneration includes their emoluments as key management and employees of our Group before their appointment as our Directors.

The aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our five highest paid individuals of our Company, including our Directors, for FY2017, FY2018, FY2019, 6M2019 and 6M2020 were approximately RMB1.1 million, RMB1.6 million, RMB1.5 million, RMB0.9 million and RMB1.1 million, respectively.

During the Track Record Period, no remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or were payable by our Group to our Directors during the Track Record Period.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our Directors for the year ending 31 December 2020 is estimated to be approximately RMB2.2 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the [**REDACTED**], will receive recommendation from Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, each of the following persons will have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group:

		As at the submission of the application proof of this document		Immediately after the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised)	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares(1)**	**Percentage of issued Shares**	**Number of Shares(1)**	**Percentage of issued Shares**
Mr. Yu (2)	Settlor of a trust	95,000,000 ordinary shares (L)	95%	[**REDACTED**] Shares (L)	[**REDACTED**]%
CMB Wing Lung (Trustee) Limited ("**CMB Wing Lung**") (2)	Trustee	95,000,000 ordinary shares (L)	95%	[**REDACTED**] Shares (L)	[**REDACTED**]%
Success Base Group Limited ("**Success Base**") (2)	Interest of a controlled corporation	95,000,000 ordinary shares (L)	95%	[**REDACTED**] Shares (L)	[**REDACTED**]%
Sundy Heye (2)	Beneficial owner	95,000,000 ordinary shares (L)	95%	[**REDACTED**] Shares (L)	[**REDACTED**]%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) Sundy Heye is wholly owned by Success Base, which is indirectly wholly owned by CMB Wing Lung. CMB Wing Lung is the trustee of The Jianwu Yu's Trust, which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

Save as disclosed above and the paragraph headed "Statutory and General Information — C. Further information about our Directors and substantial shareholders of our Company — 1. Disclosure of interests" in this document, our Directors are not aware of any other person who will, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (assuming no Shares are to be issued upon the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of our Group.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the [**REDACTED**] and the [**REDACTED**]:

		Nominal Value
		US$
Authorised share capital:		
5,000,000,000	Shares of US$0.00001 each	50,000
Issued and to be issued, fully paid or credited as fully paid:		
In issue as at the date of this document		
100,000,000	Shares	1,000
To be issued pursuant to the [**REDACTED**] ***and the*** [**REDACTED**]		
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total *(Note 1)*	[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the exercise of the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total *(Note 2)*	[**REDACTED**]

Note:

1. Representing issued share capital of our Company following the completion of the [**REDACTED**] and the [**REDACTED**] without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme

2. Representing issued share capital of our Company following the completion of the [**REDACTED**] and the [**REDACTED**] taking into account of the Shares to be issued upon full exercise of the [**REDACTED**]

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the issue of Shares pursuant to the [**REDACTED**] and [**REDACTED**] are made.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of [**REDACTED**] and at all times thereafter, our Company must maintain the "minimum prescribed percentage" of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The [**REDACTED**], together with our Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme, will rank *pari passu* in all respect with all Shares in issue or to be issued as mentioned in this document and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this document save for entitlements under the [**REDACTED**].

[**REDACTED**]

Pursuant to the written resolutions of our Shareholders passed on 21 December 2020, conditional on the share premium account of our Company being credited as a result of the [**REDACTED**] or otherwise having sufficient balance, our Directors were authorised to allot and issue a total of [**REDACTED**] Shares credited as fully paid at par by way of capitalisation of the sum of US$[**REDACTED**] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] being unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with such number of Shares (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription rights attached to any warrant of our Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend, schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting) with a total number not exceeding the aggregate of:

(i) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme); and

(ii) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or the Share Option Scheme, or scrip dividend or similar arrangements in accordance with the Articles of Association or a specific authority granted by our Shareholder. This mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of all our Shareholders passed on 21 December 2020" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account of any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Statutory and General Information — A. Further information about our Group — 6. Repurchase of Shares by our Company" in Appendix IV to this document.

This mandate will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of all our Shareholders passed on 21 December 2020" in Appendix IV to this document.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our Shareholders dated 21 December 2020, we conditionally adopted the Share Option Scheme. Summary of the principal terms of the Share Option Scheme are set out in the paragraph headed "Statutory and General Information — D. Other information — 1. Share Option Scheme" in Appendix IV of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. Please see paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix III to this document for further details.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to paragraph headed "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document for further details.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

You should read the following discussion and analysis of our financial condition and results of operation together with our consolidated financial statements as at and for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 included in the Accountant's Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a reputable integrated property management service provider in the property management industry in Zhejiang province. Established in Hangzhou in 1995, our Group has over two decades of experience in the property management service industry in the PRC. According to CIA, we were ranked 81st, 71st, 65th and 56th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) in terms of overall strength of property management in 2017, 2018, 2019 and 2020, respectively. In addition, in 2019, among the Top 100 Property Management Companies headquartered in Hangzhou and Zhejiang province, we were ranked 5th and 7th in terms of net profit, respectively. We have received various honours and awards in the past. During the Track Record Period, we were awarded "China's Property Industry AAA Credit Enterprise* (中國物業行業AAA級信用企業)" by Chinese Enterprise National Quality Credit (Beijing) Credit Assessment Centre* (中企國質信(北京)信用評估中心) in 2017, "AAA Class Integrity Management Demonstration Unit (AAA級誠信經營示範單位)" and "AAA Class Quality Service Unit (AAA級質量服務信譽單位)" by Changfeng International Credit Rating Co., Ltd. (長風國際信用評價(集團)有限公司) in 2018, and "2019 China Five Star Property Service Project* (中國五星級物業服務項目)" by CIA for our "Sundy Time International* (宋都時間國際)" project in 2019. Please refer to the paragraph headed "Business — Honours and awards" in this document for further details of the honours and awards that we have obtained during the Track Record Period and up to the Latest Practicable Date.

As at 30 June 2020, we had nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 properties, including 16 residential properties and 17 non-residential properties, with a total GFA under management of approximately 6.4 million sq.m.. We believe that the establishment of such subsidiaries and branches will help us prepare for further expansion of our operations and enable us to explore potential business opportunities. Please refer to the paragraph headed "Business — Property management services — Our geographic presence" in this document for further details of the geographic coverage of our managed properties.

Our business lines include (i) provision of a range of property management services to a variety of properties in the PRC, the majority of which are located in Zhejiang province; (ii) provision of a range of value-added services to non-property owners; (iii) provision of a spectrum of community value-added services; and (iv) other businesses. Details of our business lines are set out as follows:

- *Property management services*. We provide a range of property management services, mainly including security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services. Our portfolio of managed properties comprises (i) residential properties (including mid-end and high-end residential communities); and (ii) non-residential properties (including commercial and industrial properties).

- *Value-added services to non-property owners*. We provide a range of value-added services to non-property owners, primarily property developers. These services mainly include (i) consulting services, including advising property developers and property owners at the early and construction stages on project planning, design management and construction management; (ii) sales assistance services, which assist property developers in showcasing and marketing their properties, including display unit management and visitor reception for property development projects; and (iii) pre-delivery services, including unit cleaning before delivery, inspection services and security services for completed properties.

- *Community value-added services*. We provide customers, primarily property owners and residents, with a spectrum of community value-added services, including property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services. Community space services primarily represent (i) assisting property owners to lease out common areas to advertisement companies for advertisement placements and telecommunication companies for the installation of telecommunication base stations; and (ii) utilising common areas in our managed properties.

- *Other businesses*. Our other businesses include hotel business and long-term rental apartment business.

We experienced continuous growth during the Track Record Period in terms of revenue and net profit. Our revenue increased by 58.3% from approximately RMB84.0 million for FY2017 to approximately RMB133.0 million for FY2018, and further increased by 67.3% from approximately RMB133.0 million for FY2018 to approximately RMB222.5 million for FY2019. Our revenue increased by 25.8% from approximately RMB92.8 million for 6M2019 to approximately RMB116.7 million for 6M2020. Our profit for the year increased by 49.3% from approximately RMB14.0 million for FY2017 to approximately RMB20.9 million for FY2018, and further increased by 68.4% from approximately RMB20.9 million for FY2018 to approximately RMB35.2 million for FY2019. Our profit for the period increased by 18.0% from approximately RMB13.9 million for 6M2019 to approximately RMB16.4 million for 6M2020.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability. In preparation for the [**REDACTED**], we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Development" in this document. Following the Reorganisation, our Company became the holding company of all the subsidiaries currently comprising our Group. For more information on the basis of preparation of our financial information included herein, please refer to the Accountants' Report in Appendix I to this document.

Impact of the Adoption of IFRS 9, IFRS 15 and IFRS 16

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this historical financial information, we have adopted all applicable new and revised IFRS that are effective for the Track Record Period, including IFRS 9, *Financial Instruments,* IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases* consistently throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting year beginning 1 January 2020. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2020 are set out in note 31 to the Accountants' Report set forth in Appendix I to this document.

IFRS 9

Adoption of new impairment model

IFRS 9 requires the recognition of impairment provision of financial assets measured at amortised cost based on expected credit losses. Our Directors have assessed that the adoption of the new impairment methodology would not result in any significant difference on recognition of impairment provision of financial assets measured at amortised cost.

IFRS 15

Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

We usually enter into a remodelling and decoration agreement with the property purchaser at or near the same time when the purchaser enters into the property sale agreement with the property developer. We generally require the property purchaser to make a full advance payment of the service fees upon entering into the remodelling and decoration agreement, and recognise these receipts in advance as contract liabilities for performance obligations to be satisfied in the future. We usually perform the services to remodel and decorate the property units after the underlying property units have been delivered to and accepted by the property purchasers in bare shell condition. There will normally be a period of six to 25 months between our receipt of advance payments from property purchasers and the commencement of remodelling and decoration services.

We have considered all relevant facts and circumstances in assessing whether the remodelling and decoration service agreements contain a significant financing component. We observed that, although the difference between the amount of promised consideration received in advance and the cash selling price of the services is not likely to be considerable in each contract, the combined effect of: (i) the expected length of time between our receipt of advance payments from and the provision of services to property purchasers and (ii) the prevailing interest rate in the market where we operate would be considered as significant at the contract level.

As a result, we have recognised additional interest expenses on receipts in advance from customers relating to remodelling and decoration services, amounting RMB0.2 million, RMB1.5 million, RMB2.5 million, RMB1.1 million and RMB0.2 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively.

Presentation of contract assets and liabilities

IFRS 15 requires that a receivable is recognised only if we have an unconditional right to consideration. If we recognise the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before we recognise the related revenue. Should IAS 18 be applied throughout the Track Record Period, contract assets of approximately RMB7.6 million and RMB11.2 million would be classified as trade and other receivables as at 31 December 2019 and 30 June 2020, respectively, and contract liabilities of approximately RMB25.8 million, RMB47.8 million, RMB43.0 million and RMB43.2 million, less the significant financing component adjustment of RMB0.2 million, RMB1.5 million, RMB2.5 million and RMB0.2 million, would be classified as advances from customers as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Our Directors consider that the adoption of IFRS 15 as compared to the requirements of IAS 18 did not have any significant impact on our consolidated financial position and performance during the Track Record Period, except for the significant financing component adjustment and classification of presentation of contract assets and liabilities.

IFRS 16

IFRS 16 is effective for the accounting period beginning on or after 1 January 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. Our Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects our Group's accounting as a lessee of leases for properties, plant and equipment which are classified as operating leases under IAS 17, *Leases*. Upon the adoption of IFRS 16, according to the accounting policies described in note 2(i) to the Accountants' Report set forth in Appendix I to this document, at the lease commencement date, our Group as a lessee recognises a right-of-use assets or investment properties and a lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and leases of low-value assets. The adoption of IFRS 16 has impact on the recognition of right-of-use assets or investment properties and lease liabilities as well as the recognition of depreciation charges of right-of-use assets or investment properties and the interest expense on lease liabilities. Our Directors confirm that, comparing to IAS 17, the adoption of IFRS 16 did not have a significant impact on our Group's financial position (net assets) and performance during the Track Record Period.

The table set forth below summarised the impacts of the adoption of IFRS 16 on certain key items of our consolidated financial statements:

	Currently reported under IFRS 16	As if reported under IAS 17	Difference
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year/period			
FY2017	13,965	14,198	(233)
FY2018	20,889	20,768	121
FY2019	35,236	35,152	84
6M2020	16,350	16,374	(24)
Total assets as at:			
31 December 2017	102,495	97,628	4,867
31 December 2018	170,689	167,285	3,404
31 December 2019	215,658	214,593	1,065
30 June 2020	252,651	251,947	704
Total liabilities as at:			
31 December 2017	76,713	71,613	5,100
31 December 2018	162,798	159,282	3,516
31 December 2019	131,719	130,626	1,093
30 June 2020	152,362	151,606	756
Total equity as at:			
31 December 2017	25,782	26,015	(233)
31 December 2018	7,891	8,003	(112)
31 December 2019	83,939	83,967	(28)
30 June 2020	100,289	100,341	(52)

The following table sets forth the impact of adopting IFRS 16 on the key ratios:

	Currently reported under IFRS 16	As if reported under IAS 17	Difference
Return on equity as at:			
FY2017	74.3%	75.1%	(0.8%)
FY2018	124.1%	122.1%	2.0%
FY2019	76.7%	76.4%	0.3%
6M2020	N/A	N/A	N/A
Return on asset as at:			
FY2017	19.1%	20.1%	(1.0%)
FY2018	15.3%	15.7%	(0.4%)
FY2019	18.2%	18.4%	(0.2%)
6M2020	N/A	N/A	N/A
Current Ratio as at:			
31 December 2017	1.5x	1.5x	0.0
31 December 2018	0.8x	0.9x	(0.1)
31 December 2019	1.4x	1.5x	(0.1)
30 June 2020	1.5x	1.5x	0.0
Gearing Ratio as at:			
31 December 2017	N/A	N/A	N/A
31 December 2018	N/A	N/A	N/A
31 December 2019	N/A	N/A	N/A
30 June 2020	N/A	N/A	N/A

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Mix of Business Lines

During the Track Record Period, our business, financial condition and results of operations have been affected by the mix of business lines, namely property management services, value-added services to non-property owners, community value-added services and other businesses as they exhibited different growth rates and different profit margins. Any changes in the structure of revenue contribution from our business lines or change in profit margin of any business lines may have a corresponding impact on our overall profit margin.

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Property management services	59,792	71.2	71,094	53.5	95,659	43.0	45,569	49.1	59,500	51.0
Value-added services to non-property owners	12,002	14.3	38,830	29.2	51,548	23.2	22,823	24.6	31,659	27.1
Community value-added services	11,380	13.6	17,283	13.0	54,587	24.5	14,730	15.9	19,656	16.8
Other businesses										
Hotel business	31	Less than 0.1	3,561	2.7	18,570	8.3	8,729	9.4	5,111	4.4
Long-term rental apartment business	755	0.9	2,182	1.6	2,110	1.0	963	1.0	803	0.7
Total revenue	83,960	100.0	132,950	100.0	222,474	100.0	92,814	100.0	116,729	100.0

The table below sets forth the gross profit margin of each business line for the periods indicated:

	FY2017	FY2018	FY2019	6M2019	6M2020
	%	*%*	*%*	*%* *(unaudited)*	*%*
Property management services	20.9	20.3	21.0	20.3	20.7
Value-added services to non-property owners	35.1	35.9	38.1	34.2	38.6
Community value-added services	70.2	54.9	40.6	49.1	41.5
Other businesses					
Hotel business	100.0	(32.5)	12.0	7.2	(13.2)
Long-term rental apartment business	35.6	40.6	35.7	28.5	19.3
Total	29.7	28.3	29.2	27.1	27.6

During the Track Record Period, we recorded higher gross profit margins for our value-added services to non-property owners and community value-added services as compared to our property management services, primarily because we were able to charge higher services fees for our value-added services to non-property owners and community value-added services, which are generally tailor-made in order to meet the specific requirements of our customers. Further, certain types of our value-added services to non-property owners such as consulting services and sales assistance services can generate greater economic benefits to our customers, and thereby we are able to charge a higher premium for these services as compared to the more standardised property management services, which are labour intensive by its nature, leading to higher cost of sale and relatively lower gross profit margin.

Our services which are non-recurring in nature

We recorded average monthly revenue of RMB18.5 million for FY2019, which was 19.4% higher than the average monthly revenue of RMB15.5 million for 6M2019, primarily due to (i) the increase in revenue from community value-added services from RMB14.7 million for 6M2019 to RMB39.9 million for the second half of 2019, as the number of properties which we provided standardised remodelling and decoration services increased from one for the 6M2019 to three for the second half of 2019; and (ii) the increase in revenue from value-added services to non-property owners from RMB22.8 million for 6M2019 to RMB28.7 million for the second half of 2019 due to (i) the increase in revenue from pre-delivery services by approximately RMB3.0 million; (ii) the increase in revenue from consulting services by approximately RMB2.4 million; and (iii) the increase in revenue from sales assistance services by approximately RMB0.5 million. Given that our revenue from value-added services to non-property owners and remodelling and decoration services is typically derived from projects which are of non-recurring nature and on transaction-by-transaction basis, we generally do not enter into any long-term contracts or agreements with our customers, and the number and scale of projects and the amount of revenue we are able to derive may vary significantly from period to period.

The non-recurring nature of our value-added services to non-property owners and remodelling and decoration services has led to fluctuations in our results of operations from period to period. Accordingly, our Directors wish to inform the Shareholders and potential investors that the historical financial results of our Group should not be relied on as an indication of our future financial performance. Despite the aforesaid, our Group's financial performance is not subject to seasonality.

Our Ability to Manage Labour Costs

As property management is a labour intensive industry, staff costs constitute a substantial portion of our cost of sales. Therefore, our results of operations are affected by our ability to manage our staff costs. Staff costs included in our cost of sales amounted to approximately RMB38.9 million, RMB38.3 million, RMB43.2 million, RMB20.5 million and RMB21.6 million, and accounted for approximately 65.9%, 40.1%, 27.4%, 30.4% and 25.5% of our total cost of sales for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. Staff costs included in our administrative expenses amounted to approximately RMB3.3 million, RMB5.5 million, RMB6.5 million, RMB3.0 million and RMB2.9 million, accounted for approximately 55.1%, 60.3%, 34.0%, 45.9% and 24.4% of our administrative expenses for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. Staff costs included under cost of sales consist primarily of salaries and other benefits for our employees who provide property management services, value-added services to non-property owners, community value-added services and other businesses. Staff costs included under administrative expenses consist primarily of salaries and other benefits for our administrative staff and directors' emoluments.

As part of our efforts to gain the advantage of specialisation and to better manage our cost of sales while ensuring consistent service quality, we utilise various measures to reduce our reliance on labour. These measures include outsourcing part of labour-intensive functions, including cleaning, security, maintenance and gardening services, to third parties and streamlining and standardising our property management services. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our subcontracting costs amounted to RMB12.0 million, RMB45.6 million, RMB89.3 million, RMB35.2 million and RMB51.1 million, representing approximately 20.3%, 47.8%, 56.7%, 52.0% and 60.4% of our total cost of sales, respectively. The increases in subcontracting costs during the Track Record Period were also attributable to the increase in our total GFA under management as a result of the expansion of our operations. We have also implemented other cost saving measures to mitigate rising labour costs, including automating our operations to reduce our reliance on manual labour. Furthermore, we train our staff and equip them with knowledge and skills in more than one function of our business operations. We believe that our efforts to train our staff will improve cost efficiency and flexibility in allocation of manpower.

For illustration purposes only, we set out below a sensitivity analysis of our profit for the year/period with reference to the fluctuation of our staff costs and subcontracting costs included in our cost of sales. The following table demonstrates the impact of the hypothetical increase in our staff costs and subcontracting costs on our cost of sales and profit for the year, while all other factors remain unchanged:

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Assuming 5% increase in our staff costs and subcontracting costs					
Impact on cost of sales	2,542	4,191	6,629	2,786	3,633
Impact on profit for the year/period	(1,906)	(3,144)	(4,971)	(2,090)	(2,725)
Assuming 10% increase in our staff costs and subcontracting costs					
Impact on cost of sales	5,084	8,383	13,257	5,573	7,266
Impact on profit for the year/period	(3,812)	(6,288)	(9,943)	(4,180)	(5,450)

Our Ability to Negotiate an Appropriate Property Management Fee

We generally charge a property management fee to property owners and residents at a fixed lump sum price per sq.m. per month. We set the fixed lump sum price per sq.m. on a project by project basis with reference to a number of factors including (i) the size and location of the properties; (ii) budgeted operational expenses including labour and administrative expenses; (iii) scope and quality of the services proposed; (iv) revenue generating model and targeted profit margins; (v) local government's pricing guidance/regulations on property management fees (if applicable); and (vi) prevailing market price for similar services in the market. To stay competitive, we have to strike a balance between attaining acceptable margin on one hand, and delivering quality services in a cost efficient manner on the other.

For illustration purposes only, we set out below a sensitivity analysis of our profit for the year with reference to the fluctuation of average property management fees during the Track Record Period. The sensitivity analysis has taken into account the fluctuation of average property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in average property management fees on our revenue from property management services and profit for the year, while all other factors remain unchanged:

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Assuming 5% decrease in our average property management fees					
Impact on revenue from our property management services	(2,990)	(3,555)	(4,783)	(2,278)	(2,975)
Impact on profit for the year/period	(2,242)	(2,666)	(3,587)	(1,709)	(2,231)
Assuming 10% decrease in our average property management fees					
Impact on revenue from our property management services	(5,979)	(7,109)	(9,566)	(4,557)	(5,950)
Impact on profit for the year/period	(4,484)	(5,332)	(7,174)	(3,418)	(4,463)

Our Ability to Increase Our GFA Under Management

During the Track Record Period, we generated a significant portion of our revenue from our property management services. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the revenue from our property management services amounted to approximately RMB59.8 million, RMB71.1 million, RMB95.7 million, RMB45.6 million and RMB59.5 million, respectively, accounting for approximately 71.2%, 53.5%, 43.0%, 49.1% and 51.0%, respectively, of our total revenue in the same periods. The increase in our revenue from our property management services during the Track Record Period was largely due to the increase in our total GFA under management as a result of the increase in number of our managed properties.

The number of our managed properties increased from 17 properties as at 31 December 2017 to 22 properties as at 31 December 2018, and further to 29 properties as at 31 December 2019 and further to 33 properties as at 30 June 2020. Our total GFA under management amounted to approximately 3.2 million sq.m., 3.8 million sq.m., 5.9 million sq.m. and 6.4 million sq,m, as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively.

Our continued revenue growth depends on our ability to grow and diversify our revenue bases. We seek to increase our property management portfolio through multiple channels. We will continue to leverage our existing business relationship with Sundy Holdings Group for our organic growth. Also, we will proactively pursue new engagements from independent third party property developers by capitalising on our reputable brand, diversified property portfolio, high-quality services and solid customer relationship. We aim to cultivate our newly-established relationship with these independent third party property developers and property owners' association and gradually expanding our cooperation with them. In addition to growing our business through growth initiatives, we intend to explore selective strategic acquisition, investment and alliance opportunities. For more details, please refer to the paragraph headed “Business — Our Business Strategies” in this document.

General Economy, Rate of Urbanisation and Timelines of Real Estate Development

Our ability to maintain and grow our property management portfolio is affected by our ability to secure new property management engagements, the timelines of property developers' delivery of new properties and our ability to identify and acquire existing property management companies. The number of new property developments is heavily dependent on the performance of the real estate market in the PRC, which is subject to the general economic conditions, the rate of urbanisation, the resulting demand for properties, and the PRC Government's macroeconomic policies and measures. We expect our results of operations to continue to be affected by our ability to maintain and grow our property management portfolio.

Developments in the Chinese economy and the rate of urbanisation have in the past increased the supply of and demand for residential properties. Specifically, since many of the properties we manage are located in second and lower tier cities in the PRC, the rate of urbanisation in these cities is particularly important to the development of our business. We believe that these factors will continue to significantly affect the real estate industry and the property management service industry in the PRC. Any economic downturn, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position.

The regulatory environment in the PRC, policies and measures taken by the PRC Government, have also affected the development of the real estate market, which in turn affects our business and results of operations. From time to time, the PRC Government adjusts or introduces macroeconomic control policies to encourage or restrict property development in the private property sector through regulating land grants, pre-sale of properties, bank financing and taxation, among other means. In particular, the PRC Government has in the past introduced various restrictive measures to discourage speculation in the real estate market. Measures taken by the PRC Government to control money supply, credit availability and fixed assets have a direct impact on the performance of the real estate market in the PRC. The uncertainty in the PRC Government policies can have significant effects on the supply of new properties, which is a major source of our new engagements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENT

The discussion and analysis of our operating results and financial position are based on our consolidated financial statements, which have been prepared in accordance with IFRS. Our operating results and financial position are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our historical experience and various factors, including our management's expectations of future events, which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the estimates and judgments, and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. Our significant accounting policies, estimates and judgments are summarised in Notes 2 and 3 in the Accountants' Report in Appendix I to this document. We believe that the following critical accounting policies involve the most significant estimates and judgments used in preparing the consolidated financial statements.

Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

For property management services, we recognise revenue equal to the amount for which we have the right to invoice based on the value of the performance completed on a monthly basis.

For property management service income arising from properties managed on a lump sum basis, where we act as principal, we are entitled to revenue at the value of the property management service fee received. For property management service income arising from properties managed on a commission basis, where we act as an agent of the property owners, we are entitled to revenue at a pre-determined percentage or fixed amount of the property management service fees that the property owners are obligated to pay.

For value-added services to non-property owners, which mainly include consulting services, sales assistance services and pre-delivery services provided to property developers. We recognise revenue when the services are provided based on the value of the performance completed on a monthly basis.

Community value-added services mainly include remodelling and decoration, property repair and maintenance, waste cleaning, utility fee collection and community space services. For remodelling services, when the outcome can be reasonably measured, revenue from the remodelling and decoration agreement is recognised progressively over time using the cost-to-cost method (i.e. based on the proportion of the actual costs incurred relative to the estimated total costs), whereas when the outcome cannot be reasonably measured, revenue from the remodelling and decoration agreement is recognised only to the extent of contract costs incurred that are expected to be recovered. For other community value-added services, we recognise revenue when the services are rendered.

For community value-added services that involve the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under our existing contracts as at 31 December 2017, 2018 and 2019 and 30 June 2019 and 2020 were approximately RMB13.6 million, RMB28.0 million, RMB10.0 million, RMB30.5 million and RMB7.3 million, respectively. Such amounts include the interest component of provision of remodelling and decoration services under which we obtain significant financing benefits from our customers.

The following table sets forth the expected revenue of remodelling and decoration services which will be recognised by us in future when the services are provided:

	FY2017	FY2018	FY2019	6M2019	6M2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within 1 year	2,152	25,984	7,470	26,765	7,300
After 1 year but within 2 years	11,432	2,026	2,543	3,727	–
	13,584	28,010	10,013	30,492	7,300

Other community value-added services were rendered within a short period of time, therefore, the remaining performance obligations for such types of contracts that had an original expected duration of one year or less were not included in the above table.

For other businesses, revenue from hotel business is mainly comprised of charge of hotel rooms, commercial shopping arcades, food and beverage and ancillary services. Except for revenue from food and beverage and ancillary services which is recognised at the point in time when the services are rendered, revenue from hotel business is recognised overtime in the accounting period in which the services are rendered. Rental income receivable under operating leases of long-term rental apartment business is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Trade and other receivables

A receivable is recognised when we have an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before we have an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Impairment for Trade and Other receivables

We estimate impairment losses for bad and doubtful debts by using expected credit loss ("**ECL**") models. ECL on trade and other receivables are estimated based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant tax amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. These are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	83,960	132,950	222,474	92,814	116,729
Cost of sales	(58,985)	(95,374)	(157,605)	(67,634)	(84,546)
Gross profit	24,975	37,576	64,869	25,180	32,183
Other revenue	92	127	737	274	3,343
Other net (loss)/income	(42)	746	(2)	–	–
Selling and marketing expenses	(74)	(510)	(770)	(331)	(283)
Administrative expenses	(6,022)	(9,167)	(19,197)	(6,532)	(11,927)
Other expenses	(1,093)	(204)	(571)	(898)	(1,380)
Profit from operations	17,836	28,568	45,066	17,693	21,936
Finance income	1,503	2,678	3,240	1,878	681
Finance costs	(466)	(1,861)	(2,766)	(1,283)	(317)
Net finance income	1,037	817	474	595	364
Share of (losses)/profits of joint ventures	–	(77)	976	201	170
Share of losses of an associate	–	(546)	–	–	–
Profit before taxation	18,873	28,762	46,516	18,489	22,470
Income tax	(4,908)	(7,873)	(11,280)	(4,587)	(6,120)
Profit for the year/period	13,965	20,889	35,236	13,902	16,350

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other comprehensive income for the year/period					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of:					
– financial statements of overseas subsidiaries	–	–	(26)	–	–
Total comprehensive income for the year/period	13,965	20,889	35,210	13,902	16,350
Profit for the year/period	13,965	20,889	35,236	13,902	16,350
Profit attributable to:					
Equity shareholders of our Company	13,965	20,889	35,142	13,902	16,190
Non-controlling interests	–	–	94	–	160
Total comprehensive income attributable to:					
Equity shareholders of our Company	13,965	20,889	35,116	13,902	16,190
Non-controlling interests	–	–	94	–	160
Total comprehensive income for the year/period	13,965	20,889	35,210	13,902	16,350
Earning per share					
Basic and diluted (RMB)	0.28	0.42	0.64	0.28	0.16

Revenue

During the Track Record Period, we derived our revenue primarily from four business lines, including (i) property management services, primarily consisting of security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services; (ii) value-added services to non-property owners, primarily consisting of consulting services, sales assistance services and pre-delivery services; (iii) community value-added services, primarily consisting of property repair and maintenance, waste cleaning, utility fee collection, remodelling and decoration and community space services; and (iv) other businesses, consisting of hotel business and long-term rental apartment business. For details, please refer to the paragraph headed "Business — Our business model" in this document. We recorded revenue of RMB84.0 million, RMB133.0 million, RMB222.5 million, RMB92.8 million and RMB116.7 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively.

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the revenue generated from property management services accounted for 71.2%, 53.5%, 43.0%, 49.1% and 51.0%, respectively, of our total revenue. Our revenue generated from value-added services to non-property owners accounted for 14.3%, 29.2%, 23.2%, 24.6% and 27.1%, respectively, of our total revenue. Our revenue generated from community value-added services accounted for 13.6%, 13.0%, 24.5%, 15.9% and 16.8%, respectively, of our total revenue, with the remaining contributed by revenue from other businesses.

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Property management services	59,792	71.2	71,094	53.5	95,659	43.0	45,569	49.1	59,500	51.0
Value-added services to non-property owners	12,002	14.3	38,830	29.2	51,548	23.2	22,823	24.6	31,659	27.1
Community value-added services	11,380	13.6	17,283	13.0	54,587	24.5	14,730	15.9	19,656	16.8
Other businesses										
Hotel business	31	Less than 0.1	3,561	2.7	18,570	8.3	8,729	9.4	5,111	4.4
Long-term rental apartment business	755	0.9	2,182	1.6	2,110	1.0	963	1.0	803	0.7
Total revenue	83,960	100.0	132,950	100.0	222,474	100.0	92,814	100.0	116,729	100.0

Revenue from Property Management Services

Revenue from property management services recorded an increasing trend during the Track Record Period. The increase was primarily driven by the increase in our total GFA under management as a result of the increase in number of our managed properties. Our total GFA under management as at 31 December 2017, 2018 and 2019 and 30 June 2020 was approximately 3.2 million sq.m., 3.8 million sq.m., 5.9 million sq.m. and 6.4 million sq.m., respectively. Further, during the same periods, our average property management fee was RMB2.7 per sq.m. per month, RMB2.8 per sq.m. per month, RMB2.7 per sq.m. per month and RMB2.1 per sq.m. per month, respectively.

By Type of Properties

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the majority of our revenue from property management services was derived from residential properties, which accounted for 73.7%, 75.4%, 61.6%, 67.9% and 64.0% of our total revenue from property management services, respectively. The general decrease in the percentage of revenue derived from managing residential properties during the Track Record Period primarily reflected our continuous efforts to diversify the types of properties we managed, and resulted in the increase in our GFA under management for non-residential properties. The following table sets forth a breakdown of our total GFA under management and property management services revenue generated by type of properties for the periods indicated:

	As at 31 December									As at 30 June					
	2017			2018			2019			2019			2020		
	GFA		Number	GFA		Number	GFA		Number	GFA		Number	GFA		Number
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Residential properties	2,655	83.9	10	3,194	83.7	13	4,206	70.7	14	3,194	73.9	13	4,586	72.1	16
Non-residential properties	510	16.1	7	623	16.3	9	1,742	29.3	15	1,129	26.1	16	1,777	27.9	17
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	4,323	100.0	29	6,363	100.0	33

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Residential properties	44,085	73.7	53,578	75.4	58,958	61.6	30,947	67.9	38,067	64.0
Non-residential properties	15,707	26.3	17,516	24.6	36,701	38.4	14,622	32.1	21,433	36.0
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

By Type of Property Developers

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

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	44,085	73.7	52,396	73.7	66,803	69.8	32,666	71.7	32,684	54.9
Properties co-developed by non-wholly owned project companies controlled by Sundy Land Group	10,757	18.0	12,224	17.2	15,397	16.1	7,699	16.9	6,289	10.6
Properties co-developed by non-wholly owned project companies not controlled by Sundy Land Group	3,867	6.5	4,069	5.7	5,495	5.8	2,747	6.0	2,528	4.2
Properties developed by independent third-party property developers	1,083	1.8	2,405	3.4	7,964	8.3	2,457	5.4	17,999	30.3
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the amount of revenue generated from property management services of properties solely developed or co-developed by Sundy Land Group amounted to approximately RMB58.7 million, RMB68.7 million, RMB87.7 million, RMB43.1 million and RMB41.5 million, respectively, accounting for 98.2%, 96.6%, 91.7%, 94.6% and 69.7% of our total property management services revenue for the same periods. The generally decreasing trend in the proportion of revenue generated from property management services of properties solely developed or co-developed by Sundy Land Group during the Track Record Period was resulted from our effort to reduce our reliance on Sundy Land Group. In addition, although a significant portion of property management services revenue during the Track Record Period was related to the management of properties solely developed or co-developed by Sundy Land Group, once the property units are delivered, we collect property management fees from property owners. Therefore, for FY2017, FY2018, FY2019, 6M2019 and 6M2020, our property management services revenue generated from Sundy Land Group amounted to approximately RMB9.3 million, RMB10.5 million, RMB23.2 million, RMB9.4 million and RMB9.9 million, accounting for approximately 15.5%, 14.7%, 24.2%, 20.6% and 16.6% of our total property management services revenue during the same periods.

By Geographic Coverage

As at 30 June 2020 we set up nine subsidiaries and 15 branches covering 14 cities in the PRC, the majority of which are located in Zhejiang province, providing property management services to 33 managed properties, including 16 residential properties and 17 non-residential properties. As at 30 June 2020, our total GFA under management was approximately 6.4 million sq.m. We believe that the establishment of such subsidiaries and branches will help us prepare for further expansion of our operations and enable us to explore potential business opportunities. The table below sets forth the breakdowns of our revenue from property management services by geographic region which we have property management operation as at the dates indicated:

	As at 31 December									As at 30 June					
	2017			2018			2019			2019			2020		
	GFA		Number	GFA		Number	GFA		Number	GFA		Number	GFA		Number
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Hangzhou	2,894	91.4	15	2,918	76.5	18	4,095	68.8	21	3,307	76.5	22	4,361	68.5	24
Zhejiang province (excluding Hangzhou)	–	–	0	283	7.4	2	1,056	17.8	5	401	9.3	5	1,056	16.6	5
Yangtze River Delta region (excluding Zhejiang province)	271	8.6	2	616	16.1	2	797	13.4	3	615	14.2	2	946	14.9	4
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	4,323	100.0	29	6,363	100.0	33

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Hangzhou	49,035	82.0	52,698	74.1	62,664	65.5	31,345	68.8	40,951	68.8
Zhejiang province (excluding Hangzhou)	–	–	6,172	8.7	15,811	16.5	6,526	14.3	9,895	16.6
Yangtze River Delta region (excluding Zhejiang province)	10,757	18.0	12,224	17.2	17,184	18.0	7,698	16.9	8,654	14.6
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

By revenue model

The fees for property management services can be charged either on a lump sum basis or on a commission basis. The lump sum basis refers to the revenue model requiring property owners to undertake the fixed property management expenses while property management service providers enjoy or assume the surplus or deficit. The lump sum revenue model for property management fees is the dominant revenue model in the property management industry in the PRC, especially for residential properties. During the Track Record Period, we charged property management fees primarily on a lump sum basis, with a small portion charged on a commission basis. The proportion of revenue generated from a lump sum basis was 99.8%, 99.6%, 99.9%, 99.9% and 99.9% of our total property management services revenue for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. We expect property management fees charged on a lump sum basis to continue to account for a substantial portion of our revenue from property management services in the foreseeable future. The following table sets forth a breakdown of the total GFA under management and revenue generated from our property management services by different revenue models for the periods indicated:

	As at 31 December									**As at 30 June**					
	2017			**2018**			**2019**			**2019**			**2020**		
	GFA		**Number**	**GFA**		**Number**	**GFA**		**Number**	**GFA**		**Number**	**GFA**		**Number**
	('000 sq.m.)	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*		*('000 sq.m.)*	*%*	
Lump sum basis	3,114	98.4	15	3,776	98.9	21	5,907	99.3	28	4,282	99.1	28	6,322	99.4	32
Commission basis	51	1.6	2	41	1.1	1	41	0.7	1	41	0.9	1	41	0.6	1
Total	3,165	100.0	17	3,817	100.0	22	5,948	100.0	29	4,323	100.0	29	6,363	100.0	33

	FY2017		**FY2018**		**FY2019**		**6M2019**		**6M2020**	
	Revenue		**Revenue**		**Revenue**		**Revenue**		**Revenue**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Lump sum basis	59,679	99.8	70,808	99.6	95,546	99.9	45,512	99.9	59,443	99.9
Commission basis	113	0.2	286	0.4	113	0.1	57	0.1	57	0.1
Total	59,792	100.0	71,094	100.0	95,659	100.0	45,569	100.0	59,500	100.0

Revenue from value-added services to non-property owners

The revenue generated from our value-added services to non-property owners amounted to approximately RMB12.0 million, RMB38.8 million, RMB51.5 million, RMB22.8 million and RMB31.7 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, representing approximately 14.3%, 29.2%, 23.2%, 24.6% and 27.1%, respectively, of our total revenue for the same period.

The continuous increase in the revenue generated from our value-added services to non-property owners during the Track Record Period was primarily driven by the increase in engagements for our consulting services, sales assistance services and pre-delivery services. For more details, please refer to the paragraph headed "— Discussion of results of operations" in this section.

The table below sets forth the breakdown of revenue of our value-added services to non-property owners by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	8,556	71.3	26,177	67.4	33,475	64.9	16,474	72.2	24,018	75.9
Properties co-developed by companies controlled by Sundy Land Group	415	3.5	4,103	10.6	7,999	15.5	2,043	8.9	2,730	8.6
Properties co-developed by companies not controlled by Sundy Land Group	1,961	16.3	8,123	20.9	5,774	11.2	3,596	15.8	4,472	14.1
Properties developed by independent third-party property developers	1,070	8.9	427	1.1	4,300	8.4	710	3.1	439	1.4
Total	12,002	100.0	38,830	100.0	51,548	100.0	22,823	100.0	31,659	100.0

We consider that our value-added services to non-property owners allow us to gain early access to property development projects, establish and cultivate business relationships with the property developers, and may put us in a stronger position to secure engagements for property management service compared to our competitors.

Revenue from community value-added services

The revenue generated from our community value-added services amounted to RMB11.4 million, RMB17.3 million, RMB54.6 million, RMB14.7 million and RMB19.7 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, representing approximately 13.6%, 13.0%, 24.5%, 15.9% and 16.8%, respectively, of our total revenue for the same period.

The continuous increase in the revenue generated from our community value-added services during the Track Record Period was primarily driven by the increase revenue from our remodelling and decoration services and the increase in the number of our managed properties, which provided us with a larger customer base for using our community value-added services. For more details, please refer to the paragraph headed "— Discussion of results of operations" in this section.

The table below sets forth the breakdown of revenue of our community value-added services by type of property developers for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Revenue		Revenue		Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Properties solely developed by Sundy Land Group	9,368	82.3	13,950	80.7	48,370	88.6	11,715	79.5	17,714	90.1
Properties co-developed by companies controlled by Sundy Land Group	1,208	10.6	2,430	14.1	5,020	9.2	2,616	17.8	1,601	8.2
Properties co-developed by companies not controlled by Sundy Land Group	16	0.2	67	0.4	16	less than 0.1	12	0.1	2	less than 0.1
Properties developed by independent third-party property developers	788	6.9	836	4.8	1,181	2.2	387	2.6	339	1.7
Total	11,380	100.0	17,283	100.0	54,587	100.0	14,730	100.0	19,656	100.0

Revenue from Other businesses

The revenue generated from our other businesses amounted to RMB0.8 million, RMB5.7 million, RMB20.7 million, RMB9.7 million and RMB5.9 million for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, representing approximately 0.9%, 4.3%, 9.3%, 10.4% and 5.1%, respectively, of our total revenue for the same periods.

The increase in the revenue generated from our other businesses from FY2017 to FY2019 was primarily driven by the commencement of our long-term rental apartment business and hotel business in July 2017 and October 2018, respectively. The decrease in the revenue generated from our other businesses from 6M2019 to 6M2020 was primarily attributable to the decrease in revenue generated from hotel business. For more details, please refer to the paragraph headed "— Discussion of results of operations" in this section.

Cost of Sales

Our cost of sales mainly consists of staff costs, subcontracting costs, utility expenses, taxes and surcharges, maintenance, cleaning and gardening, expense related to short-term leases, variable lease payment, depreciation and amortisation, hotel management fees and others. Our staff costs consist primarily of salaries, bonuses and other benefits for our employees. Our subcontracting costs consist primarily of the cost of outsourcing part of labour-intensive functions, including cleaning, security, maintenance and gardening service. Utility expenses mainly relate to electricity and water supply expenses. Our expense related to short-term leases and variable lease payment consist primarily of rental fees payable by us for the leasing of site offices and for our hotel business. Our hotel management fees consist primarily of the management fees payable to the hotel manager under our hotel business. Others mainly relate to low-value consumables and work place equipment.

The table below sets forth a breakdown of our cost of sales and respective percentage of total cost of sales for the periods indicated:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Staff costs	38,850	65.9	38,250	40.1	43,248	27.4	20,535	30.4	21,556	25.5
Subcontracting costs	11,980	20.3	45,578	47.8	89,323	56.7	35,192	52.0	51,107	60.4
Utility expenses	1,461	2.5	2,103	2.2	3,750	2.4	1,855	2.7	2,270	2.7
Taxes and surcharges	585	1.0	726	0.8	880	0.6	290	0.4	580	0.7
Maintenance(1)	3,386	5.7	1,531	1.6	2,340	1.5	842	1.2	580	0.7
Cleaning and gardening(2)	312	0.5	1,156	1.2	1,159	0.7	317	0.5	238	0.3
Expenses related to short-term leases	137	0.2	319	0.3	309	0.3	159	0.2	237	0.3
Variable lease payments	–	–	921	1.0	3,843	2.4	1,743	2.7	626	0.8
Depreciation and amortisation	609	1.0	1,930	2.0	4,733	3.0	2,352	3.5	2,392	2.8
Hotel management fees	–	–	748	0.8	1,488	0.9	945	1.4	621	0.7
Others	1,665	2.9	2,112	2.2	6,532	4.1	3,404	5.0	4,339	5.1
Total	58,985	100.0	95,374	100.0	157,605	100.0	67,634	100.0	84,546	100.0

Notes:

(1) Maintenance expenses include the expenses related to the tools and consumables used in the up-keeping of facilities located in our managed properties.

(2) Cleaning and gardening expenses include the expenses related to the tools and consumables used in the cleaning and the gardening of our managed properties.

(3) Depreciation and amortisation costs were the only fixed costs in our cost of sales, which related to the depreciation of right-of-use assets and leasehold investment properties and the amortisation of software and trademark use rights.

During the Track Record Period, the main factor affecting our cost of sales was our staff costs and subcontracting costs. The increase in subcontracting costs was mainly due to the expansion of our operations and our measures to outsource part of labour-intensive functions, including cleaning, security, maintenance and gardening services, to third parties and streamlining and standardising our property management services. Our staff costs included in cost of sales and our subcontracting costs in aggregate amounted to RMB50.8 million, RMB83.8 million, RMB132.6 million, RMB55.7 million and RMB72.7 million, accounting for approximately 86.2%, 87.9%, 84.1%, 82.4% and 85.9% of our cost of sales for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively. Our maintenance costs decreased from RMB3.4 million for FY2017 to RMB1.5 million for FY2018, primarily due to certain maintenance costs subcontracted to third parties during FY2018, and increased from RMB1.5 million for FY2018 to RMB2.3 million for FY2019, primarily due to the increase in maintenance costs of four residential properties and two non-residential properties. Our maintenance costs remained relatively stable at RMB0.8 million and RMB0.6 million for 6M2019 and 6M2020, respectively.

During the Track Record Period, except for our depreciation and amortisation costs, which relate to the depreciation of right-of-use assets and leasehold investment properties and the amortisation of software and trademark use rights, substantially all of our cost of sales was variable costs, mainly due to the nature of the industry as the property management business is labour-intensive and do not involve any fixed costs that is uncorrelated with the increase of our business scale for the service provision. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our depreciation and amortisation costs amounted to RMB0.6 million, RMB1.9 million, RMB4.7 million, RMB2.4 million and RMB2.4 million, respectively, representing only 1.0%, 2.0%, 3.0%, 3.5% and 2.8% of our total costs of sales for the respective years/periods.

For illustration purposes only, we set out below a sensitivity analysis of our gross profit and gross profit margin with reference to the fluctuation of our depreciation and amortisation costs. The following table demonstrates the impact of the hypothetical increase in our depreciation and amortisation costs on our gross profit and gross profit margin, while all other factors remain unchanged:

	FY2017	FY2018	FY2019	6M2019	6M2020
				(unaudited)	
Assuming 5% increase in our depreciation and amortisation costs					
Impact on gross profit *(RMB'000)*	(30)	(97)	(237)	(118)	(120)
Impact on gross profit margin *(%)*	less than (0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Assuming 10% increase in our depreciation and amortisation costs					
Impact on gross profit *(RMB'000)*	(61)	(193)	(473)	(235)	(239)
Impact on gross profit margin *(%)*	(0.1)	(0.1)	(0.2)	(0.3)	(0.2)

Due to the above, we consider that any fluctuation in our fixed cost of sales would have an immaterial impact on our gross profit and gross profit margin.

Gross Profit and Gross Profit Margin

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our gross profit was RMB25.0 million, RMB37.6 million, RMB64.9 million, RMB25.2 million and RMB32.2 million, respectively. For the same periods, our gross profit margin was 29.7%, 28.3%, 29.2%, 27.1% and 27.6%, respectively, which is calculated based on our gross profit divided by our total revenue. Our overall gross profit margins are affected by the gross profit margin for each of our business lines as well as fluctuations in our business mix. Please refer to the paragraph headed "Factors affecting our results of operations and financial condition — Mix of business lines" in this section for further details.

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

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* *(unaudited)*	%	%	*RMB'000*	%	%
Property management services															
Related parties	2,385	9.5	21.4	2,575	6.9	21.0	5,695	8.8	22.0	2,234	8.9	21.1	3,594	11.2	32.7
Independent third parties	10,084	40.4	20.7	11,841	31.5	20.1	14,406	22.2	20.7	6,995	27.8	20.0	8,740	27.1	18.0
Sub-total	12,469	49.9	20.9	14,416	38.4	20.3	20,101	31.0	21.0	9,229	36.7	20.3	12,334	38.3	20.7
Value-added services to non-property owners															
Related parties	3,884	15.6	35.0	13,892	37.0	35.9	17,892	27.6	37.9	7,562	30.0	34.2	11,766	36.5	37.7
Independent third parties	333	1.3	36.4	41	0.1	36.1	1,743	2.7	40.5	252	1.0	35.4	439	1.4	100.0
Sub-total	4,217	16.9	35.1	13,933	37.1	35.9	19,635	30.3	38.1	7,814	31.0	34.2	12,205	37.9	38.6
Community value-added services															
Related parties	1,009	4.0	44.3	1,881	5.0	48.2	3,793	5.9	26.8	2,504	9.9	45.6	4,294	13.3	37.9
Independent third parties	6,980	28.0	76.7	7,616	20.3	56.9	18,367	28.3	45.4	4,733	18.8	51.3	3,870	12.1	46.5
Sub-total	7,989	32.0	70.2	9,497	25.3	54.9	22,160	34.2	40.6	7,237	28.7	49.1	8,164	25.4	41.5

	FY2017			FY2018			FY2019			6M2019			6M2020		
	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit	Percentage of total gross profit	Gross profit margin	Gross profit/ (loss)	Percentage of total gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	%	*RMB'000*	%	%	*RMB'000*	%	%	*RMB'000* *(unaudited)*	%	%	*RMB'000*	%	%
Other businesses															
Hotel business															
Related parties	–	–	–	–	–	–	7	less than 0.1	12.0	3	less than 0.1	7.3	(6)	less than 0.1	(13.2)
Independent third parties	31	0.1	100.0	(1,156)	(3.1)	(32.5)	2,213	3.4	12.0	623	2.5	7.2	(669)	(2.1)	(13.2)
Sub-total	31	0.1	100.0	(1,156)	(3.1)	(32.5)	2,220	3.4	12.0	626	2.5	7.2	(675)	(2.1)	(13.2)
Long-term rental apartment business															
Related parties	–	–	–	–	–	–	85	0.1	35.7	21	0.1	17.7	–	–	–
Independent third parties	269	1.1	35.6	886	2.3	40.6	668	1.0	35.7	253	1.0	30.0	155	0.5	19.3
Sub-total	269	1.1	35.6	886	2.3	40.6	753	1.1	35.7	274	1.1	28.5	155	0.5	19.3
Total	**24,975**	**100.0**	**29.7**	**37,576**	**100.0**	**28.3**	**64,869**	**100.0**	**29.2**	**25,180**	**100.0**	**27.1**	**32,183**	**100.0**	**27.6**

For our property management services, the gross profit margin derived from related parties were 21.4%, 21.0%, 22.0%, 21.1% and 32.7% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit margin derived from independent third parties were 20.7%, 20.1%, 20.7%, 20.0% and 18.0% for the same periods, respectively. The higher gross profit margin derived from related parties for 6M2020 was mainly due to the exemption of social insurance premium pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (關於階段性減免企業社會保險費的通知) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and other issues (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the SAT during the outbreak of the epidemic caused by the NCP for 6M2020, which decreased our staff costs. Pursuant to the aforesaid notices, we were exempted from paying our portion of the basic pension insurance, unemployment insurance and work-related injury insurance from February 2020 to December 2020. As the growth in the number of confirmed NCP cases in the PRC has declined gradually, our Directors believe that such relief policy is unlikely to be continued after December 2020, and our gross profit margin to be derived from related parties is expected to become in line with that of FY2017, FY2018 and FY2019 if such relief policy is no longer implemented. The lower gross profit margin derived from independent third parties for 6M2020 was mainly contributed by one loss-making project and offset by the decrease in staff costs due to the exemption of social insurance premium. Please refer to the section headed "Business — Property management services — Property management fees — Types of property management fees" in this document for more details about the loss-making project.

For our value-added services to non-property owners, the gross profit margin derived from related parties were 35.0%, 35.9%, 37.9%, 34.2% and 37.7% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit margin derived from independent third parties were 36.4%, 36.1%, 40.5%, 35.4% and 100.0% for the same periods, respectively. The higher gross profit margin derived from independent third parties for 6M2020 was mainly due to contracts signed in June 2020, the revenue of which were recognised over time in accordance to the contract period. As such projects were at the initial stage, minimal costs were incurred for 6M2020.

For our community value-added services, the gross profit margin derived from related parties were 44.3%, 48.2%, 26.8%, 45.6% and 37.9% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit margin derived from independent third parties were 76.7%, 56.9%, 45.4%, 51.3% and 46.5% for the same periods, respectively. The higher gross profit margin derived from independent third parties was mainly due to the relatively high gross profit margin of utility fee collection and community space services, in which the revenue was mainly contributed by independent third parties during the Track Record Period.

For our hotel business, the gross profit/(loss) margin derived from related parties were nil, nil, 12.0%, 7.3% and (13.2)% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit/(loss) margin derived from independent third parties were 100.0%, (32.5)%, 12.0%, 7.2% and (13.2)% for the same periods, respectively. The higher gross profit margin of 100% derived from independent third parties for FY2017 was due to the leasing of commercial shopping arcades located within the hotel buildings prior to the commencement of our hotel business in October 2018, and no rental cost for the commercial shopping arcades was incurred prior to January 2018 as agreed between Sundy Land Group and us. As there was no related party transaction in our hotel business for FY2017, the gross profit margin derived from related parties was nil for FY2017. The gross loss margin derived from independent third parties for FY2018 was mainly due to the early stage of operation of our hotel business, which we focused primarily on promotion activities. The gross profit margin derived from related parties was nil for FY2018, as there was no revenue derived from related party in our hotel business for FY2018.

For our long-term rental apartment business, the gross profit margin derived from related parties were nil, nil, 35.7%, 17.7% and nil for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit margin derived from independent third parties were 35.6%, 40.6%, 35.7%, 30.0% and 19.3% for the same periods, respectively. The gross profit margin derived from related parties was nil for FY2017, FY2018 and 6M2020 as there was no related party transaction in our long-term rental apartment business during the respective periods. The lower gross profit margin derived from related parties for 6M2019 was mainly due to the lower monthly rent for related parties when compared to that for independent third parties during the period, which led to a lower gross profit margin for related parties for 6M2019.

The following table sets out our gross profit and gross profit margin for property management services for the periods indicated by types of properties:

	FY2017		FY2018		FY2019		6M2019		6M2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Residential properties	9,701	22.0	11,621	21.7	12.677	21.5	6,469	20.9	4,695	12.3
Non-residential properties	2,768	17.6	2,795	16.0	7,424	20.2	2,760	18.9	7,639	35.6
Total	**12,469**	**20.9**	**14,416**	**20.3**	**20,101**	**21.0**	**9,229**	**20.3**	**12,334**	**20.7**

For our property management services, the gross profit margin derived from residential properties were 22.0%, 21.7%, 21.5%, 20.9% and 12.3% for FY2017, FY2018, FY2019, 6M2019 and 6M2020, respectively, while the gross profit margin derived from non-residential properties were 17.6%, 16.0%, 20.2%, 18.9% and 35.6% for the same periods, respectively. The lower gross profit margin derived from non-residential properties for FY2017, FY2018, FY2019 and 6M2019 was mainly due to older properties under our management, and the property management fees of which have not been increased upon renewal in order to enhance our competitiveness and relationship with our loyalty customers. The higher gross profit margin derived from non-residential properties for 6M2020 was mainly due to the exemption of social insurance premium pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (關於階段性減免企業社會保險費的通知) and Notice on Extending the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and other issues (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the SAT during the outbreak of the epidemic caused by NCP for 6M2020, which decreased our staff costs. Pursuant to the aforesaid notices, we were exempted from paying our portion of the basic pension insurance, unemployment insurance and work-related injury insurance from February 2020 to December 2020. As the growth in the number of confirmed NCP cases in the PRC has declined gradually, our Directors believe that such relief policy is unlikely to be continued after December 2020, and our gross profit margin to be derived from non-residential properties is expected to become in line with that of FY2017, FY2018 and FY2019 if such relief policy is no longer implemented. The lower gross profit margin derived from residential properties for 6M2020 was mainly due to the commencement of a new property management project for an old residential community under the Future Community Pilot Plan which was loss-making for 6M2020 due to the larger staff costs and subcontracting costs incurred at the early stage and offset by the decrease in costs due to the exemption of social insurance premium. Please refer to the paragraph headed "Business — Property management fees — pricing of property management fees" in this document for further details about the Future Community Pilot Plan.

Other Revenue

Our other revenue during the Track Record Period primarily consists of (i) forfeited deposits from customers due to early termination of long-term rental apartment tenancy agreements; (ii) government grants, which mainly represent government subsidies to encourage our provision of quality property management services; and (iii) income from preferential tax policies for, among others, property management industry, which allowed us to record increases in tax refund as other income. There can be no assurance that we will continue to receive significant amounts of government grants, or at all, as the government grants are uncertain and irregular. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our other revenue was approximately RMB0.1 million, RMB0.1 million, RMB0.7 million, RMB0.3 million and RMB3.3 million, respectively.

Other Net (Loss)/Income

Our other net (loss)/ income during the Track Record Period primarily consists of net gain or loss on disposal of (i) financial asset classified as fair value through profit or loss ("**FVTPL**"), which was recognised due to the disposal of equity interest; (ii) an associate, which was recognised due to the disposal of Sundy Yangguang Kindergarten; (iii) a joint venture, which was recognised due to the disposal of Hedu Agency; (iv) property, plant and equipment, which was recognised due to the disposal of electronic equipment; (v) net gain on early termination of a lease contract and (vi) net exchange loss. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our other net (loss)/income was approximately net loss of RMB42,000, net income of RMB0.7 million, net loss of RMB2,000, nil and nil, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of promotion expenses. During the Track Record Period, our promotion expenses were primarily related to the promotion activities for our hotel business and long-term rental apartment business. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our selling and marketing expenses were RMB74,000, RMB0.5 million, RMB0.8 million, RMB0.3 million and RMB0.3 million, respectively.

Administrative Expenses

Our administrative expenses primarily consist of staff costs for administrative employees, office expenses, professional fees, [**REDACTED**], bank charges, depreciation and amortisation and others, which mainly relate to the expenses incurred for travelling, transportation and business entertainment. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our administrative expenses were RMB6.0 million, RMB9.2 million, RMB19.2 million, RMB6.5 million and RMB11.9 million, respectively. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2017		**FY2018**		**FY2019**		**6M2019**		**6M2020**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Staff costs	3,318	55.1	5,525	60.3	6,528	34.0	2,994	45.9	2,911	24.4
Office expenses	685	11.4	929	10.1	785	4.1	471	7.2	453	3.8
Professional fees	478	7.9	215	2.3	778	4.1	593	9.1	54	0.5
[**REDACTED**]					[**REDACTED**]					
Bank charges	265	4.4	315	3.4	390	2.0	170	2.6	159	1.3
Depreciation and amortisation	378	6.3	450	4.9	480	2.5	238	3.6	240	2.0
Others	898	14.9	1,433	15.7	1,559	8.1	561	8.6	492	4.1
Total	6,022	100.0	9,167	100.0	19,197	100.0	6,532	100.0	11,927	100.0

For FY2018, we incurred [**REDACTED**] of RMB[**REDACTED**], which represented the service fees payable to certain professional parties for the preparation of our [**REDACTED**] and the advisory of our Reorganisation. For FY2019 and 6M2020, we incurred [**REDACTED**] of RMB[**REDACTED**] and RMB[**REDACTED**], which represented the service fees payable to the Sole Sponsor and other key parties involved in the [**REDACTED**].

Other Expenses

Our other expenses primarily consist of impairment losses on trade and other receivables. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our other expenses were RMB1.1 million, RMB0.2 million, RMB0.6 million, RMB0.9 million and RMB1.4 million, respectively.

Net Finance Income

Our net finance income primarily represents interest income on bank deposits and interest income from provision of loans, offset by interest expenses on prepaid remodelling and decoration service fees received from property owners categorised as contract liabilities and the interest cost charged to profit or loss over the lease period under certain of our lease arrangement. Such leases were mainly used as our offices and premise for long-term rental apartment business. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our net finance income was RMB1.0 million, RMB0.8 million, RMB0.5 million, RMB0.6 million and RMB0.4 million.

Share of (Losses)/Profits of Joint Ventures

Share of (losses)/profits of joint ventures represents our share of results of Zhejiang Hedu Real Estate Agency Co., Ltd.* (浙江合都房地產代理有限公司) and Hangzhou Honghe Environmental Engineering Co., Ltd.* (杭州宏合環境工程有限公司). Zhejiang Hedu Real Estate Agency Co., Ltd was established in December 2017, and in which we initially held 50% equity interest and subsequently disposed in December 2019. Hangzhou Honghe Environmental Engineering Co., Ltd principally engages in environmental engineering and landscaping services, which was established in December 2018, and in which we held 40% equity interest and contractually agree to share control of the joint venture arrangement, and have rights to the net assets of the arrangement as at the Latest Practicable Date. We recorded share of losses of joint ventures of approximately RMB77,000 for FY2018, share of profits of joint ventures of approximately RMB1.0 million for FY2019 and share of profits of joint ventures of approximately RMB0.2 million and RMB0.2 million for 6M2019 and 6M2020, respectively.

Share of Losses of an associate

Share of losses of an associate represents our share of results of Sundy Yangguang Kindergarten, which was established in August 2018, and in which we initially held 40% equity interest and subsequently disposed in December 2018. Sundy Yangguang Kindergarten principally engages in the provision of preschool education service. We recorded share of losses of an associate of approximately RMB0.5 million for FY2018.

Income Tax

Our income tax primarily consist of current income tax payable at the statutory rates applicable to our assessable profit before taxation as determined under relevant laws and regulations and deferred income tax expense/credit arising from the movement in deferred tax assets recognised for the reporting periods. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our income tax expenses were RMB4.9 million, RMB7.9 million, RMB11.3 million, RMB4.6 million and RMB6.1 million, respectively. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax:					
– PRC corporate income tax	5,959	8,595	11,287	5,158	6,367
Deferred tax:					
– Origination of temporary differences	(1,051)	(722)	(7)	(571)	(247)
Total	4,908	7,873	11,280	4,587	6,120

According to the applicable PRC tax regulations, the general enterprise income tax rate in PRC is 25% and our PRC entities had been subject to the statutory enterprise income rate during the Track Record Period. No provision for Hong Kong Profits Tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period. For FY2017, FY2018, FY2019, 6M2019 and 6M2020, our effective income tax rates were 26.0%, 27.4%, 24.2%, 24.8% and 27.2%, respectively.

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the amount of income tax charged to our profit or loss amounted to RMB6.0 million, RMB8.6 million, RMB11.3 million, RMB5.2 million and RMB6.4 million, respectively. During the same periods, we recorded cash outflow of tax payment of RMB5.2 million, RMB3.2 million, RMB10.0 million, RMB6.6 million and RMB8.4 million, respectively.

As advised by Ernst & Young (China) Advisory Limited, an independent tax adviser engaged by us to opine on the EIT and VAT exposure in relation to the discrepancy between the income tax charged to our profit or loss and tax payment (the "**Tax Adviser**"), according to the EIT Law, EIT shall be prepaid on a quarterly basis. Entities shall file quarterly EIT returns with the tax authorities and prepay tax payments within 15 days after the end of each quarter. In addition, entities shall file annual EIT returns with the tax authorities within five months after the end of each calendar year, compute and settle the tax payments (or obtain refunds if already over-paid during the quarterly tax prepayments) for that respective calendar year. Cash tax payments made by our Group within a calendar year may include (i) the prepayment of provisional tax charge of our Group for the first three quarters in the same year; (ii) the tax payment for the fourth quarter in the previous year; and (iii) the remaining tax payment or tax refund in respect of the tax charge identified when filing annual EIT return of the previous calendar year. Hence, the timing difference in settling the aforementioned tax payments and accruing tax charges may result in discrepancy between the tax payment made and tax charge in the same calendar year.

In particular, for FY2018, our income tax charge was significantly higher than our income tax payment, primarily due to (i) the significant amount of income tax charge for FY2018 being settled in FY2019, and partially offset by (ii) the lesser amount of income tax charge for FY2017 being settled in FY2018.

Besides the aforesaid reason, the discrepancy between the amount of income tax charged to our profit or loss and the tax payment was also attributable to the adoption of cash basis in our previous tax filings, where revenue was booked based on the actual amounts of payments received, which was not strictly in accordance with the EIT Implementation Rules. Nonetheless, all of our EIT liabilities if computed based on accrual basis for FY2017, FY2018 and FY2019 was settled as at the taxing period of 30 June 2020. Our Tax Adviser advised that there was no outstanding tax payable by our Group for VAT and EIT for FY2017, FY2018 and FY2019.

As advised by the Tax Adviser, taking into account of the local practice of tax filing in the Hangzhou region and the fact that all of our EIT liabilities if computed based on accrual basis was settled, the possibility for the relevant PRC tax authorities to impose administrative penalty on us due to the aforesaid difference, which arose from the adoption of cash basis in our previous tax filings, is remote. Our Group had obtained written confirmations from the relevant competent local tax authorities of all relevant PRC subsidiaries and branch companies of our Company confirming that up to the end of the Track Record Period, no administrative penalty had been imposed, no investigation or additional demand had been made by the respective competent local tax authorities on the relevant PRC subsidiaries and branch companies of our Company and there is no material non-compliance in relation to tax payment. Since the identification of this matter, we have changed the practice and adopted accrual basis in preparing tax filings.

DISCUSSION OF RESULTS OF OPERATIONS

6M2020 compared to 6M2019

Revenue

Our total revenue increased by 25.8% from RMB92.8 million for 6M2019 to RMB116.7 million for 6M2020, primarily due to our overall business growth.

- *Property management services.* Our revenue generated from our property management services increased by 30.5% from RMB45.6 million for 6M2019 to RMB59.5 million for 6M2020, primarily due to the increase in our total GFA under management by 48.8% from approximately 4.3 million sq.m as at 30 June 2019 to 6.4 million sq.m as at 30 June 2020, as a result of the increase in the number of our managed properties from 29 to 33 as at the same dates.

- *Value added services to non-property owners.* Our revenue generated from value-added services to non-property owners increased by 39.0% from RMB22.8 million for 6M2019 to RMB31.7 million for 6M2020, which was primarily attributable to (i) the increase in revenue from pre-delivery services by approximately RMB7.6 million; (ii) the increase in revenue from sales assistance services by approximately RMB2.3 million; and offset by (iii) the decrease in revenue from consulting services by approximately RMB1.0 million.

- *Community value-added services.* Our revenue generated from community value-added services increased by 34.0% from RMB14.7 million for 6M2019 to RMB19.7 million for 6M2020, which was primarily attributable to (i) the increase in revenue derived from remodelling and decoration services by approximately RMB8.8 million from 6M2019 to 6M2020; and partially offset by (ii) the decrease in revenue derived from community space services approximately by RMB1.0 million from 6M2019 to 6M2020. The increase in revenue from our remodelling and decoration services was due to the increase of standardised remodelling and decoration works undertaken by us from one property to three properties developed by Sundy Land Group which entered delivery stage from 6M2019 to 6M2020. Our remodelling and decoration service fees were either borne by property purchasers or Sundy Land Group, depending on the sales status of the particular property units which we performed our services to. For details of the business model of our remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document. The decrease in revenue from community space services was mainly attributable to the free parking policy due to the epidemic control upgrade for the NCP in our communities.

- *Other businesses.* Our revenue generated from other businesses decreased by 39.2% from RMB9.7 million for 6M2019 to RMB5.9 million for 6M2020.

  – *Hotel business.* Our revenue generated from hotel business decreased by 41.4% from RMB8.7 million for 6M2019 to RMB5.1 million for 6M2020, which was primarily attributable to the various measures taken by the PRC government to combat the NCP, including border control in reducing people's movement across cities, which led to a decrease in number of customers in our hotel business for 6M2020.

– *Long-term rental apartment business.* Our revenue generated from long-term rental apartment business remained stable at RMB1.0 million and RMB0.8 million for 6M2019 and 6M2020, respectively.

Cost of Sales

Our cost of sales increased by 25.0% from RMB67.6 million for 6M2019 to RMB84.5 million for 6M2020, primarily attributable to (i) the increase in our subcontracting costs by approximately RMB15.9 million from 6M2019 to 6M2020; and (ii) the increase in our staff costs by approximately RMB1.0 million from 6M2019 to 6M2020, which was in line with our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 27.8% from RMB25.2 million for 6M2019 to RMB32.2 million for 6M2020. Our gross profit margin remained relatively stable at 27.1% and 27.6% for 6M2019 and 6M2020, respectively.

- *Property management services.* Gross profit of our property management services increased by 33.7% from RMB9.2 million for 6M2019 to RMB12.3 million for 6M2020. Gross profit margin of our property management services remained relatively stable at 20.3% and 20.7% for 6M2019 and 6M2020, respectively.

- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 56.4% from RMB7.8 million for 6M2019 to RMB12.2 million for 6M2020. Gross profit margin of our value-added services to non-property owners increased from 34.2% for 6M2019 to 38.6% for 6M2020, primarily attributable to (i) the increase in gross profit margin of consulting services from 31.8% for 6M2019 to 39.1% for 6M2020; (ii) the increase in gross profit margin of sales assistance services from 33.1% for 6M2019 to 35.3% for 6M2020; and offset by (iii) the decrease in gross profit margin of pre-delivery services from 43.6% for 6M2019 to 43.1% for 6M2020.

- *Community value-added services.* Gross profit of our community value-added services increased by 13.9% from RMB7.2 million for 6M2019 to RMB8.2 million for 6M2020. Gross profit margin of our community value-added services decreased from 49.1% for 6M2019 to 41.5% for 6M2020, primarily attributable to the business model of our remodelling and decoration services, which the remodelling and decoration works were subcontracted to third-party contractors, and had a relatively low gross profit margin, the increased in revenue derived from remodelling and decoration services for 6M2020 led to the decrease of overall gross profit margin in our community value-added services. For details of the business model of our remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document.

- *Other businesses.* Gross profit of our other businesses decreased by RMB1.4 million from gross profit of RMB0.9 million for 6M2019 to gross loss of RMB0.5 million for 6M2020, and gross margin of our other businesses decreased from gross profit margin of 9.3% to gross loss margin of 8.8% during the same periods.

– *Hotel business.* Gross profit of our hotel business decreased by RMB1.3 million from gross profit of RMB0.6 million for 6M2019 to gross loss of RMB0.7 million for 6M2020, and gross margin of our hotel business decreased from gross profit margin of 7.2% to gross loss margin of 13.2% during the same periods due to the decrease in revenue as a result from the various measures taken by the PRC government to combat the NCP, including border control in reducing people's movement across cities, which led to a decrease in number of customers in our hotel business for 6M2020.

– *Long-term rental apartment business.* Gross profit of our long-term rental apartment business remained stable at RMB0.3 million and RMB0.2 million for 6M2019 and 6M2020, respectively. The gross margin of our long-term rental apartment business decreased from 28.5% for 6M2019 to 19.3% for 6M2020 was primarily attributable to the decrease in our average contracted monthly rental per sq.m. from RMB76.6 for 6M2019 to RMB74.7 for 6M2020.

Other revenue

Our other revenue increased by ten times from RMB0.3 million for 6M2019 to RMB3.3 million for 6M2020, primarily due to the increase in government subsidy of approximately RMB2.9 million attributable to our participation in epidemic prevention of NCP under PRC government policy.

Other Net(Loss)/Income

Our net (loss)/income remained stable at nil for 6M2019 and 6M2020.

Selling and Marketing Expenses

Our selling and marketing expenses remained stable at RMB0.3 million for 6M2019 and 6M2020.

Administrative Expenses

Our administrative expenses increased by 83.1% or RMB5.4 million from RMB6.5 million for 6M2019 to RMB11.9 million for 6M2020, primarily attributable to (i) the increase in [**REDACTED**] by RMB[**REDACTED**] and partially offset by (ii) the decrease in professional fee by RMB0.5 million.

Other expenses

Our other expenses increased by 55.6% or RMB0.5 million from RMB0.9 million for 6M2019 to RMB1.4 million for 6M2020, primarily due to the increase in impairment loss of trade receivables by RMB0.4 million.

Net finance income

Our net finance income remained stable at RMB0.6 million and RMB0.4 million for 6M2019 and 6M2020, respectively.

Income Tax Expenses

Our income tax expenses increased by 32.6% from RMB4.6 million for 6M2019 to RMB6.1 million for 6M2020, primarily due to the increase in PRC corporate income tax from RMB5.2 million for 6M2019 to RMB6.4 million for 6M2020, which was generally in line with the growth of our business. Our effective income tax rate increased from 24.8% for 6M2019 to 27.2% for 6M2020, primarily due to more non-deductible expenses incurred and more tax losses not recognised in 6M2020.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 18.0% from RMB13.9 million for 6M2019 to RMB16.4 million for 6M2020. Our net profit margin remained stable at 15.0% and 14.0% for 6M2019 and 6M2020, respectively.

FY2019 compared to FY2018

Revenue

Our total revenue increased by 67.3% from RMB133.0 million for FY2018 to RMB222.5 million for FY2019, primarily due to our overall business growth.

- *Property management services.* Our revenue generated from our property management services increased by 34.6% from RMB71.1 million for FY2018 to RMB95.7 million for FY2019, primarily due to (i) the increase in our total GFA under management by 55.3% from approximately 3.8 million sq.m as at 31 December 2018 to 5.9 million sq.m as at 31 December 2019, as a result of the increase in the number of our managed properties from 22 to 29 as at the same dates.

- *Value added services to non-property owners.* Our revenue generated from value-added services to non-property owners increased by 32.7% from RMB38.8 million for FY2018 to RMB51.5 million for FY2019, which was primarily attributable to (i) the increase in revenue from pre-delivery services by approximately RMB2.8 million; (ii) the increase in revenue from sales assistance services by approximately RMB3.5 million; and (iii) the increase in revenue from consulting services by approximately RMB6.4 million.

- *Community value-added services.* Our revenue generated from community value-added services increased by 215.6% from RMB17.3 million for FY2018 to RMB54.6 million for FY2019, which was primarily attributable to (i) the increase in revenue derived from remodelling and decoration services by approximately RMB32.3 million from FY2018 to FY2019; (ii) the increase in revenue derived from utility fee collection services by approximately RMB2.1 million from FY2018 to FY2019; and (iii) the increase in revenue derived from property repair and maintenance services by approximately RMB1.7 million from FY2018 to FY2019. The significant increase in revenue from our remodelling and decoration services was due to the commencement of standardised remodelling and decoration works undertaken by us to three properties developed by Sundy Land Group which entered delivery stage during FY2019. Our remodelling and decoration service fees were either borne by property purchasers or Sundy Land Group, depending on the sales status of the particular property units which we performed our services to. For details of the business model of our remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document. The increase in revenue from utility fee collection and property repair and maintenance services was mainly due to the increase in number of our managed properties and residents and property owners served by us as we expanded our business scale.

- *Other businesses.* Our revenue generated from other businesses increased by 263.2% from RMB5.7 million for FY2018 to RMB20.7 million for FY2019.

  - *Hotel business.* Our revenue generated from hotel business increased by 416.7% from RMB3.6 million for FY2018 to RMB18.6 million for FY2019, which was primarily attributable to the commencement of our hotel business in October 2018.

  - *Long-term rental apartment business.* Our revenue generated from long-term rental apartment business remained stable at RMB2.2 million and RMB2.1 million for FY2018 and FY2019, respectively.

Cost of Sales

Our cost of sales increased by 65.2% from RMB95.4 million for FY2018 to RMB157.6 million for FY2019, primarily attributable to (i) the increase in our subcontracting costs by approximately RMB43.7 million from FY2018 to FY2019; and (ii) the increase in our staff costs by approximately RMB5.0 million from FY2018 to FY2019, which was in line with our business expansion.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 72.6% from RMB37.6 million for FY2018 to RMB64.9 million for FY2019. Our gross profit margin remained relatively stable at 28.3% and 29.2% for FY2018 and FY2019, respectively.

- *Property management services.* Gross profit of our property management services increased by 39.6% from RMB14.4 million for FY2018 to RMB20.1 million for FY2019. Gross profit margin of our property management services remained relatively stable at 20.3% and 21.0% for FY2018 and FY2019, respectively.

- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 41.0% from RMB13.9 million for FY2018 to RMB19.6 million for FY2019. Gross profit margin of our value-added services to non-property owners increased from 35.9% for FY2018 to 38.1% for FY2019, primarily attributable to (i) the increase in gross profit margin of pre-delivery services from 42.6% for FY2018 to 43.1% for FY2019; (ii) the increase in gross profit margin of sales assistance services from 33.6% for FY2018 to 35.2% for FY2019; and (iii) the increase in gross profit margin of consulting services from 37.4% for FY2018 to 40.4% for FY2019.

- *Community value-added services.* Gross profit of our community value-added services increased by 133.7% from RMB9.5 million for FY2018 to RMB22.2 million for FY2019. Gross profit margin of our community value-added services decreased from 54.9% for FY2018 to 40.6% for FY2019, primarily attributable to the business model of our remodelling and decoration services, which the remodelling and decoration works were subcontracted to third-party contractors, and had a relatively low gross profit margin, and hence led to the decrease of overall gross profit margin in our community value-added services. For details of the business model of our remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document.

- *Other businesses.* Gross profit of our other businesses increased by RMB3.3 million from gross loss of RMB0.3 million for FY2018 to gross profit of RMB3.0 million for FY2019, and gross profit margin of our other businesses increased from -4.7% to 14.4% during the same periods.

  – *Hotel business.* Gross profit of our hotel business increased by RMB3.4 million from gross loss of RMB1.2 million for FY2018 to gross profit of RMB2.2 million for FY2019, and gross profit margin of our hotel business increased from -32.5% to 12.0% during the same periods due to the commencement of our hotel business in October 2018. At the early stage of operation, our hotel business recorded a slight gross loss because we focused primarily on promotion activities. We managed to turnaround our hotel business from loss-making to profit-making in FY2019.

  – *Long-term rental apartment business.* Gross profit of our long-term rental apartment business remained stable at RMB0.9 million and RMB0.8 million for FY2018 and FY2019, respectively. The gross margin of our long-term rental apartment business decreased from 40.6% for FY2018 to 35.7% for FY2019 was primarily attributable to the decrease in our average contracted monthly rental per sq.m. from RMB77.4 for FY2018 to RMB75.9 for FY2019, in order to improve the attractiveness of our long-term rental apartment business, as the result of the competition from other new long-term rental apartments nearby.

Other revenue

Our other revenue increased by 600.0% from RMB0.1 million for FY2018 to RMB0.7 million for FY2019, primarily due to the increase in tax refund of approximately RMB0.6 million under preferential tax policies which was introduced in FY2019 for the property management industry.

Other Net(Loss)/Income

Our net (loss)/income decreased from net income of approximately RMB0.7 million to net loss of approximately RMB2,000, primarily due to the decrease in net gain on disposal of financial asset classified as FVTPL by RMB0.2 million and the decrease in net gain on disposal of an associate, Sundy Yangguang Kindergarten, by RMB0.5 million, which were disposed in FY2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 60.0% from RMB0.5 million for FY2018 to RMB0.8 million for FY2019. The increase was primarily attributable to the increase in promotion expenses for our hotel business which commenced in October 2018.

Administrative Expenses

Our administrative expenses increased by 108.7% or RMB10.0 million from RMB9.2 million for FY2018 to RMB19.2 million for FY2019, primarily attributable to (i) the increase in staff costs by RMB1.0 million due to the increase in number of staffs which was in line with our business expansion and (ii) the increase in [**REDACTED**] by RMB[**REDACTED**].

Other expenses

Our other expenses increased by 200.0% or RMB0.4 million from RMB0.2 million for FY2018 to RMB0.6 million for FY2019, primarily due to the decrease in recovery of recognised impairment loss by RMB2.2 million and partially offset by the decrease in impairment loss of trade receivables by RMB1.9 million.

Net finance income

Our net finance income decreased by 37.5% or RMB0.3 million from RMB0.8 million for FY2018 to RMB0.5 million for FY2019. This was primarily due to the (i) the increase in interest expenses on contract liabilities by RMB1.0 million; offset by (ii) the increase in interest income on financial assets measured at amortised cost by RMB0.6 million and (iii) the decrease in interest expenses on lease liabilities by RMB0.1 million.

Income Tax Expenses

Our income tax expenses increased by 43.0% from RMB7.9 million for FY2018 to RMB11.3 million for FY2019, primarily due to the increase in PRC corporate income tax from RMB8.6 million for FY2018 to RMB11.3 million for FY2019, which was generally in line with the growth of our business. Our effective income tax rate decreased from 27.4% for FY2018 to 24.2% for FY2019, primarily due to the utilisation of deductible temporary differences not be recognised as deferred tax assets in the previous years.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 68.4% from RMB20.9 million for FY2018 to RMB35.2 million for FY2019. Our net profit margin remained stable at 15.7% and 15.8% for FY2018 and FY2019, respectively.

FY2018 compared to FY2017

Revenue

Our total revenue increased by 58.3% from RMB84.0 million for FY2017 to RMB133.0 million for FY2018, primarily due to an increase in revenue from value-added services to non-property owners and to a lesser extent, increases in revenue from property management services, community value-added services and other businesses.

- *Property management services.* Our revenue generated from our property management services increased by 18.9% from RMB59.8 million for FY2017 to RMB71.1 million for FY2018, primarily due to (i) the increase in our total GFA under management by 18.8% from approximately 3.2 million sq.m. as at 31 December 2017 to 3.8 million sq.m. as at 31 December 2018, which resulted from the increase in number of our managed properties from 17 to 22 as at the same dates and (ii) the increase in our average property fee by 4.4% from RMB2.7 per sq.m. per month for FY2017 to RMB2.8 per sq.m. per month for FY2018.

- *Value-added services to non-property owners.* Our revenue generated from value-added services to non-property owners increased by 223.3% from RMB12.0 million for FY2017 to RMB38.8 million for FY2018. This increase was attributable to (i) the increase in revenue from pre-delivery services by approximately RMB5.9 million; (ii) the increase in revenue from sales assistance services by approximately RMB14.1 million; and (iii) the increase in revenue from consulting services by approximately RMB6.8 million.

- *Community value-added services.* Our revenue generated from community value-added services increased by 51.8% from RMB11.4 million for FY2017 to RMB17.3 million for FY2018, which is primarily attributable to (i) the increase in revenue from remodelling and decoration services by approximately RMB4.1 million; and (ii) the increase in revenue from property repair and maintenance by approximately RMB1.0 million. The increase in revenue in different sector was mainly due to the increase in number of our managed properties and residents and property owners served by us as we expanded our business scale.

- *Other businesses.* Our revenue generated from other businesses increased by 612.5% from RMB0.8 million for FY2017 to RMB5.7 million for FY2018.

  – *Hotel business.* Our revenue generated from hotel business increased by over 115 times from RMB31,000 for FY2017 to RMB3.6 million for FY2018, which was primarily attributable to the commencement of our hotel business in October 2018. The insignificant revenue generated in FY2017 was derived from the leasing of commercial shopping arcades located within the hotel buildings.

– *Long-term rental apartment business.* Our revenue generated from long-term rental apartment business increased by 175.0% from RMB0.8 million for FY2017 to RMB2.2 million for FY2018, which was primarily attributable to the commencement of our long-term rental apartment business in July 2017.

Cost of Sales

Our cost of sales increased by 61.7% from RMB59.0 million for FY2017 to RMB95.4 million for FY2018, primarily attributable to the increase in our subcontracting costs by approximately RMB33.6 million from FY2017 to FY2018 resulted from the combined effect of our business expansion and our efforts to outsource part of labour-intensive functions to third parties.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our total gross profit increased by 50.4% from RMB25.0 million for FY2017 to RMB37.6 million for FY2018. Our gross profit margin remained relatively stable at 29.7% and 28.3% for FY2017 and FY2018, respectively.

- *Property management services.* Gross profit of our property management services increased by 15.2% from RMB12.5 million for FY2017 to RMB14.4 million for FY2018. Gross profit margin of our property management services remained relatively stable at 20.9% and 20.3% for FY2017 and FY2018, respectively.

- *Value-added services to non-property owners.* Gross profit of our value-added services to non-property owners increased by 231.0% from RMB4.2 million for FY2017 to RMB13.9 million for FY2018. Gross profit margin of our value-added services to non-property owners remained relatively stable at 35.1% and 35.9% for FY2017 and FY2018, respectively.

- *Community value-added services.* Gross profit of our community value-added services increased by 18.8% from RMB8.0 million for FY2017 to RMB9.5 million for FY2018. Gross profit margin of our community value-added services decreased from 70.2% for FY2017 to 54.9% for FY2018, primarily attributable to the business model of our remodelling and decoration services, which the remodelling and decoration works were subcontracted to third-party contractors, and had a relatively low gross profit margin, and have led to the decrease of overall gross profit margin in our community value-added services. For details of the business model of our remodelling and decoration services, please refer to the paragraph headed "Business — Community value-added services — Remodelling and decoration services" in this document.

- *Other businesses.* Gross profit of our other businesses decreased by 200.0% from gross profit RMB0.3 million for FY2017 to gross loss of RMB0.3 million for FY2018. Gross profit margin of our other businesses decreased from 38.2% for FY2017 to gross loss margin of 4.7% for FY2018.

  – *Hotel business.* Gross profit of our hotel business decreased by RMB1.2 million from gross profit of RMB31,000 for FY2017 to gross loss of RMB1.2 million for FY2018, and gross profit margin of our hotel business decreased from 100.0% to -32.5% during the same periods. The relatively high gross profit margin for FY2017 was mainly due to the leasing of commercial shopping arcades located within the hotel buildings and no rental cost was incurred prior to January 2018 as agreed between Sundy Land Group and us, while the hotel business commenced in October 2018, which led to gross loss margin during the early stage of business operation for FY2018.

  – *Long-term rental apartment business.* Gross profit of our long-term rental apartment business increased by RMB0.6 million from gross profit of RMB0.3 million for FY2017 to gross profit of RMB0.9 million for FY2018, and gross profit margin of our long-term rental apartment business increased from 35.6% for FY2017 to 40.6% for FY2018 was mainly attributable to the increase in revenue due to the increase in occupancy rate from 65.5% for FY2017 to 77.6% for FY2018.

Other Revenue

Our other revenue remained stable at RMB0.1 million and RMB0.1 million for FY2017 and FY2018, respectively.

Other Net (Loss)/Income

Our net (loss)/income increased from other net loss of RMB42,000 to other net income of RMB0.7 million, primarily due to the increase in net gain on disposal of financial asset classified as FVTPL by RMB0.2 million and the increase in net gain on disposal of an associate, Sundy Yangguang Kindergarten, by RMB0.5 million in FY2018.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 575.7% from RMB74,000 for FY2017 to RMB0.5 million for FY2018. The increase was primarily attributable to the increase in promotion expenses for our hotel business which commenced in October 2018.

Administrative Expenses

Our administrative expenses increased by 53.3% or RMB3.2 million from RMB6.0 million for FY2017 to RMB9.2 million for FY2018, primarily due to (i) the increase in staff costs by RMB2.2 million; (ii) the increase in office expenses by RMB0.2 million, as a result of our business expansion.

Other expenses

The decrease in other expenses by 81.8% or RMB0.9 million from RMB1.1 million for FY2017 to RMB0.2 million for FY2018 was primarily attributable to (i) a court decision made in December 2018, pursuant to which we were entitled to recover unsettled receivables from a third party property developer which entered into liquidation in May 2016. After reassessment of the recoverability of these receivables, we recovered the related impairment loss of unsettled receivables of approximately RMB2.2 million in FY2018, and subsequently received such amount in FY2019; and (ii) offset by the increase in impairment loss of trade receivables by RMB1.4 million.

Net finance income

Our net finance income decreased by RMB0.2 million from RMB1.0 million for FY2017 to RMB0.8 million for FY2018. This was primarily due to (i) the increase in interest expenses on contract liabilities by RMB1.3 million; (ii) the increase in interest expenses on lease liabilities by RMB0.1 million; and (iii) offset by the increase in interest income on financial assets measured at amortised cost by RMB1.2 million.

Income Tax Expenses

Our income tax expenses increased by 61.2% from RMB4.9 million for FY2017 to RMB7.9 million for FY2018, primarily due to an increase in current PRC corporate income tax payable from RMB6.0 million for FY2017 to RMB8.6 million for FY2018 as a result of an increase in profit before income tax, which was generally in line with the growth of our business. Our effective income tax rate increased from 26.0% for FY2017 to 27.4% for FY2018, primarily due to more non-deductible expenses incurred and more tax losses not recognised in FY2018.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased by 49.3% from RMB14.0 million for FY2017 to RMB20.9 million for FY2018. Our net profit margin remained relatively stable at 16.6% and 15.7% for FY2017 and FY2018, respectively.

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4,623	27,390	23,939	23,000
Intangible assets	370	349	337	311
Right-of-use assets	1,173	880	500	375
Investment properties	3,638	2,670	1,702	1,218
Investment in joint ventures	–	2,423	1,284	1,454
Deferred tax assets	2,278	3,000	3,007	3,254
	12,082	36,712	30,769	29,612
CURRENT ASSETS				
Inventories	–	27	284	199
Contract assets	–	–	7,599	11,169
Trade and other receivables	18,692	64,495	33,669	52,499
Restricted bank balances	3,175	3,591	5,778	6,350
Cash and cash equivalents	68,546	65,864	137,559	152,822
	90,413	133,977	184,889	223,039
CURRENT LIABILITIES				
Contract liabilities	14,383	45,772	40,483	43,160
Advances from lessees	404	172	384	375
Trade and other payables	40,199	100,042	74,819	98,059
Lease liabilities	869	2,177	2,064	2,132
Provisions	341	443	–	–
Current taxation	3,837	9,209	10,513	8,527
	60,033	157,815	128,263	152,253

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS/ (LIABILITIES)	30,380	(23,838)	56,626	70,786
TOTAL ASSETS LESS CURRENT LIABILITIES	42,462	12,874	87,395	100,398
NON-CURRENT LIABILITIES				
Contract liabilities	11,432	2,026	2,543	–
Lease liabilities	4,805	2,957	913	109
Provisions	443	–	–	–
	16,680	4,983	3,456	109
NET ASSETS	25,782	7,891	83,939	100,289
CAPITAL AND RESERVES				
Share capital	–	–	7	7
Reserves	25,782	7,891	83,338	99,528
Total equity attributable to equity shareholders of our Company	25,782	7,891	83,345	99,535
Non-controlling interests	–	–	594	754
TOTAL EQUITY	25,782	7,891	83,939	100,289

Property, Plant and Equipment

Our property, plant and equipment mainly consists of equipment and furniture, electronic equipment, motor vehicles, construction in progress and leasehold improvement. Our property, plant and equipment amounted to RMB4.6 million, RMB27.4 million, RMB23.9 million and RMB23.0 million, respectively, as at 31 December 2017, 2018 and 2019 and 30 June 2020. The significant increase in property, plant and equipment from 31 December 2017 to 31 December 2018 was mainly attributable to the completion of decoration of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) in 2018. The decrease in property, plant and equipment from 31 December 2018 to 31 December 2019 was mainly attributable to the depreciation charged of RMB3.9 million for FY2019. The decrease in property, plant and equipment from 31 December 2019 to 30 June 2020 was mainly attributable to the depreciation charged of RMB2.0 million and partially offset by the additions of RMB1.1 million in relation to electronic equipment, construction in progress and leasehold improvement.

Trade and Other Receivables

Trade Receivables

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the majority of our trade receivables arose from our property management services on lump sum basis, while the remainder of our trade receivables arose from our value-added services to non-property owners, community value-added services, hotel business and long-term rental apartment business. The table below summarises when customers are required to pay service fees for each of our business segments:

Segments	Payment time
Property management services	Generally, customers are required to pay the next 12 months' property management fees (each a "**billing period**") before the property is handed over to the customers. Subsequent payments are required to be made prior to commencement of the next billing period.
Value-added services to non-property owners	• For consulting services, customers are generally required to pay the next three to six months' service fees. • For sales assistance services, customers are generally required to make monthly payments. • For pre-delivery services, customers are generally required to pay our service fees upon entering into the service contracts and after we deliver our services.
Community value-added services	• For property repair and maintenance services, customers are generally required to pay upon completion of our services. • For waste cleaning services, customers are generally required to prepay the service fees prior to the provision of our services. • For utility fee collection services, customers are generally required to make monthly payments. • For remodelling and decoration services, customers are generally required to make upfront payments upon entering into the service contracts, except where the service fees are borne by the property developer pursuant to a cooperation agreement. • For community space services, customers are generally required to prepay the service fees in advance for the following year.
Hotel business	• For room charges, customers are generally required to pay in full upon departure, unless the payment has been prepaid. • For leasing of commercial shopping arcades located within the hotel premise, customers are generally required to make quarterly payments of rent upon entering into the tenancy agreements. • For food and beverage and ancillary services, customers are generally required to pay in full upon departure, unless the payment has been prepaid.
Long-term rental apartment business	• Generally, customers are required to make quarterly or monthly payments of rent upon entering into the tenancy agreements.

The following table sets forth details of the percentage of revenue from advance payments to the total revenue by business segments which we generally require customers to prepay our service fees in advance:

	FY2017	FY2018	FY2019	6M2020
	Percentage of revenue from advance payments to total revenue	**Percentage of revenue from advance payments to total revenue**	**Percentage of revenue from advance payments to total revenue**	**Percentage of revenue from advance payments to total revenue**
	%	%	%	%
Property management services	9.7%	10.8%	15.7%	16.2%
Value-added services to non-property owners				
Consulting services	0%	2.5%	45.6%	21.1%
Community value-added services				
Waste cleaning services	100.0%	100.0%	100.0%	0%
Remodelling and decoration services	N/A	N/A	75.0%	30.1%
Community space services	53.1%	66.0%	62.6%	53.9%

We generally require our customers to settle our service fees for property management services, consultation services, waste cleaning services, remodelling and decoration services and community space services in advance. However, during the Track Record Period, a significant portion of our revenue from the aforesaid business segments were not recognised from advance payments from customers. In particular, for FY2017, FY2018, FY2019 and 6M2020, only 9.7%, 10.8%, 15.7% and 16.2% of property management services revenue were recognised from advance payments by our customers in accordance with the terms of the property management agreements. Instead, property owners tend to settle the property management fees late in around the last quarter of a year out of personal preference and convenience without following the terms of the property management agreements, which is in line with the industry norm in the PRC according to CIA.

Despite the foregoing, for FY2017, FY2018, FY2019 and 6M2020, our collection rates of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, reached approximately 87.1%, 83.9%, 88.4% and 62.2%, respectively. Going forward, our Directors confirmed that we plan to further improve the collection rate of property management fees through (i) setting internal targets for collecting overdue property management fees; (ii) conducting regular reviews of the collection rates of property management fees of our managed properties; (iii) encouraging employees to actively collect outstanding property management fees by implementing bonus and incentive programmes; and (iv) continuing sending regular payment reminders to residents through channels such as text messages and in-person notification.

The following table sets forth a breakdown of our trade receivables by business segment as at the dates indicated:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	8,095	59.8	11,162	51.4	10,584	61.9	28,081	76.2
Value-added services to non-property owners	4,952	36.6	8,544	39.3	4,488	26.2	6,169	16.7
Community value-added services	495	3.6	762	3.5	404	2.4	1,163	3.2
Other businesses								
Hotel business	–	–	1,145	5.2	1,615	9.4	1,444	3.9
Long-term rental apartment business	–	–	124	0.6	11	0.1	–	–
Total	13,542	100.0	21,737	100.0	17,102	100.0	36,857	100.0

The following table shows a breakdown of our trade receivables by category as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties	5,526	9,187	2,276	9,969
Third parties	10,420	17,351	20,092	33,412
Total	15,946	26,538	22,368	43,381
Less: Allowance for impairment of trade receivables	(2,404)	(4,801)	(5,266)	(6,524)
Total	13,542	21,737	17,102	36,857

Before allowance for impairment of trade receivables, our trade receivables increased from RMB15.9 million as at 31 December 2017 to RMB26.5 million as at 31 December 2018, primarily due to an increase in trade receivables from both third parties and related parties as we increased our total GFA under management and our project number of consulting services, sales assistance services and pre-delivery services, which was in line with our business growth. Before allowance for impairment of trade receivables, our trade receivables decreased from RMB26.5 million as at 31 December 2018 to RMB22.4 million as at 31 December 2019, primarily due to the decrease in trade receivables due from related parties due to faster turnover as a result of our collection efforts, which was partially offset by an increase in trade receivables due to the expansion of our business scale. Before allowance for impairment of trade receivables, our trade receivables increased from RMB22.4 million as at 31 December 2019 to RMB43.4 million as at 30 June 2020, primarily due to the joint effect of (i) the increase in revenue from our property management services and (ii) the payment patterns of property owners and residents in the PRC, according to CIA, the payments are usually settled in around the last quarter of a year.

The following table sets out our average trade receivables turnover days for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**6M2020**
Trade receivables turnover days(1)	42	48	32	42
Trade receivables due from related parties' turnover days(2)	14	20	9	10
Trade receivables due from third parties' turnover days(3)	28	28	23	32
Trade receivables and contract assets turnover days(4)	42	48	38	57

Notes:

(1) Trade receivables turnover days are calculated by dividing the average of opening and closing balances of net trade receivables of the relevant period by revenue for the relevant period and multiplying 365 days for a year or 182 days for six months.

(2) Trade receivables due from related parties' turnover days are calculated by dividing the average of opening and closing balances of net trade receivables due from related parties of the relevant period by revenue for the relevant period and multiplying 365 days for a year or 182 days for six months.

(3) Trade receivables due from third parties' turnover days are calculated by dividing the average of opening and closing balances of net trade receivables due from third parties of the relevant period by revenue for the relevant period and multiplying 365 days for a year or 182 days for six months.

(4) Trade receivables and contract assets turnover days are calculated by dividing the average sum of opening and closing balances of net trade receivables and contract assets of the relevant period by revenue for the relevant period and multiplying 365 days for a year or 182 days for six months.

Our trade receivables turnover days remained relatively stable for FY2017 and FY2018. Our trade receivables turnover days decreased from 48 days for FY2018 to 32 days for FY2019, which was primarily due to the decrease in trade receivables due from related parties due to faster turnover as a result of our collection efforts in FY2019. Our trade receivables turnover days increased from 32 days for FY2019 to 42 days for 6M2020, which was primarily due to the increase in amount of trade receivables and the property owners tend to settle the property management fees late in around the last quarter of a year.

Our trade receivables due from third parties' turnover days were higher than those due from related parties' for FY2017, FY2018, FY2019 and 6M2020, which was mainly due to the trade receivables due from third parties mainly comprised of numerous individual property owners, while the trade receivables due from related parties mainly comprised of fewer corporate customers which allowed us to collect property management fees more effectively and attain higher collection rates.

After taking into account our contract assets in the calculation of trade receivables turnover days, our trade receivables and contract assets turnover days would be 42 days and 48 days for FY2017 and FY2018, respectively, which is the same as the trade receivables turnover days of the relevant period, while our trade receivables and contract assets turnover days would be 38 days for FY2019 and 57 days for 6M2020, which were longer than the trade receivables turnover days of 32 days for FY2019 and 42 days for 6M2020, due to the contract assets which were only recognised since FY2019. For details of our contract assets, please refer to the paragraph headed "— Contract Assets" in this section.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables:

	Related parties				Independent third parties				Total			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	2,453	4,828	1,564	3,496	2,065	3,070	3,341	5,516	4,518	7,898	4,905	9,012
31-90 days	1,324	1,927	506	3,922	1,292	2,042	4,116	8,768	2,616	3,969	4,622	12,690
91-180 days	643	1,588	206	2,061	1,690	2,494	2,610	7,332	2,333	4,082	2,816	9,393
181-365 days	1,043	781	–	490	2,169	3,990	3,602	2,417	3,212	4,771	3,602	2,907
1-2 years	26	–	–	–	800	954	1,157	2,855	826	954	1,157	2,855
Over 2 years	37	63	–	–	–	–	–	–	37	63	–	–
Total	5,526	9,187	2,276	9,969	8,016	12,550	14,826	26,888	13,542	21,737	17,102	36,857

As at 31 December 2017, 2018 and 2019 and 30 June 2020, allowance for impairment of trade receivables amounted to RMB2.4 million, RMB4.8 million, RMB5.3 million and RMB6.5 million, respectively, which were made based on a collective group basis assessment by aging of trade receivables. None of the trade receivables was individually determined to be impaired. There were no trade receivables that were past due but not impaired at the end of each period.

In respect of trade receivables due from third parties, we measure loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. We consider a default event to have occurred when there is a significant decrease in the collection rate for property management and other service fees, and estimate the ECL rate for the reporting period. For trade receivables related to non-property management services, such as value-added services to non-property owners, these receivables are normally settled within six months. We have determined that the ECL rate for these receivables is immaterial under the lifetime ECLs method based on historical settlement records and forward-looking information, including the economic environment.

The table below sets forth details of the subsequent settlement of our trade receivables as at 31 December 2017 and up to 30 November 2020:

	Trade receivables as at 31 December 2017	**Subsequent settlement up to 30 November 2020**	**Percentage of subsequent settlement up to 30 November 2020**
	RMB'000	*RMB'000*	*%*
Property management services	10,499	9,985	95.1
Value-added services to non-property owners	4,952	4,952	100.0
Community value-added services	495	495	100.0
Other businesses	–	–	–
	15,946	15,432	96.8

The table below sets forth details of the subsequent settlement of our trade receivables as at 31 December 2018 and up to 30 November 2020:

	Trade receivables as at 31 December 2018	**Subsequent settlement up to 30 November 2020**	**Percentage of subsequent settlement up to 30 November 2020**
	RMB'000	*RMB'000*	*%*
Property management services	15,963	12,569	78.7
Value-added services to non-property owners	8,544	8,544	100.0
Community value-added services	762	762	100.0
Other businesses	1,269	1,269	100.0
	26,538	23,144	87.2

The table below sets forth details of the subsequent settlement of our trade receivables as at 31 December 2019 and up to 30 November 2020:

	Trade receivables as at 31 December 2019	**Subsequent settlement up to 30 November 2020**	**Percentage of subsequent settlement up to 30 November 2020**
	RMB'000	*RMB'000*	*%*
Property management services	15,850	7,896	49.8
Value-added services to non-property owners	4,488	4,488	100.0
Community value-added services	404	347	85.9
Other businesses	1,626	1,626	100.0
	22,368	14,357	64.2

The table below sets forth details of the subsequent settlement of our trade receivables as at 30 June 2020 and up to 30 November 2020:

	Trade receivables as at 30 June 2020	**Subsequent settlement up to 30 November 2020**	**Percentage of subsequent settlement up to 30 November 2020**
	RMB'000	*RMB'000*	*%*
Property management services	34,605	18,790	54.3
Value-added services to non-property owners	6,169	4,634	75.1
Community value-added services	1,163	1,086	93.4
Other businesses	1,444	1,444	100.0
	43,381	25,954	59.8

As at 30 November 2020, (i) RMB15.4 million, or 96.8% of our trade receivables as at 31 December 2017, were subsequently settled, among which RMB5.5 million, or 100.0% of related parties' balance was settled and RMB9.9 million, or 95.1% of independent third parties' balance was settled; (ii) RMB23.1 million, or 87.2% of our trade receivables as at 31 December 2018, were subsequently settled, among which RMB9.2 million, or 100.0% of related parties' balance was settled and RMB13.9 million, or 80.4% of independent third parties' balance was settled; and (iii) RMB14.4 million, or 64.2% of our trade receivables as at 31 December 2019, were subsequently settled, among which RMB2.3 million, or 100.0% of related parties' balance was settled and RMB12.1 million, or 60.1% of independent third parties' balance was settled.

As at 30 November 2020, RMB26.0 million, or 59.8% of our trade receivables as at 30 June 2020, were subsequently settled, among which RMB8.6 million, or 86.1% of related parties balance was settled and RMB17.4 million, or 52.0% of independent third parties' balance was settled. The relatively low subsequent settlement of our trade receivables as at 30 June 2020 was primarily resulted from (i) the seasonal factor that property owners and residents tend to settle outstanding management fee balances around the last quarter of a year; and (ii) the prolonged delay in settlement of property management fees by the property owners of two residential properties which were not renewed in FY2019.

As at 30 June 2020, the amount of trade receivables in relation to the two residential properties amounted to approximately RMB4.1 million, representing approximately 11.8% of the total amount of trade receivables in relation to our property management services business. As at 30 November 2020, RMB3.1 million, or 75.6% of the amount of trade receivables attributable to the two residential properties as at 30 June 2020, remained outstanding.

As at 30 November 2020, there were over 2,300 overdue property owners of the two residential properties, and after liaison with the respective representatives of the owners' association, we had issued lawyer's letters to all of the overdue property owners, and also instituted legal proceedings against 18 of the overdue property owners, which were selected based on the overdue amount, and among which, 15 of the overdue property owners repaid the outstanding management fees to us either prior to the court hearing or after the judgment of the court. As advised by our Directors, we intend to institute legal proceedings against other overdue property owners which do not respond to our demand.

Other Receivables

The table below sets forth a breakdown of our other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	1,616	31,157	4,717	3,422
Loans and interest receivable from a third party	–	3,538	–	–
Deposits	330	921	2,680	3,454
Prepayments	462	609	3,020	5,046
Value-added tax recoverable	326	2,157	1,725	1,600
Others	2,416	4,376	4,425	2,120
Total	**5,150**	**42,758**	**16,567**	**15,642**

Our other receivables mainly consist of amounts due from related parties, loans and interest receivable from third party, deposits, prepayments, value-added tax recoverable and others which primarily consists of cost of property management services paid on behalf of a third party property developer, receivable from disposal of 50% equity interest in Hedu Agency and cash paid on behalf of the property owners associations. Our amounts due from related parties mainly include loans and interest receivable from Sundy Holdings and Sundy Yangguang Kindergarten and a performance bond paid to joint venture of Sundy Land Group in relation to a property management service project. For details of the provision of loans by us to Sundy Holdings and Sundy Yangguang Kindergarten, please refer to the paragraph headed "— Related party transactions" in this section below.

Our other receivables increased from RMB5.2 million as at 31 December 2017 to RMB42.8 million as at 31 December 2018, primarily attributable to (i) the increase in amounts due from related parties by RMB29.5 million, in which the loans balance to related parties increased by RMB27.6 million, the interest receivable from related parties increased by RMB2.3 million and offset by the repayment of cost of property management service paid on behalf of related parties by RMB0.4 million; (ii) the increase in loans and interest receivable from third party by RMB3.5 million, in which the loan balance to third party increased by RMB3.4 million and the interest receivable from third party increased by RMB0.1 million; and (iii) the increase in others by RMB2.0 million due to the increase in receivables from a third party property developer which entered into liquidation in May 2016, as a result of the court decision made in December 2018, we were entitled to recover the related impairment loss of unsettled receivables.

Our other receivables decreased from RMB42.8 million as at 31 December 2018 to RMB16.6 million as at 31 December 2019, primarily attributable to (i) the decrease in amounts due from related parties by RMB26.4 million, in which the loans balance to related parties decreased by RMB27.6 million and the interest receivable decreased by RMB3.6 million as the result of repayment of loans and interest receivable; (ii) the decrease in loans and interest receivable from third party by RMB3.5 million as the result of repayment of loans and interest receivable by the third party; and partially offset by (iii) the increase in prepayments by RMB[**REDACTED**] due to the prepayment of [**REDACTED**].

Our other receivables decreased from RMB16.6 million as at 31 December 2019 to RMB15.6 million as at 30 June 2020, primarily attributable to (i) the decrease in others by RMB2.3 million due to the consideration of RMB2.5 million of 50% equity interest in Hedu Agency was settled by Hangzhou Taixiong Investment Management Co., Ltd. (杭州泰雄投資管理有限公司), an independent third party during 6M2020; and partially offset by (ii) the increase in deposits by RMB0.8 million due to the increase in bid bond deposits by RMB0.8 million.

Loans and interest receivable from third party

For FY2017, FY2018 and FY2019, we provided loans to a third party, namely Hangzhou Xinyang Education Consulting Co., Ltd.* (杭州心陽教育諮詢有限公司) ("**Xinyang Education**"), in the amount of nil, RMB3.4 million and RMB0.5 million, respectively. During the same periods, the repayment of loans received from Xinyang Education amounted to nil, nil and RMB3.9 million, respectively.

Xinyang Education principally engages in the provision of preschool education service in Hangzhou, and was one of the shareholders of Sundy Yangguang Kindergarten as at the Latest Practicable Date. Due to the insufficiency of working capital of Xinyang Education, it was agreed between our Group and Xinyang Education that our Group, as one of the then shareholders of Sundy Yangguang Kindergarten, would contribute the fees, in the amount of approximately RMB3.4 million, in relation to the setting up of the kindergarten campus of Sundy Yangguang Kindergarten on behalf of Xinyang Education at an interest rate of 7.5% per annum starting from the date of payment. We settled the aforesaid fees on behalf of Xinyang Education between March 2018 and August 2018. Furthermore, we provided loans in the amount of approximately RMB0.5 million to Xinyang Education during FY2019 for its contribution of the renovation fees in relation to the Kindergarten campus of Sundy Yangguang Kindergarten at an interest rate of 7.5% per annum (collectively the "**Xinyang Education Loans**").

The principal and the accrued interest on the Xinyang Education Loans were repaid before October 2019, and we ceased to provide any loans to Xinyang Education subsequent to 31 December 2019 and up to the Latest Practicable Date. To the best of our Directors' knowledge, the source of funding for the repayment of the payment of the Xinyang Education Loans was from its internal resources.

Except as disclosed above, to the best of our Directors' knowledge, Xinyang Education had no past or present relationship (family, employment, business, financing or otherwise) with our Company, subsidiaries, Shareholders, Directors, senior management, or any of their respective associates and was an independent third party as at the Latest Practicable Date.

Contract Assets

Our contract assets mainly represent revenue earned from the standardised remodelling and decoration services provided to Sundy Holdings Group on behalf of individual property owners before the properties are sold to individual property owners. According to the cooperation agreements as detailed in the paragraph head "Business — Community value-added services — Remodelling and decoration services" in this document, the consideration will be received i) from individual property owners when signing property sale agreement, or from Sundy Holdings Group within 12 months from the date of signing property sale agreement if such service fee is not paid by individual property owner in respect of sold units; or ii) from Sundy Holdings Group within 12 months from the date of signing the cooperation agreement with Sundy Holdings Group in respect of unsold units. Our contract assets increased from nil as at 31 December 2018 to RMB7.6 million as at 31 December 2019 and further increased to RMB11.2 million as at 30 June 2020, primarily due to the performance of remodelling and decoration works by us during FY2019 and 6M2020, and the amount of contract assets is expected to be recovered within one year. As the remodelling and decoration works carried out by us during FY2017 and FY2018 were not subject to any cooperation agreements, we did not recognise any contract assets for FY2017 and FY2018.

As at 30 November 2020, RMB11.2 million or 100.0% of our contract assets as at 30 June 2020, were subsequently certified.

Restricted Bank Balances

Restricted bank balances mainly consist of cash derived from common area rental fees, parking space rental fees, advertisement placement fees from advertisement companies and rental fees from telecommunication comprises which we collect on behalf of property owners' association as part of our community value-added service business. In our property management service business, since the property owners' associations often face difficulties opening bank accounts, we open and manage these bank accounts on behalf of the property owners' associations. Our restricted bank balances increased from RMB3.2 million as at 31 December 2017 to RMB3.6 million as at 31 December 2018, and further increased to RMB5.8 million as at 31 December 2019 and RMB6.4 million as at 30 June 2020, respectively, primarily due to the increased number of properties managed by us.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to RMB68.5 million, RMB65.9 million, RMB137.6 million and RMB152.8 million as at 31 December 2017, 2018 and 2019 and 30 June 2020. The decrease in our cash and cash equivalents from RMB68.5 million as at 31 December 2017 to RMB65.9 million as at 31 December 2018 was mainly attributable to significant amount of loans to related parties and a third party, but a relatively low amount of repayment of loans by related parties and a third party when compared to FY2017. Our cash and cash equivalents increased to RMB137.6 million as at 31 December 2019, primarily due to the significant amount of repayment of loans by related parties and a third party in FY2019. Our cash and cash equivalents further increased to RMB152.8 million as at 30 June 2020, primarily due to (i) the net cash generated from operating activities of RMB13.8 million; and (ii) the net cash generated from investing activities of RMB2.3 million, which was primarily attributable to the proceeds from disposal of equity interest in Hedu Agency for the period.

Contract Liabilities

Our contract liabilities mainly represent payments in advance from customers for property management services, value-added services to non-property owners, community value-added services and other businesses. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our contract liabilities were RMB25.8 million, RMB47.8 million, RMB43.0 million and RMB43.2 million, respectively. Our contract liabilities increased from RMB25.8 million as at 31 December 2017 to RMB47.8 million as at 31 December 2018, primarily attributable to the entering into of remodelling and decoration agreements between certain property purchasers and us during FY2018, and upon which we had received advance payments from property purchasers in the amount of RMB13.0 million for the purchase of remodelling and decoration services during FY2018. Our contract liabilities decreased from RMB47.8 million as at 31 December 2018 to RMB43.0 million as at 31 December 2019, primarily attributable to (i) the decrease in advance payments received from community value-added services by RMB16.8 million mainly due to the revenue recognition of RMB27.3 million from remodelling and decoration services during FY2019; offset by (ii) the increase in advance payment received from property management services by RMB2.0 million and (iii) the increase in advance payment received from value-added services to non-property owners by RMB10.0 million. Our contract liabilities remained relatively stable at RMB43.0 million and RMB43.2 million as at 31 December 2019 and 30 June 2020, respectively.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the non-current portion of our contract liabilities amounted to RMB11.4 million, RMB2.0 million, RMB2.5 million and nil, respectively, representing 44.3%, 4.2%, 5.9% and nil of our total contract liabilities, as at the same dates. The non-current portion of our contract liabilities primarily arises from advance remodelling and decoration service fees received from purchasers of newly developed property units who entered into remodelling and decoration agreements with us after entering into the property sale agreements with Sundy Land Group. For such newly developed property units, we generally commence our remodelling and decoration works six to 25 months after the entering into of remodelling and decoration agreements, due to restrictions under the PRC laws which require us to commence our remodelling and decoration works after the delivery of property units. If the advance service fees were received by us for over 12 months before the commencement of remodelling and decoration works, such advance service fees were classified as the non-current portion of our contract liabilities.

Trade and Other Payables

Trade Payables

Our trade payables mainly represent purchases from subcontractors for services including cleaning, security, maintenance and gardening services and our obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers, including purchases of materials and utilities. Our suppliers usually grant us a credit term ranging from seven days to twenty days.

The following table sets out the breakdown of our trade payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Third parties	4,206	18,128	26,274	45,732
Related parties	–	932	327	618
	4,206	19,060	26,601	46,350

Our trade payables increased from RMB4.2 million as at 31 December 2017 to RMB19.1 million as at 31 December 2018, primarily attributable to (i) the increase in subcontracting costs payable which was in line with our business growth in FY2018 and (ii) the increase in decoration costs of the hotel which commenced operation in October 2018. Our trade payables increased from RMB19.1 million as at 31 December 2018 to RMB26.6 million as at 31 December 2019, primarily attributable to the increase in subcontracting costs of remodelling and decoration works, which was in line with the increase in revenue derived from remodelling and decoration services during FY2019. Our trade payables increased from RMB26.6 million as at 31 December 2019 to RMB46.4 million as at 30 June 2020, primarily attributable to the increase in our subcontracting costs which was in line with our business growth. As at 31 December 2017, 2018 and 2019 and 30 June 2020, our trade payables attributable to the decoration of the hotel amounted to RMB0.1 million, RMB4.9 million, RMB3.5 million and RMB3.3 million, respectively, representing approximately 2.4%, 25.7%, 13.2% and 7.1% of our trade payables. The table below sets forth our trade payables turnover days for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**6M2020**
Trade payables turnover days	31	45	53	79

Note:

(1) Trade payables turnover days are calculated by dividing the average of opening and closing balances of trade payables of the relevant period by cost of sales for the relevant period and multiplying 365 days for a year or 182 days for six months.

Our trade payables turnover days increased from 31 days for FY2017 to 45 days for FY2018. This was primarily due to the long credit period of the significant amount of decoration expense of the hotel incurred in FY2018. Our trade payables turnover days increased from 45 days for FY2018 to 53 days for FY2019. This was primarily attributable to the increase in outsourcing of remodelling and decoration works in the last quarter of FY2019. Our trade payables turnover days increased from 53 days for FY2019 to 79 days for 6M2020 was primarily attributable to the completion acceptance has not been performed yet for the remodelling and decoration services provided by a subcontractor in one property, which led to a significant trade payable amount outstanding as at 30 June 2020.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–60 days	3,124	15,588	19,925	36,519
61–180 days	39	2,618	1,437	2,130
181–365 days	284	143	544	2,989
1–2 years	37	175	4,001	3,948
2–3 years	196	9	158	101
over 3 years	526	527	536	663
Total	4,206	19,060	26,601	46,350

As at 30 November 2020, RMB18.0 million, or 38.8% of our trade payables as at 30 June 2020 were subsequently settled.

Other Payables

The table below sets forth a breakdown of our other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties	–	36,841	1,711	2,466
Deposits	6,299	5,670	4,984	4,850
Other taxes and charges payable	2,629	5,505	3,402	2,533
Accrued payroll and other benefits	9,198	11,963	14,071	12,598
Cash collected on behalf of the property owners' associations	3,175	3,591	5,778	6,350
Temporary receipts from residents	14,229	15,435	17,811	21,683
Others	463	1,977	461	1,229
Total	35,993	80,982	48,218	51,709

Our other payables mainly consist of amounts due to related parties, deposits, other taxes and charges payable, accrued payroll and other benefits, cash collected on behalf of the property owners' associations, temporary receipt from residents and others. Among these items, deposits mainly represent deposits received from property owners during the decoration period. Accrued payroll and other benefits relate to our employees' salary and related expenditure. Temporary receipts from residents represent utility charges received from residents on behalf of utility companies. Our amounts due to related parties mainly include the consideration payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation. For further details, please refer to the paragraph headed "History, Reorganisation and Development — Reorganisation" in this document. The amounts due to related parties are unsecured and interest-free.

Our other payables increased by RMB45.0 million from RMB36.0 million as at 31 December 2017 to RMB81.0 million as at 31 December 2018, primarily attributable to (i) the increase in amounts due to related parties of approximately RMB36.8 million which was mainly due to the consideration payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation; (ii) the increase in other taxes and charges payable of approximately RMB2.9 million, which was in line with the increase in revenue; (iii) the increase in accrued payroll and other benefits of approximately RMB2.8 million due to the increase in number of staffs for business expansion and (iv) the increase in others of approximately RMB1.5 million due to the transfer of 5% equity interest in Sundy Property for a consideration payable of RMB1.9 million to Yuan Rui and offset by the decrease in other miscellaneous payable by RMB0.4 million.

Our other payables decreased by RMB32.8 million from RMB81.0 million as at 31 December 2018 to RMB48.2 million as at 31 December 2019. This was mainly attributable to (i) the decrease in amounts due to related parties of approximately RMB35.1 million was mainly due to the consideration of RMB36.8 million settled by Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation and partially offset by (ii) the increase in temporary receipts from residents of approximately RMB2.4 million due to the increase in number of our managed properties from 22 to 29 as at the same dates.

Our other payables increased by RMB3.5 million from RMB48.2 million as at 31 December 2019 to RMB51.7 million as at 30 June 2020. This was mainly attributable to the increase in temporary receipts from residents of approximately RMB3.9 million due to the increase in number of our managed properties from 29 to 33 as at the same dates.

Retained Profits

Our Group recorded retained profits of RMB5.5 million as at 1 January 2017. Our retained profits as at the beginning of the Track Record Period was significantly lower than our net profits of RMB14.0 million for FY2017, primarily due to (i) the distribution of dividends by Sundy Property in the amount of approximately RMB12.3 million during the year ended 31 December 2016; and (ii) the significantly lower revenue recorded by us prior to the Track Record Period.

For the three years ended 31 December 2016, our revenue amounted to RMB33.9 million, RMB49.8 million and RMB60.9 million, respectively. We recorded significantly lower revenue prior to the Track Record Period because prior to the disposal of the entire equity interest in Sundy Property by Sundy Real Estate in December 2016, we were not required to provide property management services to unsold property units and unsold car parking spaces located within four, four and six properties, which were developed by Sundy Land Group and managed by us, for the three years ended 31 December 2016, respectively. Pursuant to the cooperation agreement entered into for each of the properties, it was agreed between Sundy Land Group and us that the property management services for such unsold property units and unsold car parking spaces shall be arranged by Sundy Real Estate, and no property management fees shall be payable to us until such property units and car parking spaces are sold by Sundy Real Estate. With the intention to demonstrate a clear delineation between the businesses of Sundy Land Group and our Group, we entered into a supplemental agreement for each of the properties with Sundy Land Group and started to collect property management fees for the unsold property units and unsold car parking spaces since the entire equity interest in Sundy Property was disposed by Sundy Real Estate in December 2016. Our Directors estimate that the property management fees for the unsold property units and unsold car parking spaces would amount to RMB8.8 million, RMB9.9 million and RMB7.6 million for the three years ended 31 December 2016, respectively.

In this connection, we have engaged the Tax Adviser to assess the potential tax exposure resulting from the foregoing arrangement prior to the Track Record Period. As we were not obligated to provide property management services to the unsold property units and unsold car parking spaces, and the unsold property units and unsold car parking spaces were managed by Sundy Land Group instead of us prior to transfer of entire equity interest in Sundy Property in December 2016, we were not entitled to property management service fees for such unsold property units and unsold car parking spaces. The Tax Adviser is of the view that the possibility for the relevant tax authorities to determine that tax liability would arise in respect of such unsold property units and unsold car parking spaces is remote.

Furthermore, the lower revenue prior to the Track Record Period was also attributable to the lower number of properties and GFA under our management. As at 31 December 2014, 2015 and 2016, we managed 13, 13 and 16 properties, respectively, with total GFA under management of approximately 2.3 million sq.m., 2.4 million sq.m. and 2.6 million sq.m., respectively.

Our retained profits improved from RMB5.5 million as at 1 January 2017 to RMB68.1 million as at 31 December 2019, resulted from our profit for the year during the Track Record Period. Our retained profits increased from RMB68.1 million as at 31 December 2019 to RMB84.3 million as at 30 June 2020, primarily due to our profit for the period during 6M2020.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 30 November
	2017	**2018**	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
CURRENT ASSETS					
Inventories	–	27	284	199	474
Contract assets	–	–	7,599	11,169	556
Trade and other receivables	18,692	64,495	33,669	52,499	56,088
Restricted bank balances	3,175	3,591	5,778	6,350	7,378
Cash and cash equivalents	68,546	65,864	137,559	152,822	181,755
	90,413	133,977	184,889	223,039	246,251
CURRENT LIABILITIES					
Contract liabilities	14,383	45,772	40,483	43,160	33,499
Advances from lessees	404	172	384	375	392
Trade and other payables	40,199	100,042	74,819	98,059	116,578
Lease liabilities	869	2,177	2,064	2,132	2,012
Provisions	341	443	–	–	–
Current taxation	3,837	9,209	10,513	8,527	3,073
	60,033	157,815	128,263	152,253	155,554
NET CURRENT ASSETS/ (LIABILITIES)	30,380	(23,838)	56,626	70,786	90,697

We recorded net current assets of RMB90.7 million as at 30 November 2020, compared with net current assets of RMB70.8 million as at 30 June 2020, primarily attributable to (i) the increase in cash and cash equivalents of RMB28.9 million primarily due to the increase in our trade receivables collection rate from 62.2% for 6M2020 to 80.1% for the eleven months ended 30 November 2020; (ii) the decrease in contract liabilities of RMB9.7 million primarily due to (a) the decrease in advance payments received from community value-added services by RMB5.1 million; (b) the decrease in advance payments received from value-added services to non-property owner by RMB3.2 million; (c) the decrease in advance payments received from property management services by RMB1.2 million; and (d) the decrease in advance payments received from other businesses by RMB0.2 million; and partially offset by (iii) the increase in trade and other payables of RMB18.5 million due to the increase in trade payables as a result of the increase in our subcontracting costs which was in line with our business growth.

We recorded net current assets of RMB70.8 million as at 30 June 2020, compared with net current assets of RMB56.6 million as at 31 December 2019, primarily attributable to (i) the increase in trade and other receivables of RMB18.8 million due to the increase in trade receivable which according to CIA, property owners tend to settle the property management fees late in around the last quarter of a year; (ii) the increase in cash and cash equivalents of RMB15.3 million due to the increase in net profit for the period; (iii) the increase in contract assets of RMB3.6 million due to the performance under remodelling and decoration agreements in 6M2020; and partially offset by (iv) the increase in trade and other payables of RMB23.2 million due to the increase in trade payables as a result of the increase in our subcontracting costs which was in line with our business growth.

We recorded net current assets of RMB56.6 million as at 31 December 2019, compared with net current liabilities of RMB23.8 million as at 31 December 2018, primarily attributable to (i) the increase in cash and cash equivalents of RMB71.7 million due to the significant amount of repayment of loans and interest by related parties and a third party in FY2019; (ii) the decrease in trade and other payables of RMB25.2 million due to the consideration of RMB36.8 million settled to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation and partially offset by the increase in trade payables of RMB7.5 million as a result of the increase in subcontracting costs of remodelling and decoration works; (iii) the increase in contract assets of RMB7.6 million due to the performance under remodelling and decoration agreements in FY2019; (iv) the decrease in contract liabilities of RMB5.3 million due to the significant amount of revenue recognition from remodelling and decoration services during FY2019; (v) the increase in restricted bank balances of RMB2.2 million due to the increased number of properties managed by us; and partially offset by (vi) the decrease in trade and other receivables of RMB30.8 million due to the repayment of loans and interest by related parties and a third party and the increase in collection rate of trade receivable of our property management service from 83.9% for FY2018 to 88.4% for FY2019.

We recorded net current liabilities of RMB23.8 million as at 31 December 2018, compared with net current assets of RMB30.4 million as at 31 December 2017, primarily attributable to (i) the consideration of RMB36.8 million payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation; (ii) the decoration fees payable to third party subcontractors of RMB4.9 million as at 31 December 2018 in relation to the decoration works of our hotel; and (iii) the increase in current taxation of RMB5.4 million which was in line with our net profit growth.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund working capital and other recurring expenses. During the Track Record Period, our main source of liquidity was generated from cash flow from operating activities. In the foreseeable future, we expect cash flow from operating activities to continue to be our principal source of liquidity and we may use a portion of the [**REDACTED**] from the [**REDACTED**] to finance some of our capital requirements.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	FY2017	**FY2018**	**FY2019**	**6M2019**	**6M2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movement in working capital	19,896	30,392	50,652	21,146	25,858
Change in working capital	33,759	21,595	(3,711)	(37,542)	(3,706)
PRC corporate income tax paid	(5,245)	(3,223)	(9,983)	(6,638)	(8,353)
Net cash generated from/(used in) operating activities	48,410	48,764	36,958	(23,034)	13,799
Net cash (used in)/generated from investing activities	(4,584)	(50,512)	34,895	(31,399)	2,303
Net cash used in financing activities	(170)	(934)	(132)	(1,281)	(839)
Effect of foreign exchange rate changes	–	–	(26)	–	–
Net increase/(decrease) in cash and cash equivalents	43,656	(2,682)	71,695	(55,714)	15,263
Cash and cash equivalents at the beginning of the period	24,890	68,546	65,864	65,864	137,559
Cash and cash equivalents at the end of the period	68,546	65,864	137,559	10,150	152,822

Operating Activities

Our cash from operating activities primarily consist of fees received from our provision of property management services and value-added services. Cash flows from operating activities reflects (i) profit before income tax adjusted for non-cash and non-operating items such as depreciation, finance income and costs, net gain or loss on disposal, share of profit or losses of joint ventures or an associate and impairment losses on trade and other receivables, (ii) the effects of movements in working capital, such as changes in inventories, trade and other receivables, trade and other payables and contract liabilities, restricted cash; and (iii) income tax paid.

For 6M2019, our net cash used in operating activities was approximately RMB23.0 million, representing our profit before taxation of approximately RMB18.5 million and adjusted by an increase in contract assets and trade and other receivables of approximately RMB39.4 million due to the increase in trade receivables of approximately RMB32.1 million, which was mainly attributable to the significantly lower collection rate of property management fees of 46.7% for 6M2019, due to the payment patterns of property owners and residents in the PRC, while according to CIA, the payments are usually settled around the last quarter of a year, and partially offset by an increase in contract liabilities and trade and other payables of approximately RMB3.5 million.

For 6M2020, our net cash generated from operating activities was approximately RMB13.8 million, representing (i) our profit before taxation of approximately RMB22.5 million; (ii) adjusted by the depreciation of property, plant and equipment of approximately RMB2.0 million and the impairment losses on trade and other receivables of approximately RMB1.3 million; (iii) the increase in contract liabilities and trade and other payables of approximately RMB22.8 million due to the increase in trade payables of approximately RMB19.8 million, which was mainly attributable to the increase in our subcontracting costs which was in line with our business growth; and partially offset by (iv) the increase in contract assets and trade and other receivables of approximately RMB26.0 million due to the increase in trade receivables of approximately RMB19.8 million, which was mainly attributable to the significantly lower collection rate of property management fees of 62.2% for 6M2020, due to the payment patterns of property owners and residents in the PRC, while according to CIA, the payments are usually settled around the last quarter of a year; and (v) the PRC corporate income tax paid of RMB8.4 million.

For FY2019, our net cash generated from operating activities was RMB37.0 million, representing our profit before taxation of RMB46.5 million and adjusted by the depreciation of right-of-use assets of RMB0.3 million; and partially offset by the increase in contract assets and trade and other receivables of RMB9.7 million.

For FY2018, our net cash generated from operating activities was RMB48.8 million, representing our profit before taxation of RMB28.8 million and adjusted by an increase contract liabilities and trade and other payables of RMB34.6 million, and partially offset by the increase in trade and other receivables of RMB12.6 million.

For FY2017, our net cash generated from operating activities was RMB48.4 million, representing our profit before taxation of RMB18.9 million and adjusted by an increase contract liabilities and trade and other payables of RMB38.3 million, and partially offset by an increase in trade and other receivables of RMB4.0 million.

Investing Activities

Our cash used in/generated from investing activities mainly reflects payments for loans to related parties and a third party and payments for the acquisition of property, plant and equipment. Our cash generated from investing activities primarily consists of repayments of the loans balances due from related parties.

For 6M2020, our net cash generated from investing activities was RMB2.3 million, primarily attributable to the proceeds from disposal of investment in a joint venture of RMB2.5 million.

For FY2019, our net cash generated from investing activities was RMB34.9 million, primarily attributable to the loans repaid by related parties and a third party of RMB161.2 million and interest received of RMB6.9 million and partially offset by the loans to related parties and a third party of RMB130.2 million.

For FY2018, our net cash used in investing activities was RMB50.5 million, primarily attributable to loans to related parties and a third party of RMB38.0 million, payments for the acquisition of property, plant and equipment of RMB17.5 million.

For FY2017, our net cash used in investing activities was RMB4.6 million, primarily attributable to payments for the purchase of property, plant and equipment of RMB4.8 million and partially offset by the interest received of RMB0.2 million.

Financing Activities

Our cash used in financing activities mainly comprises capital element of lease rentals paid, interest element of lease rentals paid and capital contribution from non-controlling shareholder.

For 6M2020, our net cash used in financing activities was RMB0.8 million, primarily attributable to the lease rentals paid of RMB0.8 million.

For FY2019, our net cash used in financing activities was RMB0.1 million, primarily attributable to (i) the proceed from issue of shares of RMB40.3 million; (ii) the capital contribution from non-controlling shareholder of RMB0.5 million; partially offset by (iii) the deemed distribution arising from the Reorganisation of RMB38.8 million; and (iv) the capital element of lease rentals paid of RMB1.9 million.

For FY2017 and FY2018, our net cash used in financing activities was RMB0.2 million and RMB0.9 million respectively, primarily attributable to the capital element of lease rentals paid of RMB68,000 and RMB0.5 million for FY2017 and FY2018, respectively and the interest element of lease rentals paid of RMB0.1 million and RMB0.5 million for FY2017 and FY2018, respectively.

Working Capital

Taking into account the estimated [**REDACTED**] of the [**REDACTED**] and cash flow generated from our operations, our directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this document.

INDEBTEDNESS

As at 30 November 2020, we had total lease liabilities of RMB2.1 million, which comprised current and non-current lease liabilities of approximately RMB2.0 million and RMB43,000, respectively. Our lease liabilities as at 30 November 2020 arose from the recognition of right-of-use assets and relevant lease liabilities under IFRS 16. Save as aforesaid, we had no bank facilities, outstanding bank borrowings or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loan or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, or hire purchase commitments, guarantees or other material contingent liabilities. Neither did we have any unutilised bank facilities as at 30 November 2020. Further, our Group did not have any material financing plan, nor was there any material covenant or undertaking which may affect our Group's ability to undertake additional debt or equity financing, as at the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as at 30 November 2020, being the date of our most recent financial statement, and as at the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of us are also considered as related parties. For a detailed discussion of related party transactions, see Note 28 in Appendix I to this document.

Significant Related Party Transactions

The table below sets forth details of our significant related party transactions during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services and the corresponding value-added services:					
(i) Property management services					
– Sundy Holdings Group	9,383	11,026	24,810	10,191	10,676
– Associates and joint ventures of Sundy Holdings	1,740	1,232	1,039	365	331
– Sundy Yangguang Kindergarten	–	–	72	36	–
(ii) Value-added services to non-property owners					
– Sundy Holdings Group	9,128	30,515	40,171	18,517	26,748
– Associates and joint ventures of Sundy Holdings	1,961	8,202	7,077	3,596	4,472
(iii) Remodelling and decoration of property units					
– Sundy Holdings Group	–	–	7,599	663	7,798
(iv) Other community value-added services					
– Sundy Holdings Group	2,280	3,905	6,535	4,825	3,543
– Associates and joint ventures of Sundy Holdings	–	–	10	9	–
Hotel business services					
(i) Hotel operation income from:					
– Sundy Holdings Group	–	–	57	42	48
– Associates and joint ventures of Sundy Holdings	–	–	–	–	1
(ii) Variable lease expenses to:					
– Sundy Holdings Group	–	921	3,843	1,743	626

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Long-term rental apartment business					
Rental income from:					
– Sundy Holdings Group	–	–	238	119	–
Leases of office buildings and staff dormitories					
(i) Purchase of right-of-use assets from:					
– Sundy Holdings Group	1,466	–	–	–	–
(ii) Interest expenses for lease liabilities:					
– Sundy Holdings Group	102	84	62	36	17
(iii) Payments of lease liabilities:					
– Sundy Holdings Group	68	443	267	–	–
(iv) Short-term lease expenses to:					
– Sundy Holdings Group	–	–	11	6	29
Purchase goods from:					
– Sundy Holdings Group	57	147	204	144	45
Related party loans:					
(i) Lending of loans to:					
– Sundy Holdings Group	42,000	30,000	129,000	107,000	–
– Sundy Yangguang Kindergarten	–	4,565	673	673	–
(ii) Repayments of loans by:					
– Sundy Holdings Group	(42,000)	(7,000)	(152,000)	(78,000)	–
– Sundy Yangguang Kindergarten	–	–	(5,238)	–	–
(iii) Interest Income:					
– Sundy Holdings Group	1,252	2,174	2,156	1,185	–
– Sundy Yangguang Kindergarten	–	152	282	183	–

Provision of property management services

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded revenue from provision of property management services to Sundy Holdings Group and associates and joint ventures of Sundy Holdings amounted to RMB11.1 million, RMB12.3 million, RMB25.9 million, RMB10.6 million and RMB11.0 million, respectively. Such services primarily represent (i) the management of unsold property units developed by Sundy Land Group and its joint venture and (ii) the management of properties owned by Zhizhonghe Group. For the background of Sundy Land Group and Zhizhonghe Group, please refer to the paragraph headed "Relationship with Controlling Shareholders — Controlling Shareholders" in this document.

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded revenue from provision of property management services to Sundy Yangguang Kindergarten amounted to nil, nil, approximately RMB72,000, RMB36,000 and nil, respectively. Such services primarily represent the security, cleaning, gardening, repair and maintenance of common areas and common facilities and ancillary services to the properties operated by Sundy Yangguang Kindergarten. For the background of Sundy Yangguang Kindergarten, please refer to the paragraph headed "Relationship with Controlling Shareholders — Controlling Shareholders" in this document.

Provision of value-added services to non-property owners

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded revenue from provision of value-added services non-property owners to Sundy Holdings Group and associates and joint venture of Sundy Holdings amounted to RMB11.1 million, RMB38.7 million, RMB47.2 million, RMB22.1 million and RMB31.2 million, respectively. Such services primarily represent the consulting, sales assistance and pre-delivery services in relation to property development projects of Sundy Land Group and its joint venture and associates.

Provision of community value-added services

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded revenue from provision of community value-added services to Sundy Holdings Group and associates of Sundy Holdings amounted to RMB2.3 million, RMB3.9 million, RMB14.1 million, RMB5.5 million and RMB11.3 million, respectively. Such services primarily represent the remodelling and decoration services and repair and maintenance services in relation to properties developed by Sundy Land Group and its joint venture.

Hotel business

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the revenue generated from Sundy Holdings Group for our hotel business amounted to nil, nil, approximately RMB57,000, RMB42,000 and approximately RMB48,000, respectively. Such revenue primarily represents the charges for the hotel rooms reserved by Sundy Land Group and Zhizhonghe Group.

Long-term rental apartment business

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the revenue generated from Sundy Holdings Group for our long-term rental apartment business amounted to nil, nil, RMB0.2 million, RMB0.1 million and nil, respectively. Such revenue primarily represents rental income for the long-term rental apartment units leased by Sundy Land Group.

Purchase of goods

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded purchases of goods from Sundy Holdings Group amounted to RMB57,000, RMB147,000, RMB204,000, RMB144,000 and RMB45,000, respectively, which arose from the procurement of food and beverage, including but not limited to alcohol, Chinese herbal jelly (龜苓膏) and Chinese herbal tea, from Zhizhonghe Group.

Purchase of right-of-use assets

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded purchase of right-of-use assets from Sundy Holdings Group amounted to RMB1.5 million, nil, nil, nil and nil, respectively, which arose from the leasing of our office premises from Sundy Land Group.

Interest expenses for lease liabilities

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded interest expenses for lease liabilities to Sundy Holdings Group amounted to approximately RMB102,000, RMB84,000, RMB62,000, RMB36,000 and RMB17,000, respectively, which arose from the leasing of our office premises from Sundy Land Group.

Payments of lease liabilities

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded payments of lease liabilities to Sundy Holdings Group amounted to RMB68,000, RMB443,000, RMB267,000, nil and nil, respectively, which arose from the leasing of our office premises from Sundy Land Group.

Expenses relating to variable lease payments

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded expenses relating to variable lease payments to Sundy Holdings Group amounted to nil, RMB921,000, RMB3.8 million, RMB1.7 million and RMB626,000, respectively, which arose from the leasing of our hotel premise from Sundy Land Group.

Short-term lease expenses

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded short-term lease expenses to Sundy Holdings Group amounted to nil, nil, approximately RMB11,000, RMB6,000 and RMB29,000, respectively, which arose from the leasing of our staff quarters from Sundy Holdings Group.

Borrowings and repayment of loans provided

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we provided loans to our related parties, namely Sundy Holdings Group in the amount of RMB42.0 million, RMB30.0 million, RMB129.0 million, RMB107.0 million and nil, and Sundy Yangguang Kindergarten in the amount of nil, RMB4.6 million, RMB0.7 million, RMB0.7 million and nil, respectively. During the same periods, the repayment of loans received from Sundy Holdings Group amounted to RMB42.0 million, RMB7.0 million, RMB152.0 million, RMB78.0 million and nil, and Sundy Yangguang Kindergarten amounted to nil, nil, RMB5.2 million, nil and nil, respectively. According to Sundy Holdings Group and Sundy Yangguang Kindergarten, the loans obtained from us during the Track Record Period were primarily for their temporary working capital needs, and the source of repayment of such loans were from their internal resources. As at the 31 December 2019, the full amounts of the principal and interest on the loans provided by us had been repaid in full. We ceased to provide any loans to any of our related parties subsequent to the 31 December 2019 and up to the Latest Practicable Date.

Interest income

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, we recorded interest received from related parties, namely Sundy Holdings in the amount of RMB1.3 million, RMB2.2 million, RMB2.2 million, RMB1.2 million and nil, and Sundy Yangguang Kindergarten in the amount of nil, RMB0.2 million, RMB0.3 million, RMB0.2 million and nil, respectively.

Balances with Related Parties

The table below sets forth the balances with related parties as at the dates indicated:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related				
Trade receivables				
– Sundy Holdings Group	4,177	5,193	919	6,775
– Associates and joint ventures of Sundy Holdings	1,349	3,994	1,357	3,194
	5,526	9,187	2,276	9,969
Trade payables				
– Sundy Holdings Group	–	932	327	618
Contract assets				
– Sundy Holdings Group	–	–	7,599	11,169
Contract liabilities				
– Sundy Holdings Group	–	2,024	15,488	9,823
Non-trade related				
Other receivables				
– Sundy Holdings Group	1,602	26,426	1,295	–
– Joint ventures of Sundy Holdings	14	14	3,422	3,422
– Sundy Yangguang Kindergarten	–	4,717	–	–
	1,616	31,157	4,717	3,422
Other payables				
– Sundy Holdings Group	–	36,841	–	170
– Joint ventures of Sundy Holdings	–	–	–	585
– Greenland Property Services	–	–	1,711	1,711
	–	36,841	1,711	2,466
Lease liabilities				
– Sundy Holdings Group	1,398	956	461	478

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the non-trade nature amounts due from related parties mainly consisted of our loans and interest receivable from Sundy Holdings and Sundy Yangguang Kindergarten, and the performance bond paid by Lusong Property to Sundy Land Group in relation to a property management service project. As at the same dates, the non-trade nature amounts due to related parties mainly consisted of the consideration payable to Sundy Holdings for the acquisition of equity interest in Sundy Property for the Reorganisation, and the amounts received by Lusong Property from its non-controlling shareholder, Shanghai Greenland Property Services Co., Ltd. (上海綠地物業服務有限公司), for the share of performance bond paid to Sundy Land Group.

Our Directors are of the view that the related party transactions were conducted on normal commercial terms that such terms were no less favourable to us than terms available to or from independent third parties and were fair and reasonable as a whole, and would not distort our track record results or make the historical results not reflective of our future performance. Our Directors confirm that save as the performance bond paid by Lusong Property to Sundy Land Group in relation to a property management service project and the balance of lease liability as at 30 June 2020 which will be settled in accordance with the payment terms of respective lease contracts, all the amounts of non-trade nature receivables due from related parties and payables due to related parties as at 30 June 2020 will be fully settled prior to the [**REDACTED**]. For further details on related party balances and transactions, please refer to Note 28 in Appendix I to this document.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

During the ordinary course of our business, we are exposed to a variety of market risks, including interest rate risk, credit risk and liquidity risk, as set forth below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Our interest-bearing financial instruments at variable rates as at 31 December 2017, 2018 and 2019 and 30 June 2020 are cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. We do not account for any fixed rate financial instruments at FVTPL. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

Credit risk

Our credit risk is primarily attributable to cash at bank, wealth management products classified as FVTPL and trade and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Our cash at bank is mainly held by well-known financial institutions. We do not foresee any significant credit risks arising from these deposits and do not expect that these financial institutions will default and cause losses to us.

Our wealth management products classified as FVTPL are issued by well-known financial institutions. We have determined that there is no significant credit risk associated with these wealth management products, and these products did not cause any losses during the Track Record Period.

In respect of amounts due from related parties, we have determined that the ECL rate for these receivables is minimal. Thus no loss allowance provision for these receivables was recognised during the Track Record Period.

In respect of prepayments, deposits and other receivables except for other receivables due from certain customer as mentioned below, we have assessed that the ECL rate for these receivables is minimal under 12 months expected credit losses method based on historical settlement records and forward-looking information (including the economic environment). Thus no loss allowance provision for these receivables was recognised during the Track Record Period.

In respect of trade receivables due from third parties, we measure loss allowances at an amount equal to lifetime ECLs. We consider a default event to have occurred when there is a significant decrease in the collection rate for property management and other service fees, and estimate the ECL rate for the reporting period. For trade receivables related to non-property management services, such as value-added services to non-property owners, these receivables are normally settled within six months. We have determined that the ECL rate for these receivables is immaterial.

For trade and other receivables, we have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, our Directors consider that our credit risk is significantly reduced.

Liquidity risk

We review our liquidity position on an ongoing basis. This includes reviewing the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end for each reporting period of our financial liabilities. These liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date we can be required to pay:

	Less than one year	**Between one and two year**	**Between two and five years**	**Total undiscounted amount**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017					
Trade and other payables	40,199	–	–	40,199	40,199
Lease liabilities	934	–	–	934	869
Lease liabilities – non-current	–	2,230	3,175	5,405	4,805
	41,133	2,230	3,175	46,538	45,873

	Less than one year	Between one and two years	Between two and five years	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Trade and other payables	100,042	–	–	100,042	100,042
Lease liabilities	2,230	–	–	2,230	2,177
Lease liabilities – non-current	–	2,141	1,034	3,175	2,957
	102,272	2,141	1,034	105,447	105,176

	Less than one year	Between one and two years	Between two and five years	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Trade and other payables	74,819	–	–	74,819	74,819
Lease liabilities	2,110	–	–	2,110	2,064
Lease liabilities – non-current	–	992	9	1,001	913
	76,929	992	9	77,930	77,796

	Less than one year	Between one and two years	Between two and five years	Total undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2020					
Trade and other payables	98,059	–	–	98,059	98,059
Lease liabilities	2,157	–	–	2,157	2,132
Lease liabilities – non-current	–	115	–	115	109
	100,216	115	–	100,331	100,300

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as at the dates for the years indicated:

	As at 31 December			As at 30 June
	2017	*2018*	*2019*	*2020*
Return on equity(1)	74.3%	124.1%	76.7%	N/A
Return on total assets(2)	19.1%	15.3%	18.2%	N/A
Current ratio(3)	1.5x	0.8x	1.4x	1.5x
Gearing ratio(4)	N/A	N/A	N/A	N/A

(1) Return on equity was calculated based on our profit for the year divided by the average of our beginning and ending balance of total equity for the respective year and multiplied by 100%.

(2) Return on total assets was calculated based on our profit for the year divided by the average of our beginning and ending balance of total assets for the respective year and multiplied by 100%.

(3) Current ratio was calculated based on our total current assets divided by total current liabilities as at the respective date.

(4) Gearing ratio was not applicable to us as we recorded a net cash position during the Track Record Period.

Return on Equity

Our return on equity increased from 74.3% for FY2017 to 124.1% for FY2018, primarily due to the relatively low equity base in FY2018 as a result of the deemed distribution arising from the Reorganisation. Our return on equity decreased from 124.1% for FY2018 to 76.7% for FY2019, primarily due to the increase of equity base in FY2019 as a result of the issue of shares for the Reorganisation during FY2019.

Return on Total Assets

Our return on total assets decreased from 19.1% for FY2017 to 15.3% for FY2018, primarily attributable to the increase in amount of total assets in FY2018 due to (i) the increase in property, plant and equipment as a result of the expansion of our business operation; and (ii) the increase in trade and other receivables. Our return on total assets increased from 15.3% for FY2018 to 18.2% for FY2019 primarily due to the increase in net profit in FY2019.

Current Ratio

Our current ratio decreased from 1.5 times as at 31 December 2017 to 0.8 times as at 31 December 2018, primarily resulting from the increase in current liabilities due to the increase in trade and other payables and the increase in contract liabilities in FY2018. Our current ratio increased from 0.8 times as at 31 December 2018 to 1.4 times as at 31 December 2019, primarily resulting from the decrease in trade and other payables and the increase in cash and cash equivalents. Our current ratio remained stable at 1.4 times and 1.5 times as at 31 December 2019 and 30 June 2020, respectively.

Gearing Ratio

Gearing ratio was calculated by dividing our net debt by total equity as at the respective date. Gearing ratio was not applicable to us as we recorded a net cash position as at 31 December 2017, 2018 and 2019 and 30 June 2020.

DIVIDEND POLICY AND DISTRIBUTABLE RESERVE

We did not declare any dividends to our shareholders during the Track Record Period. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles, our Company may have the right to declare dividends in any currency to be paid to the shareholders in general meeting, but no dividend may be declared in excess of the amount recommended by our Board. Our Articles of Association provides that no dividend shall be paid otherwise than out of profits or out of reserve set aside from profits. Subject to shareholders' approval by way of ordinary resolution and satisfaction of a solvency test, as prescribed in the Companies Law, and the provisions, if any, of our Memorandum and Articles of Association, our Company may pay dividends and distributions out of its share premium account.

Our Company will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders save that interim dividend may be paid by our Board if the Board is satisfied that such payment is justified by our profits.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated in accordance with PRC accounting principles, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in our bank credit facilities, or other agreements that we or our subsidiaries may enter into in the future. As at 30 June 2020, our Group had retained profits of RMB84.3 million under IFRS, as reserves available for distribution to our equity shareholders.

[**REDACTED**]

The total amount of [**REDACTED**] that will be borne by us in connection with the [**REDACTED**], including [**REDACTED**] commission, is estimated to be RMB[**REDACTED**] (based on the mid-point of the indicative [**REDACTED**] range, before the exercise of the [**REDACTED**]), of which [**REDACTED**] million is expected to be accounted for as a deduction from equity upon completion of the [**REDACTED**]. The remaining fees and expenses of RMB[**REDACTED**] were or are expected to be charged to our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB[**REDACTED**] was charged prior to the Track Record Period, RMB[**REDACTED**] was charged during the Track Record Period, and approximately RMB[**REDACTED**] is expected to be charged subsequent to the end of the Track Record Period and upon completion of the [**REDACTED**]. The professional fees and/or other expenses related to the preparation of the [**REDACTED**] are currently in estimates for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions. Our Directors expect that our [**REDACTED**] will have a material adverse impact on our financial performance for the year ending 31 December 2020.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as at 30 June 2020 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of our Group had the [**REDACTED**] been completed as at 30 June 2020 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of our Company as at 30 June 2020(1)	Estimated net proceeds from the [REDACTED](2)(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company(5)	Unaudited pro forma adjusted consolidated net tangible assets per Share(4)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	99,224		[**REDACTED**]		
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	99,224		[**REDACTED**]		

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of our Company as at 30 June 2020 have been calculated based on the consolidated total equity attributable to equity shareholders of our Company as at 30 June 2020 of RMB99,535,000 less intangible assets of RMB311,000, extracted from the Accountants' Report set out in Appendix I to this Document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] (being the minimum [**REDACTED**]) and HK$[**REDACTED**] (being the maximum [**REDACTED**]) per Share and the assumption that there are [**REDACTED**] newly issued Shares in the [**REDACTED**], after deduction of the estimated [**REDACTED**] and other related expenses payable by us of approximately RMB[**REDACTED**] and RMB[**REDACTED**] respectively (excluding approximately RMB[**REDACTED**] of [**REDACTED**] which have been accounted for prior to 30 June 2020), and taking no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**].

(3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share is based on [**REDACTED**] shares in issue immediately upon the completion of the [**REDACTED**], assuming that the [**REDACTED**] and the [**REDACTED**] have been completed on 30 June 2020, and taking no account of any shares which may fall to be issued upon the exercise of the [**REDACTED**].

(4) For illustrative purpose, the estimated [**REDACTED**] from the [**REDACTED**] and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.84498, the exchange rate set by the PBOC prevailing on 21 December 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2020.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

From 1 July 2020 and up to the Latest Practicable Date, we entered into eight new legally binding agreements and won two tenders for our property management services, details of which are summarised below:

No.	Property type	Type of property developer	Contract term	Commencement or delivery time	Approximate GFA under management/ Approximate contracted GFA/ Approximate expected contracted GFA
					'000 Sq.m.
1.	Residential	Solely developed by Sundy Land Group	No fixed term[(Note 1)]	July 2022	291
2.	Residential	Solely developed by Sundy Land Group	3 years and eleven months	May 2022	132
3.	Residential	Independent third party	3 years	September 2020	51
4.	Non-residential	Independent third party	1 year	October 2020	296
5.	Residential	Independent third party	3 years	October 2020	77
6.	Residential	Independent third party	6 months	October 2020	148
7.[(Note 2)]	Non-residential	Independent third party	3 years and 1 month	December 2020	53
8.	Residential	Co-developed by Sundy Land Group	5 years	September 2023	246
9.	Residential	Independent third party	1 year	October 2020	112
10.[(Note 3)]	Residential	Independent third party	6 months	January 2021	9

Note:

(1) The preliminary property management agreement will be effective until the formation of the property owners' association and signing of new property management agreement.

(2) We have won the tender for the provision of property management services for this property. However, we have not entered into formal agreement with the relevant party. We expect to enter into a legally binding agreement for this property in or before January 2021. The contract term is expected to be 37 months.

(3) We have won the tender for the provision of property management services for this property. However, we have not entered into formal agreement with the relevant party. We expect to enter into a legally binding agreement for this property in or before January 2021. The contract term is expected to be six months.

Our Directors are of the view that the material terms of the said new agreements and tenders are comparable to those entered into during the Track Record Period. Also, from 1 July 2020 and up to the Latest Practicable Date, for value-added services to non-property owners, we entered into new agreements or won tenders for five properties.

As at the Latest Practicable Date, (i) for property management services, we provided services to 45 properties, with a total GFA under management of approximately 8.0 million sq.m., and the number of our pipeline properties amounted to 20, with contracted GFA of approximately 3.3 million sq.m.; (ii) for value-added services to non-property owners, our current projects involved 39 properties, and our pipeline project involved one property; and (iii) for our community value-added services, our current projects involved 23 properties, and our pipeline projects involved 20 properties.

Subsequent to 30 June 2020 and up to the Latest Practicable Date, our Group continued to focus on our business operations. Our revenue increased by 6.5% from approximately RMB106.7 million for the five months ended 30 November 2019 to approximately RMB113.6 million for the five months ended 30 November 2020, primarily attributable to (i) the increase in revenue derived from property management services by approximately RMB14.9 million; (ii) the increase in revenue derived from value-added services to non-property owners by approximately RMB8.5 million; (iii) the decrease in revenue derived from community value-added services by approximately RMB16.1 million; and (iv) the decrease in revenue derived from other businesses by approximately RMB0.4 million. Our gross profit increased by 16.8% from approximately RMB32.8 million for the five months ended 30 November 2019 to approximately RMB38.3 million for the five months ended 30 November 2020, primarily attributable to the increase in revenue by approximately RMB6.9 million due to our business growth and offset by the increase in cost of sales by approximately RMB1.4 million which was in line with our revenue growth. Our gross profit margin remained relatively stable at approximately 30.7% and 33.7% for the five months ended 30 November 2019 and the five months ended 30 November 2020, respectively. The aforementioned selected unaudited financial information is derived from our unaudited interim financial statements for the five months and eleven months ended 30 November 2020, which have been reviewed by our reporting accountants 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.

Since the recent outbreak of the epidemic caused by the NCP which was first reported in December 2019, various cities in the PRC have taken emergency public health measures, such as travel restrictions to control the NCP epidemic. Citizens in the PRC also adopt enhanced prevention measures, such as use of masks and frequent hand-washing. In the scenario where we only maintain minimal business operations as a result of the NCP, we would reduce the number of our employees by 40% and our subcontractors by 40% in order to maintain our minimal operations. Also, we would reduce the salaries of our remaining employees by 30%. Accordingly, the minimum fixed costs to be incurred for our property management services, value-added services to non-property owners, community value-added services and other services would be approximately RMB3.2 million, RMB1.3 million, RMB1.4 million and RMB0.3 million per month, respectively. Assuming that (i) no revenue would be generated; (ii) only minimal staff would be retained; (iii) the impact of the outbreak of the NCP at its peak was used for projection of additional costs to be incurred for relevant expenses; (iv) we would only use our cash and cash equivalents; and (v) we would not receive [**REDACTED**] from the [**REDACTED**]; and taking into account of prudent estimates of settlement of trade receivables based on historical settlement pattern and settlement of trade payables when due, our Directors are of the view that our Group will remain financially viable for not less than 30 months from 30 November 2020 in the case scenario with minimal business operations. If all assumptions mentioned above remained unchanged except that we would receive approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**], for our working capital and other general corporate purposes, our Directors are of the view that our Group will remain financially viable for not less than 32 months from 30 November 2020.

Our Directors confirmed that our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and there was no material change to our general business model up to the Latest Practicable Date, save as disclosed herein. Local authority in Zhejiang province required enterprises to delay the resumption of work from the Lunar New Year. As at the Latest Practicable Date, our Directors confirmed that our Group has resumed normal work. Our Group has implemented various measures in response to the NCP. For details, please refer to the paragraph headed "Business — Social, health, work safety and environmental matters" in this document.

Since the outbreak of the NCP, the delivery of (i) one residential property solely developed by Sundy Land Group; and (ii) three residential properties co-developed by Sundy Land Group was delayed due to the extended suspension of work after Lunar New Year. The said properties were subsequently delivered during the period from August 2020 to November 2020. As a result from the delay in delivery, our revenue from the four aforesaid properties for the year ending 31 December 2020 would be approximately RMB4.8 million less than originally expected, out of which (i) approximately RMB0.3 million would be attributable to our property management services; (ii) approximately RMB4.5 million would be attributable to our value-added services to non-property owners; and (iii) approximately less than RMB0.1 million would be attributable to our community value-added services. Our Directors consider the said decrease in expected revenue of RMB4.8 million for the year ending 31 December 2020 to be immaterial to our overall financial performance and financial position.

Furthermore, our hotel business has been affected due to the outbreak of the NCP. However, as the revenue from our hotel business contributed a relatively small portion of our total revenue during the Track Record Period, our Directors consider that the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance. From 1 July 2020 and up to the Latest Practicable Date, the operations of our hotel business remained stable with the occupancy rate of Atour Hotel Hangzhou West Lake Hefang Street* (杭州西湖河坊街亞朵酒店) of approximately 82.4%, which was higher than the occupancy rate of the hotel during the Track Record Period.

Given that (i) the decrease in expected revenue for the year ending 31 December 2020, which resulted from the delay in property delivery, was immaterial to our overall financial performance and financial position; (ii) the affected performance of our hotel business did not have a material adverse impact on our operational and financial performance; (iii) the policies implemented by the PRC government on supporting enterprises after the outbreak of the NCP; and (iv) as advised by CIA, the impact on the real estate market in PRC has gradually recovered since the second quarter in 2020, our Directors consider there has been no material impact of each of our business lines due to the outbreak of the NCP after the Track Record Period and up to the Latest Practicable Date. Our Directors and senior management members will continue assessing the impact of the NCP on our business, result of operations and financial performance and closely monitor our exposure to the risks and uncertainties in connection with the NCP.

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2020, being the date of the latest consolidated statement of financial position of our Company and up to the date of this document, and there is no event since 30 June 2020 which would materially affect the information shown in our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document up to the date of this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Further information on our business development is set out in the paragraph headed "Business — Our business strategies" in this document.

[REDACTED]

We estimate the aggregate [**REDACTED**] from the [**REDACTED**], after deducting related [**REDACTED**] fees and estimated expenses in connection with the [**REDACTED**], assuming the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**]), will be approximately HK$[**REDACTED**]. Our Directors presently intend to apply such [**REDACTED**] as follows:

(a) Approximately [**REDACTED**]%, or HK$[**REDACTED**] will be used to expand our business scales, increase our market share and bolster our geographic presence across the Yangtze River Delta region, among which:

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to acquire, invest in, or form strategic alliance with one or more than one financially sound property management company with business focus on provision of property management services to residential and/or non-residential properties within the Yangtze River Delta region, particularly Hangzhou and other cities where our Group considers to be appropriate based on the market needs; and

Our key selection criteria in evaluating potential acquisition or investment targets include, among others, (1) return of investment; (2) the target growth to be realised through the investment; (3) valuation multiples comparable to the market of non-listed PRC property management service providers, for example, price earning ratio; (4) customer base; and (5) business model.

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to invest in and expand our services related to the Future Community Pilot Plan, which primarily involve the provision of property management services and various types of community value-added services;

In December 2019, we entered into a service agreement, pursuant to which we shall provide such services to 36 traditional communities in Hangzhou for a term of not less than three years.

Please refer to the paragraph headed "Business — Our business strategies — Further expand our business scale, increase our market share and bolster our geographic presence across the Yangtze River Delta region through multiple channels" in this document for further details. Although we have conducted site visits on various potential targets, we had not identified or committed to any acquisition or investment targets as at the Latest Practicable Date.

(b) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to create a smart community through utilisation of advanced technology, such as the use of electronic patrolling systems and smart accesses, introduction of intelligent products and services and utilisation of digital equipment; and develop a mobile application for property owners and residents;

Please refer to the paragraph headed "Business — Our business strategies — We intend to utilise advanced technology to create a smart community and develop mobile application to optimise our business model to increase our cost effectiveness" in this document for further details;

(c) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to explore, diversify and expand our community value-added services, including move-in and move-out services, household services, home cleaning and laundering services, childcare, babysitting and elderly care services for property owners and residents; and expand other businesses, in particular long-term rental apartment business;

Please refer to the paragraphs headed "Business — Our business strategies — Continue exploring and diversifying the type of services that we provide to cater for the needs of our customers and to increase our revenue base" and "Business — Our business strategies — Further expand our long-term rental apartment business" in this document for further details; and

(d) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the proposed [**REDACTED**] range or the [**REDACTED**] is exercised.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, the [**REDACTED**] we receive will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, the [**REDACTED**] we receive will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

In the event that the [**REDACTED**] is exercised in full, we will receive additional [**REDACTED**] ranging from approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the low end of the proposed [**REDACTED**] Range) to HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the high end of the proposed [**REDACTED**] Range), after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

To the extent that the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to apply the [**REDACTED**] to short-term demand deposits with authorised financial institutions or licenced banks in Hong Kong and/or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**] or if any amount of the [**REDACTED**] will be used for general corporate purpose.

[**REDACTED**]

[**REDACTED**]

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KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SUNDY SERVICE GROUP CO. LTD AND [REDACTED]

Introduction

We report on the historical financial information of Sundy Service Group Co. Ltd (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-74, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017, 2018 and 2019 and 30 June 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020. (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the **"Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-74 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "**Document**") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgements, 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 accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2019 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, 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 Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the [REDACTED] of Securities on The Stock Exchange of Hong Kong Limited 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 24(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[**REDACTED**]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

Consolidated statements of profit or loss and other comprehensive income

		Year ended 31 December			Six months ended 30 June	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	83,960	132,950	222,474	92,814	116,729
Cost of sales	*4*	(58,985)	(95,374)	(157,605)	(67,634)	(84,546)
Gross profit		24,975	37,576	64,869	25,180	32,183
Other revenue	*5*	92	127	737	274	3,343
Other net (loss)/income	*5*	(42)	746	(2)	–	–
Selling and marketing expenses		(74)	(510)	(770)	(331)	(283)
Administrative expenses		(6,022)	(9,167)	(19,197)	(6,532)	(11,927)
Other expenses		(1,093)	(204)	(571)	(898)	(1,380)
Profit from operations		17,836	28,568	45,066	17,693	21,936
Finance income		1,503	2,678	3,240	1,878	681
Finance costs		(466)	(1,861)	(2,766)	(1,283)	(317)
Net finance income	*6(a)*	1,037	817	474	595	364
Share of (losses)/profits of joint ventures	*15*	–	(77)	976	201	170
Share of losses of an associate	*5*	–	(546)	–	–	–
Profit before taxation	*6*	18,873	28,762	46,516	18,489	22,470
Income tax	*7*	(4,908)	(7,873)	(11,280)	(4,587)	(6,120)
Profit for the year/period		13,965	20,889	35,236	13,902	16,350

		Year ended 31 December			Six months ended 30 June	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other comprehensive income for the year/period						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of:						
– financial statements of overseas subsidiaries		–	–	(26)	–	–
Total comprehensive income for the year/period		13,965	20,889	35,210	13,902	16,350
Profit for the year/period		13,965	20,889	35,236	13,902	16,350
Profit attributable to:						
Equity shareholders of the Company		13,965	20,889	35,142	13,902	16,190
Non-controlling interests		–	–	94	–	160
Total comprehensive income attributable to:						
Equity shareholders of the Company		13,965	20,889	35,116	13,902	16,190
Non-controlling interests		–	–	94	–	160
Total comprehensive income for the year/period		13,965	20,889	35,210	13,902	16,350
Earnings per share	*10*					
Basic and diluted (RMB)		0.28	0.42	0.64	0.28	0.16

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	4,623	27,390	23,939	23,000
Intangible assets	*12*	370	349	337	311
Right-of-use assets	*13*	1,173	880	500	375
Investment properties	*14*	3,638	2,670	1,702	1,218
Investment in joint ventures	*15*	–	2,423	1,284	1,454
Deferred tax assets	*22(b)*	2,278	3,000	3,007	3,254
		12,082	36,712	30,769	29,612
Current assets					
Inventories	*16*	–	27	284	199
Contract assets	*20*	–	–	7,599	11,169
Trade and other receivables	*17*	18,692	64,495	33,669	52,499
Restricted bank balances	*18*	3,175	3,591	5,778	6,350
Cash and cash equivalents	*19*	68,546	65,864	137,559	152,822
		90,413	133,977	184,889	223,039
Current liabilities					
Contract liabilities	*20*	14,383	45,772	40,483	43,160
Advances from lessees		404	172	384	375
Trade and other payables	*21*	40,199	100,042	74,819	98,059
Lease liabilities	*13*	869	2,177	2,064	2,132
Provisions	*23*	341	443	–	–
Current taxation	*22(a)*	3,837	9,209	10,513	8,527
		60,033	157,815	128,263	152,253
Net current assets/(liabilities)		30,380	(23,838)	56,626	70,786
Total assets less current liabilities		42,462	12,874	87,395	100,398
Non-current liabilities					
Contract liabilities	*20*	11,432	2,026	2,543	–
Lease liabilities	*13*	4,805	2,957	913	109
Provisions	*23*	443	–	–	–
		16,680	4,983	3,456	109
NET ASSETS		25,782	7,891	83,939	100,289

		As at 31 December			As at 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB’000	*RMB’000*	*RMB’000*	*RMB’000*
CAPITAL AND RESERVES					
Share capital	*24(b)*	–	–	7	7
Reserves	*24(d)*	25,782	7,891	83,338	99,528
Total equity attributable to equity shareholders of the Company		25,782	7,891	83,345	99,535
Non-controlling interests		–	–	594	754
TOTAL EQUITY		25,782	7,891	83,939	100,289

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

		As at 31 December			As at 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Investment in a subsidiary *(Note (i))*		–	–	40,329	40,329
		–	–	40,329	40,329
Current assets					
Cash and cash equivalents	*19*	–	–	9	8
Net current assets		–	–	9	8
Total assets less current liabilities		–	–	40,338	40,337
NET ASSETS		–	–	40,338	40,337
CAPITAL AND RESERVES					
Share capital	*24(b)*	–	–	7	7
Reserves	*24(d)*	–	–	40,331	40,330
TOTAL EQUITY		–	–	40,338	40,337

(i) The investment represented 500 ordinary shares of US$50,000 in HUI DU GROUP CO. LTD subscribed by the Company with total consideration of HKD44.8 million (RMB equivalent 40.3 million) during the year ended 31 December 2019.

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

	Note	Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	PRC statutory reserves	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 24(b)	*Note 24(d)(i)*	*Note 24(d)(ii)*	*Note 24(d)(iii)*	*Note 24(d)(iv)*				
At 1 January 2017		–	–	5,000	1,286	–	5,531	11,817	–	11,817
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	13,965	13,965	–	13,965
Appropriation to statutory reserve	*24(d)(iii)*	–	–	–	1,467	–	(1,467)	–	–	–
At 31 December 2017 and 1 January 2018		–	–	5,000	2,753	–	18,029	25,782	–	25,782
Changes in equity for 2018:										
Profit for the year		–	–	–	–	–	20,889	20,889	–	20,889
Deemed distribution arising from the Reorganisation	*24(d)(ii)*	–	–	(38,780)	–	–	–	(38,780)	–	(38,780)
Appropriation to statutory reserve	*24(d)(iii)*	–	–	–	2,423	–	(2,423)	–	–	–
At 31 December 2018 and 1 January 2019		–	–	(33,780)	5,176	–	36,495	7,891	–	7,891
Changes in equity for 2019:										
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	35,142	35,142	94	35,236
Other comprehensive income for the year		–	–	–	–	(26)	–	(26)	–	(26)
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**(26)**	**35,142**	**35,116**	**94**	**35,210**
Capital injection from non-controlling interests		–	–	–	–	–	–	–	500	500
Appropriation to statutory reserve	*24(d)(iii)*	–	–	–	3,540	–	(3,540)	–	–	–
Issue of shares	*24(b)*	7	40,331	–	–	–	–	40,338	–	40,338

	Note	Attributable to equity shareholders of the Company								
		Share capital	Share premium	Capital reserve	PRC statutory reserves	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 24(b)	*Note 24(d)(i)*	*Note 24(d)(ii)*	*Note 24(d)(iii)*	*Note 24(d)(iv)*				
At 1 January 2020		7	40,331	(33,780)	8,716	(26)	68,097	83,345	594	83,939
Changes in equity for the six months ended 30 June 2020:										
Total comprehensive income for the period										
Profit for the period		–	–	–	–	–	16,190	16,190	160	16,350
Other comprehensive income for the period		–	–	–	–	–	–	–	–	–
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**16,190**	**16,190**	**160**	**16,350**
At 30 June 2020		7	40,331	(33,780)	8,716	(26)	84,287	99,535	754	100,289
At 1 January 2019		–	–	(33,780)	5,176	–	36,495	7,891	–	7,891
Changes in equity for the six months ended 30 June 2019:										
Profit for the period		–	–	–	–	–	13,902	13,902	–	13,902
At 30 June 2019		–	–	(33,780)	5,176	–	50,397	21,793	–	21,793

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities						
Cash generated from operations	*19(b)*	53,655	51,987	46,941	(16,396)	22,152
PRC corporate income tax paid	*22(a)*	(5,245)	(3,223)	(9,983)	(6,638)	(8,353)
Net cash generated from/(used in) operating activities		48,410	48,764	36,958	(23,034)	13,799
Investing activities						
Payments for the purchase of property, plant and equipment		(4,835)	(17,460)	(2,627)	(1,195)	(704)
Proceeds from disposal of investment in a joint venture		–	–	–	–	2,500
Proceeds from disposal of investment in an associate		–	1,200	–	–	–
Payment for investment in an associate		–	(1,200)	–	–	–
Payment for investment in joint ventures		–	(2,500)	(400)	(400)	–
Loans to related parties and a third party		(42,000)	(37,989)	(130,177)	(108,177)	–
Loans repaid by related parties and a third party		42,000	7,000	161,166	78,000	–
Payments for purchase of financial assets classified as fair value through profit or loss ("**FVTPL**")		–	(1,000)	–	–	–
Proceeds from redemption of FVTPL		–	1,200	–	–	–
Interest received		251	237	6,933	373	507
Net cash (used in)/generated from investing activities		(4,584)	(50,512)	34,895	(31,399)	2,303

	Note	Year ended 31 December			Six months ended 30 June	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities						
Proceed from issue of shares		–	–	40,338	–	–
Deemed distribution arising from the Reorganisation		–	–	(38,780)	–	–
Capital element of lease rentals paid		(68)	(460)	(1,879)	(1,147)	(753)
Interest element of lease rentals paid		(102)	(474)	(311)	(134)	(86)
Capital contribution from non-controlling interests		–	–	500	–	–
Net cash used in financing activities		(170)	(934)	(132)	(1,281)	(839)
Effect of foreign exchange rate changes		–	–	(26)	–	–
Net increase/(decrease) in cash and cash equivalents		43,656	(2,682)	71,695	(55,714)	15,263
Cash and cash equivalents at 1 January	*19(a)*	24,890	68,546	65,864	65,864	137,559
Cash and cash equivalents at 31 December/30 June	*19(a)*	68,546	65,864	137,559	10,150	152,822

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Sundy Service Group Co. Ltd (the "**Company**") was incorporated in the Cayman Islands on 5 May 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation described below. The Company and its subsidiaries (together, "**the Group**") provide property management services and the corresponding value-added services, hotel business and long-term rental apartment business in the People's Republic of China (the "**PRC**").

During the Relevant Periods, the Group's principal activities were conducted through Hangzhou Sundy Property Management Co., Ltd. (杭州宋都物業經營管理有限公司) ("**Sundy Property**") and its subsidiaries. To rationalise the corporate structure in preparation of the [**REDACTED**] of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent a corporate reorganisation (the "**Reorganisation**"), as detailed in the section headed "History, Reorganisation and Development" in the Document.

As part of the Reorganisation, the Company, through its wholly-owned subsidiaries, acquired entire equity interests in Sundy Property. Upon completion of the Reorganisation on 20 December 2019, the Company became the holding company of the Group. As Sundy Property was ultimately controlled by Mr. Yu Jianwu before and after the Reorganisation and the Reorganisation only involved inserting the Company, HUI DU GROUP CO. LTD , RONG DU GROUP CO. LIMITED and Hangzhou Xingrun Enterprise Management Co., Ltd. (the "**Non-operating Companies**"), which are newly formed entities with no substantive operations as holding companies of Sundy Property, there was no change in the business and operations of Sundy Property and its subsidiaries during the Relevant Periods. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Sundy Property with the assets and liabilities of Sundy Property recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods, or where the companies were incorporated/established at a date later than 1 January 2017, for the period from the respective dates of incorporation /establishment to 30 June 2020. The consolidated statements of financial position of the Group as of 31 December 2017, 2018 and 2019 and 30 June 2020 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation/establishment, where applicable.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Company name	Date and place of incorporation/ establishment/ type of legal entity	Registered/issued and paid-up capital	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by a subsidiary	Principal activities	Name of statutory auditor
Directly hold						
HUI DU GROUP CO. LTD	British Virgin Islands ("**BVI**") 26 October 2017 Limited liability company	Not applicable/ USD50,000	100%	–	Investment holding	Not applicable[2]
Indirectly hold						
RONG DU GROUP CO. LIMITED	Hong Kong 20 November 2017 Limited liability company	Not applicable/ HKD44,830,000	–	100%	Investment holding	TC-Professional CPA Limited for the years ended 31 December 2018 and 2019[3]
Hangzhou Xingrun Enterprise Management Co., Ltd. 杭州興潤企業管理有限公司[1]	The PRC 28 December 2017 Limited liability company	RMB40,000,000/ RMB40,000,000	–	100%	Investment holding	None[5]
Hangzhou Sundy Property Management Co., Ltd. 杭州宋都物業經營管理有限公司[1]	The PRC 8 January 1995 Limited liability company	RMB51,000,000/ RMB51,000,000	–	100%	Property management services	Zhejiang Tianheng Certified Public Accountants Co., Ltd. ("**Tianheng CPA**") 浙江天恒會計師事務所有限公司 for the years ended 2017, 2018 and 2019
Hangzhou Songdu Exhibition Co., Ltd. ("**Songdu Exhibition**") 杭州頌都會展有限公司[1]	The PRC 15 June 2016 Limited liability company	RMB1,000,000/ RMB1,000,000	–	100%	Remodelling and decoration services	Tianheng CPA for the years ended 31 December 2017, 2018 and 2019
Hangzhou Sundy Real Estate Agency Co., Ltd. 杭州宋都房地產代理有限公司[1]	The PRC 7 March 2017 Limited liability company	RMB1,000,000/ RMB1,000,000	–	100%	Property brokerage services	Tianheng CPA for the years ended 31 December 2017, 2018 and 2019
Hangzhou Sundy Jiahe Hotel Management Co., Ltd. ("**Sundy Jiahe**") 杭州宋都嘉和酒店管理有限公司 (previously known as Hangzhou Qiyu Internet Technology Co., Ltd* (杭州琪寓網絡科技有限公司))[1]	The PRC 24 January 2017 Limited liability company	RMB10,000,000/ RMB10,000,000	–	100%	Hotel management and property agent services	Tianheng CPA for the years ended 31 December 2017, 2018 and 2019
Hangzhou Lusong Property Service Co., Ltd. ("**Lusong Property**") 杭州綠宋物業服務有限公司[1]	The PRC 6 May 2019 Limited liability company	RMB5,000,000/ RMB3,000,000	–	50%[4]	Property management services	Tianheng CPA for the year ended 31 December 2019

Company name	Date and place of incorporation/ establishment/ type of legal entity	Registered/issued and paid-up capital	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by a subsidiary	Principal activities	Name of statutory auditor
Hangzhou Hongdu Information Engineering Co., Ltd. (杭州鴻都信息工程有限公司) (previously known as Hangzhou Sundy Information Engineering Technology Co., Ltd. (杭州宋都信息化工程技術有限公司))[1]	The PRC 20 August 2019 Limited liability company	RMB10,000,000/Nil	–	100%	Information engineering technology	None[5]
Hangzhou Herui Living Service Co., Ltd. 杭州和瑞生活服務有限公司[1]	The PRC 7 November 2019 Limited liability company	RMB10,000,000/ RMB2,000,000	–	100%	Property management services	Tianheng CPA for the year ended 31 December 2019
Jilin Sundy Property Management Service Co., Ltd. 吉林宋都物業服務有限公司[1]	The PRC 23 June 2020 Limited liability company	RMB1,000,000/ RMB1,000,000	–	51%	Property management services	None[5]
Ningbo Fenghua Sundy Service Co., Ltd 寧波奉化宋都物業服務有限公司[1]	The PRC 23 November 2020 Limited liability company	RMB5,000,000/ Nil	–	100%	Property management services	None[5]

All companies comprising the Group have adopted 31 December as their financial year end date.

(1) The official names of these entities are in Chinese. The English names are for identification purpose only.

(2) As at the date of this report, no audited financial statements have been prepared as the company either has not carried on any business since the date of incorporation or is investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(3) No statutory financial statements had been prepared for the year ended 31 December 2017 as it was established in November 2017.

(4) Pursuant to the agreement dated 5 May 2019, the Group could control 51% voting rights of the entity and the board of directors, and could control the financial and operating policies of the entity. Accordingly, the entity's financial information was consolidated into the Group's Historical Financial Information in 2019 and the six-month period ended 30 June 2020.

(5) As at the date of this report, no statutory financial statements have been prepared for the Relevant Periods.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collectively includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs, including IFRS 9, Financial Instruments, IFRS 15, Revenue from Contracts with Customers and IFRS 16, Lease to the Relevant Periods except for any new standards or interpretations that were not effective for the Relevant Periods. The revised and new accounting standards and interpretations that were issued but not effective for the Relevant Periods are set out in Note 31.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and functional and presentation currency

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for financial assets classified as measured at fair value through profit or loss which are stated at their fair value.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand, except when otherwise indicated, which is the functional currency of the Group's subsidiaries established in mainland China. Almost all the Group's operating activities are carried out in mainland China, and most of the transactions are denominated in RMB. The functional currency of the Company and the Company's subsidiaries outside mainland China are Hong Kong Dollars ("**HKD**"). The Group translates the financial statements of the Company and the Company's subsidiaries outside mainland China from HKD into RMB.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have a significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the Historical Financial Information from the date that control commences until the date that control ceases Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes the purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment in the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(j)(ii)). Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(j)(ii)), unless the investment are classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Other investments in debt and equity financial instruments

The Group's and the Company's policies for investments in debt and equity financial instruments, other than investments in subsidiaries and associates are as follows:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchasing/selling the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(s)(v)).

- Fair value through other comprehensive income ("**FVOCI**") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether the investment is classified as at FVTPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(s)(iv).

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)(i)) to earn rental income and/or for capital appreciation. This includes property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Rental income from investment properties is accounted for as described in Note 2(s)(iii).

Depreciation is calculated to write off the costs of investment properties, less a residual value of 0%, if any, using the straight-line method over their lease term typically varying from 4 to 5 years.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment properties on a property-by-property basis. Any such property interest which has been classified as an investment properties is accounted for as if it were held under a finance lease (see Note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(i).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined based on the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Equipment and furniture	3 – 10 years
–	Electronic equipment	3 – 5 years
–	Motor vehicles	3 – 5 years
–	Leasehold improvement	3 – 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group and that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Trademark use rights	10 years
–	Software	3 years

Both the period and method of amortisation are reviewed annually.

(i) Leased assets

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains a lease component and non-lease component, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use assets recognised when a lease is capitalised are initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(j)(ii)). Depreciation is calculated to write off the costs of right-of-use asset, less a residual value of 0%, if any, using the straight-line method over their lease terms.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties in "right-of-use assets" and presents lease liabilities separately in the statement of financial position.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(s)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- Financial assets measured at amortised cost (including cash and cash equivalents, restricted bank balances and trade and other receivables);

- Contract assets as defined in IFRS 15 (see Note 2(l)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- Fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- Variable-rate financial assets: the current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in the financial instrument's credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the financial instrument's credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without taking into account any recourse actions taken by the Group, such as the realisation of security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Failure to make payments of principal or interest on contractually due dates
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- An actual or expected significant deterioration in the operating results of the debtor; and
- Existing or forecasted changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- Significant financial difficulties of the debtor;
- Significant decrease in the collection rate for property management and other service fees;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter into bankruptcy or another type of financial reorganisation;

- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- The disappearance of an active market for a security because of the issuer's financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;

- Intangible assets;

- Right-of-use assets;

- Investment properties;

- Investments in joint ventures; and

- Investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis; however, the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories and other contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to achieve completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of a reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(k)(i)) or property, plant and equipment (see Note 2(g)).

The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (e.g. payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in Note 2(s).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(v)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within 3 months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes in the PRC pursuant to relevant PRC labour rules and regulations are recognised as an expense in profit or loss as incurred.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant tax amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. These are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to the recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle them simultaneously.

(r) Provisions, contingent liabilities and onerous contracts

(i) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision for onerous contracts is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(s) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Property management service, value-added services to non-property owners and community value-added services

For property management services, the Group recognises revenue equal to the amount for which the Group has the right to invoice based on the value of the performance completed on a monthly basis.

For property management service income arising from properties managed on a lump sum basis, where the Group acts as principal, the Group is entitled to revenue at the value of the property management service fee received. For property management service income arising from properties managed on a commission basis, where the Group acts as an agent of the property owners, the Group is entitled to revenue at a pre-determined percentage or fixed amount of the property management service fees that the property owners are obligated to pay.

Value-added services to non-property owners mainly include consulting services, sale assistance services and pre-delivery services. The Group recognises revenue when the services are provided based on the value of the performance completed on a monthly basis.

Community value-added services mainly include remodelling and decoration, property repair and maintenance, waste cleaning, utility fee collection and community space services. For remodelling services, when the outcome can be reasonably measured, revenue from the remodelling and decoration agreement is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs. And when the outcome cannot be reasonably measured, revenue from the remodelling and decoration agreement is recognised only to the extent of contract costs incurred that are expected to be recovered. For other community value-added services, the Group recognises revenue when the services are rendered.

(ii) Hotel business

Revenue from hotel business services is mainly comprised of management services on rooms, commercial shopping arcades, food and beverage and ancillary services. Except for revenue from food and beverage and ancillary services which is recognised at the point in time when the services are rendered, revenue from other hotel business services is recognised overtime in the accounting period in which the services are rendered.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(iv) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive the payment is established.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) of the asset (see Note 2(j)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognition in other revenues.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates in effect at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates in effect at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of the Historical Financial Information are as follows:

(i) Impairment for trade and other receivables

The Group estimates impairment losses for bad and doubtful debts by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions related to the operating environment of the Group and require a significant level of judgement on the part of the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(iii) Impairment of non-current assets

If circumstances indicate that the carrying amounts of property, plant and equipment, intangible assets, right-of-use assets, investment properties and investment in joint ventures may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(iv) Determining the lease term

As explained in policy Note 2(i), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operations. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 REVENUE, COST OF SALES AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of property management services, value-added services to non-property owners and community value-added services, hotel business and long-term rental apartment business.

Revenue represents income from property management services, value-added services to non-property owners and community value-added services, income from hotel business and rental income from long-term rental apartment business.

The amount of each significant category of revenue and cost of sales recognised in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Year ended 31 December						Six months ended 30 June			
	2017		2018		2019		2019		2020	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15										
Revenue recognised over time:										
Property management services	59,792	47,323	71,094	56,678	95,659	75,558	45,569	36,340	59,500	47,166
Value-added services to non-property owners	12,002	7,785	38,830	24,897	51,548	31,913	22,823	15,009	31,659	19,454
Community value-added services	11,380	3,391	17,283	7,786	54,587	32,427	14,730	7,493	19,656	11,492
Hotel business – Rooms operation services	–	–	2,423	4,054	16,620	15,349	7,873	7,670	4,155	5,447
	83,174	58,499	129,630	93,415	218,414	155,247	90,995	66,512	114,970	83,559
Revenue recognised at point in time:										
Hotel business – Sales of food and beverage	–	–	64	45	216	152	125	77	98	57
	–	–	64	45	216	152	125	77	98	57
Revenue from other sources										
Gross rentals from investment properties										
Long-term rental apartment business	755	486	2,182	1,296	2,110	1,357	963	689	803	648
Hotel business – leasing of commercial shopping arcades	31	–	1,074	618	1,734	849	731	356	858	282
	786	486	3,256	1,914	3,844	2,206	1,694	1,045	1,661	930
	83,960	58,985	132,950	95,374	222,474	157,605	92,814	67,634	116,729	84,546

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the revenue from Zhejiang Sundy Holdings Co., Ltd. ("**Sundy Holdings**") and its subsidiaries ("**Sundy Holdings Group**") (浙江宋都控股有限公司及其附屬公司), a related party of the Group, accounted for 25%, 34% and 36%, 37% (unaudited) and 42% of the Group's revenue, respectively. The Group has a large number of customers in addition to Sundy Holdings Group, but none of them accounted for more than 10% or more of the Group's revenue during the Relevant Periods.

(i) Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of respective periods

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount to which the Group has the right to invoice that corresponds directly with the value of the performance completed to date. The Group has elected the practical expedient whereby it does not disclose the remaining performance obligations for these types of contracts. The majority of the property management agreements do not have a fixed term. The terms of the contracts for value-added services to non-property owners are generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services that involve in the provision of remodelling and decoration services, the aggregated amount of the transaction prices allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) under the Group's existing contracts for the years ended 31 December 2017, 2018, 2019 and the six months ended 30 June 2019 and 2020 are RMB13,584,000, RMB28,010,000, RMB10,013,000, RMB30,492,000 (unaudited) and RMB7,300,000. The amounts include the interest component of provision of remodelling and decoration services under which the Group obtains significant financing benefits from the customers (see Note 2(s)).

The following table shows the expected revenue of remodelling and decoration services will be recognised by the Group in future when the services are provided:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within 1 year	2,152	25,984	7,470	26,765	7,300
After 1 year but within 2 years	11,432	2,026	2,543	3,727	–
	13,584	28,010	10,013	30,492	7,300

For other community value-added services, they are rendered in a short period of time, and the Group does not disclose the remaining performance obligations for these types of contracts that had an original expected duration of one year or less.

(ii) Assets recognised from incremental costs to obtain a contract

During the Relevant Periods, no significant incremental costs were incurred to obtain a contract.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines, including property management services and the corresponding value-added services, hotel business and long-term rental apartment business. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment, the Group has presented the following segments.

– Property management services and the corresponding value-added services: this segment includes revenue generated from property management services, value-added services to non-property owners and community value-added services, including consulting and pre-delivery service, and other services.

– Hotel business services: this segment includes revenue generated from operating hotels, leasing of commercial shopping arcades located within the hotel buildings, as well as provision of food and beverage and ancillary services in such premises.

– Long-term rental apartment business: this segment includes operating long-term rental apartments within service apartment buildings.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets managed directly by the segments. Segment liabilities include all contract liabilities, trade and other payables, lease liabilities and other liabilities attributable to the business operation and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's joint ventures.

(ii) Geographic information

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's revenues were derived in the PRC during the Relevant Periods.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, all of the non-current assets of the Group were located in the PRC.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 is set out below.

	Property management services and the corresponding value-added services			Hotel business services			Long-term rental apartment business			Reconciling items			Total		
	Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	83,174	127,207	201,794	31	3,561	18,570	755	2,182	2,110	–	–	–	83,960	132,950	222,474
Inter-segment revenue	56	291	255	–	–	–	–	–	–	(56)	(291)	(255)	–	–	–
Reportable segment revenue	83,230	127,498	202,049	31	3,561	18,570	755	2,182	2,110	(56)	(291)	(255)	83,960	132,950	222,474
Reportable segment profit (profit before taxation)	19,280	31,441	45,560	31	(2,871)	716	(438)	192	240	–	–	–	18,873	28,762	46,516
Interest income	*1,500*	*2,667*	*3,232*	–	*2*	*5*	*3*	*9*	*3*	–	–	–	*1,503*	*2,678*	*3,240*
Interest expenses	*311*	*1,552*	*2,566*	–	–	–	*155*	*309*	*200*	–	–	–	*466*	*1,861*	*2,766*
Depreciation and amortisation	*477*	*487*	*444*	*26*	*924*	*3,816*	*484*	*969*	*971*	–	–	–	*987*	*2,380*	*5,231*
Reportable segment assets (including interests in joint ventures)	96,842	150,109	197,536	5,120	32,328	30,493	5,089	5,956	3,129	(4,556)	(17,704)	(15,500)	102,495	170,689	215,658
Investment in joint ventures	–	*2,423*	*1,284*	–	–	–	–	–	–	–	–	–	–	*2,423*	*1,284*
Additions to non-current segment assets during the year	*2,305*	*1,132*	*500*	*4,536*	*22,711*	*19*	*3,638*	*22*	–	–	–	–	*10,479*	*23,865*	*519*
Reportable segment liabilities	70,651	149,315	124,421	5,383	26,474	22,478	5,235	4,713	320	(4,556)	(17,704)	(15,500)	76,713	162,798	131,719

	Property management services and the corresponding value-added services		Hotel business services		Long-term rental apartment business		Reconciling items		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
	RMB'000 *(unaudited)*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from external customers	83,122	110,815	8,729	5,111	963	803	–	–	92,814	116,729
Inter-segment revenue	127	10	–	–	–	–	(127)	(10)	–	–
Reportable segment revenue	83,249	110,825	8,729	5,111	963	803	(127)	(10)	92,814	116,729
Reportable segment profit/(loss) (profit before taxation)	18,476	23,748	(173)	(1,336)	186	58	–	–	18,489	22,470
Interest income	*1,874*	*677*	*1*	–	*3*	*4*	–	–	*1,878*	*681*
Interest expenses	*1,149*	*231*	–	–	*134*	*86*	–	–	*1,283*	*317*
Depreciation and amortisation	*173*	*216*	*1,935*	*1,962*	*486*	*486*	–	–	*2,594*	*2,664*
Reportable segment assets (including interests in joint ventures)	165,807	236,585	35,163	28,659	3,002	2,387	(18,485)	(14,980)	185,487	252,651
Investment in joint ventures	*3,024*	*1,454*	–	–	–	–	–	–	*3,024*	*1,454*
Addition to non-current segment assets during the year/period	*112*	*1,090*	*7*	–	–	–	–	–	*119*	*1,090*
Reportable segment liabilities	151,167	143,652	27,388	20,945	3,624	2,745	(18,485)	(14,980)	163,694	152,362

5 OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2017	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other revenue						
Government grants	*(iii)*	54	20	40	40	2,901
Others		38	107	697	234	442
		92	127	737	274	3,343
Other net (loss)/income						
Net gain on disposal of financial asset classified as FVTPL		–	200	–	–	–
Net gain on disposal of an associate	*(i)*	–	546	–	–	–
Net loss on disposal of a joint venture	*(ii)*	–	–	(15)	–	–
Net loss on disposal of property, plant and equipment		(42)	–	–	–	–
Net gain on early termination of a lease contract		–	–	125	–	–
Net exchange loss		–	–	(112)	–	–
		(42)	746	(2)	–	–

(i) On 16 August 2018, Hangzhou Sundy Yangguang Kindergarten Co., Ltd. ("**Sundy Yangguang Kindergarten**") (杭州宋都陽光幼兒園有限公司) was established under the laws of the PRC with limited liability by the Group, Hangzhou Xinyang Education Consulting Co., Ltd. ("**Xinyang Education**") (杭州心陽教育諮詢有限公司) and Hangzhou Shangcheng District Xiehe Kindergarten (杭州市上城區協和幼兒園). The Group invested RMB1,200,000 in Sundy Yangguang Kindergarten and owned 40% equity interests in Sundy Yangguang Kindergarten. On 12 December 2018, the Group entered into an equity transfer agreement with Hangzhou Hexun Enterprise Management Co., Ltd. (杭州和洵企業管理有限公司), a related party of the Group, to dispose of its 40% equity interests in Sundy Yangguang Kindergarten at a consideration of RMB1,200,000. During the year ended 31 December 2018, the Group recognised the share of losses of Sundy Yangguang Kindergarten of RMB546,000 and net gain on disposal of Sundy Yangguang Kindergarten of RMB546,000.

(ii) On 25 December 2017, Zhejiang Hedu Real Estate Agency Co., Ltd. ("**Hedu Agency**") (浙江合都房地產代理有限公司) was established under the laws of the PRC with limited liability by the Group and Hefu Huihuang (China) Real Estate Consultancy Co., Ltd. (合富輝煌(中國)房地產顧問有限公司). The Group invested RMB2,500,000 in Hedu Agency and owned 50% equity interests in Hedu Agency. On 10 December 2019, the Group entered into an equity transfer agreement with Hangzhou Taixiong Investment Management Co., Ltd. (杭州泰雄投資管理有限公司), a third party of the Group, to dispose of its 50% equity interests in Hedu Agency at a consideration of RMB2,500,000. During the year ended 31 December 2019, the Group recognised a net loss on disposal of Hedu Agency of RMB15,000.

(iii) During the six months ended 30 June 2020, the Group received the subsidy income of RMB2,497,000 from the relevant government in relation to the impact of the Coronavirus Disease 2019 ("COVID-19") (the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019: nil, nil, nil, nil (unaudited)).

6 PROFIT BEFORE TAXATION

Profit before taxation is determined after charging/(crediting):

(a) Net finance income

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income on financial assets measured at amortised cost	1,503	2,678	3,240	1,878	681
Interest expenses on lease liabilities *(Note 13)*	(256)	(394)	(259)	(170)	(103)
Interest expenses on contract liabilities *(Note 20)*	(210)	(1,467)	(2,507)	(1,113)	(214)
Net finance income	1,037	817	474	595	364

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	39,049	40,526	46,072	21,778	24,138
Contributions to defined contribution scheme[(i)]	3,119	3,249	3,704	1,751	328
	42,168	43,775	49,776	23,529	24,466
Included in:					
– Cost of sales	38,850	38,250	43,248	20,535	21,555
– Administrative expenses	3,318	5,525	6,528	2,994	2,911
	42,168	43,775	49,776	23,529	24,466

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds to the scheme to fund the retirement benefits of the employees. The contributions are calculated based on a certain percentage of the employees' salaries as agreed by the local municipal governments.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions of RMB1,356,000 to defined contribution scheme during the six months ended 30 June 2020 (the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 : nil, nil, nil, nil (unaudited)).

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge					
– Property, plant and equipment *(Note 11)*	184	1,078	3,936	1,944	2,029
– Right-of-use assets *(Note 13)*	293	293	281	145	125
– Investment properties *(Note 14)*	484	968	968	484	484
Amortisation of intangible assets *(Note 12)*	26	41	46	21	26
Impairment losses					
– Trade receivables *(Note 25(a))*	1,031	2,397	465	859	1,258
Reversals of impairment losses on other receivables *(Note 25(a))*	–	(2,207)	–	–	–
Auditors' remuneration					
– service in connection with the proposed [**REDACTED**] of the Company's shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Expenses related to short-term leases *(Note 13)*	171	121	340	182	237
Variable lease payments not included in the measurement of lease liabilities *(Note 13)*	–	921	3,843	1,743	626

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss represents:

		Year ended 31 December			Six months ended 30 June	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax						
PRC corporate income tax	*22(a)*	5,959	8,595	11,287	5,158	6,367
Deferred tax						
Origination of temporary differences	*22(b)*	(1,051)	(722)	(7)	(571)	(247)
		4,908	7,873	11,280	4,587	6,120

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

		Year ended 31 December			Six months ended 30 June	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		18,873	28,762	46,516	18,489	22,470
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	*(i)*	4,718	7,191	11,629	4,622	5,620
Tax effect of preferential tax rate	*(i)*	–	–	(40)	–	(42)
Tax effect of non-deductible expenses		30	61	243	29	109
Tax effect of share of results of joint ventures		–	19	(244)	(50)	(43)
Tax effect of tax losses and deductible temporary differences not recognised		160	602	12	–	476
Utilisation of deductible temporary differences not be recognised as deferred tax assets in the previous years		–	–	(320)	(14)	–
Actual tax expense		4,908	7,873	11,280	4,587	6,120

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI.

The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 16.5%. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD 2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to the tax during the Relevant Periods.

The Group's PRC subsidiaries are subject to the PRC income tax rate of 25%. For Lusong Property and Hangzhou Herui Living Service Co., Ltd., they were recognised as a small profit enterprise in 2019. For Lusong Property and Sundy Information, they were recognised as a small profit enterprise in 2020. The portion of annual taxable income amount, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20%. And the portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20%.

8 DIRECTORS' EMOLUMENTS

The directors received emoluments from the Group (in their roles as key management personnel and employees before their appointment as directors) as follows:

	Year ended 31 December 2017				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Zhu Jin *(Note i)*	–	–	–	–	–
Cheng Huayong *(Note v)*	–	165	40	11	216
Director					
Yu Jianwu *(Note ii)*	–	–	–	–	–
	–	165	40	11	216

	Year ended 31 December 2018				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director					
Zhu Jin *(Note i)*	–	115	–	14	129
Cheng Huayong *(Note v)*	–	187	83	11	281
Director					
Yu Jianwu *(Note ii)*	–	–	–	–	–
	–	302	83	25	410

	Year ended 31 December 2019				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhu Jin *(Note i)*	–	195	–	24	219
Yu Yun *(Note iii)*	–	–	–	–	–
Cheng Huayong *(Note v)*	–	187	77	12	276
Director					
Yu Jianwu *(Note ii)*	–	–	–	–	–
	–	382	77	36	495

	Six months ended 30 June 2019 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhu Jin *(Note i)*	–	102	–	12	114
Cheng Huayong *(Note v)*	–	91	38	4	133
Director					
Yu Jianwu *(Note ii)*	–	–	–	–	–
	–	193	38	16	247

	Six months ended 30 June 2020				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhu Jin *(Note i)*	–	104	–	2	106
Yu Yun *(Note iii)*	–	69	66	–	135
Shen Guangming *(Note iv)*	–	286	120	–	406
Cheng Huayong *(Note v)*	–	162	68	–	230
	–	621	254	2	877

(i) Ms. Zhu Jin was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020. She is also key management personnel of the Group during the Relevant Periods. Her remuneration as key management personnel from 1 January 2017 to 31 May 2018 was borne by Sundy Holdings Group, a related party of the Group, who has waived its right to seek reimbursement from the Company. Since 1 June 2018, her remuneration disclosed above include those for services rendered by her as key management personnel.

(ii) Mr. Yu Jianwu was appointed as director of the Company on 5 May 2017 and resigned on 15 December 2019.

(iii) Miss Yu Yun was appointed as director of the Company on 15 December 2019 and re-designated as executive director of the Company on 15 January 2020.

(iv) Mr. Shen Guangming was appointed as executive director of the Company on 3 April 2020.

(v) Mr. Cheng Huayong was appointed as executive director of the Company on 3 April 2020. He is also key management personnel of the Group during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Nil, nil, nil, nil (unaudited) and two of the five individuals with the highest emoluments are directors of the Company whose remuneration are disclosed in Note 8 above for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 respectively. The aggregate amounts of the emoluments in respect of the remaining 5, 5, 5, 5 (unaudited) and 3 individuals for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowance, and benefits-in-kind	675	1,038	991	717	848
Discretionary bonuses	354	500	459	142	276
Retirement scheme contributions	33	36	44	25	2
	1,062	1,574	1,494	884	1,126

The emoluments of the above individuals are within the following bands:

	Year ended 31 December			**Six months ended 30 June**	
	2017	**2018**	**2019**	**2019**	**2020**
				(unaudited)	
Nil – HKD1,000,000	5	5	5	5	3

10 EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholders of the Company of RMB13,965,000 and RMB20,889,000 and RMB35,142,000, RMB13,902,000 (unaudited) and RMB16,350,000 for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 and the weighted average number of ordinary shares in issue as at the end of Relevant Periods.

Weighted average number of ordinary shares:

	Note	**Year ended 31 December**			**Six months ended 30 June**	
		2017	**2018**	**2019**	**2019**	**2020**
		Number of shares	*Number of shares*	*Number of shares*	*Number of shares*	*Number of shares*
Issued ordinary shares at 1 January		–	500	500	500	100,000,000
Effect of issuance of shares	*(i)(iii)*	500	–	5,068,000	–	–
Effect of share subdivision	*(ii)*	49,999,500	49,999,500	49,999,500	49,999,500	–
		50,000,000	50,000,000	55,068,000	50,000,000	100,000,000

(i) On the date of incorporation, the Company authorised and issued share capital of US$500 divided into 500 shares with a par value of US$1.00 each.

(ii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

On 25 November 2019, each authorised and issued share of USD1.00 par value was subdivided into 100,000 shares of USD0.00001 par value each. Accordingly, the issued 500 shares of the Company before 25 November 2019 with par value of USD1.00 each were subdivided into 50,000,000 shares with par value of USD0.00001 each thereafter.

(iii) On 25 November 2019, the Company allotted and issued additional 50,000,000 shares of USD0.00001 par value each to the shareholders of the Company at the consideration of approximately HK$44.8 million (RMB equivalent 40.3 million).

The calculation of basic earnings per share during the Relevant Periods is taking into account the subdivision of the Company's shares completed on 25 November 2019, but not taking into account the [**REDACTED**] (Note 30) as the [**REDACTED**] has not become effective as of the date of this report and will only take place immediately prior to the completion of the [**REDACTED**].

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding for the Relevant Periods.

11 PROPERTY, PLANT AND EQUIPMENT

	Equipment and furniture	Electronic equipment	Motor vehicles	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2017	–	581	85	–	–	666
Additions	–	352	3	4,140	–	4,495
Disposals	–	(92)	–	–	–	(92)
At 31 December 2017	–	841	88	4,140	–	5,069
Additions	183	581	11	17,371	5,699	23,845
Transfer from/(out) construction in progress	1,782	1,042	–	(21,511)	18,687	–
Disposals	–	(3)	–	–	–	(3)
At 31 December 2018	1,965	2,461	99	–	24,386	28,911
Additions	–	466	19	–	–	485
Disposals	–	(4)	–	–	–	(4)
At 31 December 2019	1,965	2,923	118	–	24,386	29,392
Additions	–	419	–	443	228	1,090
Disposals	–	–	–	–	–	–
At 30 June 2020	1,965	3,342	118	443	24,614	30,482
Accumulated depreciation:						
At 1 January 2017	–	261	51	–	–	312
Charge for the year	–	166	18	–	–	184
Written back on disposal	–	(50)	–	–	–	(50)
At 31 December 2017	–	377	69	–	–	446
Charge for the year	104	262	11	–	701	1,078
Written back on disposal	–	(3)	–	–	–	(3)
At 31 December 2018	104	636	80	–	701	1,521
Charge for the year	531	587	6	–	2,812	3,936
Written back on disposal	–	(4)	–	–	–	(4)
At 31 December 2019	635	1,219	86	–	3,513	5,453
Charge for the period	265	339	3	–	1,422	2,029
Written back on disposal	–	–	–	–	–	–
At 30 June 2020	900	1,558	89	–	4,935	7,482
Net book value:						
At 31 December 2017	–	464	19	4,140	–	4,623
At 31 December 2018	1,861	1,825	19	–	23,685	27,390
At 31 December 2019	1,330	1,704	32	–	20,873	23,939
At 30 June 2020	1,065	1,784	29	443	19,679	23,000

12 INTANGIBLE ASSETS

	Trademark use rights*	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2017	–	–	–
Additions	396	–	396
At 31 December 2017	396	–	396
Additions	20	–	20
At 31 December 2018	416	–	416
Additions	–	34	34
At 31 December 2019 and 30 June 2020	416	34	450
Accumulated depreciation:			
At 1 January 2017	–	–	–
Charge for the year	26	–	26
At 31 December 2017	26	–	26
Charge for the year	41	–	41
At 31 December 2018	67	–	67
Charge for the year	42	4	46
At 31 December 2019	109	4	113
Charge for the period	20	6	26
At 30 June 2020	129	10	139
Net book value:			
At 31 December 2017	370	–	370
At 31 December 2018	349	–	349
At 31 December 2019	307	30	337
At 30 June 2020	287	24	311

* On 18 May 2017, the Group entered into a Trademark Use Rights Agreement with Atour Hotel (Shanghai) Hotel Management Co., Ltd. ("**Atour Hotel**") (亞朵(上海)酒店管理有限公司). The agreement allows the Group to use the trademark "亞朵" of Atour Hotel as its brand for a certain number of hotel rooms for 10 years.

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

The Group leases certain buildings for its office, business operation and rental services. The lease terms are 4 and 5 years. For the right-of-use assets which meet the definition of investment properties, the Group recognises the right-of-use assets as investment properties (see Note 14).

The movements in right-of-use assets and lease liabilities during each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Leasehold buildings held for own use, carried at depreciated cost:				
Carrying amount at the beginning of the year/period	–	1,173	880	500
Additions	1,466	–	–	–
Early termination of a lease contract	–	–	(99)	–
Depreciation provided during the year/period	(293)	(293)	(281)	(125)
Carrying amount at the end of the year/period	1,173	880	500	375

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge for right-of-use assets by class of underlying assets:					
Leasehold buildings for own use	293	293	281	145	125
Leasehold investment properties *(Note 14)*	484	968	968	484	484
	777	1,261	1,249	629	609
Interest expense on lease liabilities *(Note 6(a))*	256	394	259	170	103
Expenses related to short-term leases *(Note 6(c))*	171	121	340	182	237
Variable lease payments not included in the measurement of lease liabilities *(Note 6(c))*	–	921	3,843	1,743	626

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	869	934	2,177	2,230	2,064	2,110	2,132	2,157
After 1 year but within 2 years	2,025	2,230	1,945	2,141	906	992	109	115
After 2 years but within 5 years	2,780	3,175	1,012	1,034	7	9	–	–
	4,805	5,405	2,957	3,175	913	1,001	109	115
	5,674	6,339	5,134	5,405	2,977	3,111	2,241	2,272
Less: total future interest expenses		(665)		(271)		(134)		(31)
Present value of lease liabilities		5,674		5,134		2,977		2,241

14 INVESTMENT PROPERTIES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leasehold investment properties, carried at depreciated cost:				
Carrying amount at the beginning of the year	–	3,638	2,670	1,702
Additions	4,122	–	–	–
Deprecation provided during the year/period	(484)	(968)	(968)	(484)
	3,638	2,670	1,702	1,218

The Group leases out investment properties through operating leases. The leases typically run for an initial period of 1 year, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the report date will be receivable by the Group in future periods as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	88	1,044	896	966

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the fair value of the Group's leasehold investment properties was approximately RMB9,959,000, RMB7,470,000 and RMB4,804,000 and RMB3,500,000. These fair values are determined by the directors of the Company mainly with reference to the valuation, which is performed by AVISTA Business Consulting (Shanghai) Co., Ltd., an independent qualified professional valuer, using the discounted cash flow approach.

15 INVESTMENT IN JOINT VENTURES

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Costs of investment, unlisted	–	2,500	400	400
Share of post-acquisition results, net of dividends	–	(77)	884	1,054
	–	2,423	1,284	1,454

The following list contains joint ventures of the Group, which are unlisted corporate entities, whose quoted market price are not available:

Name of joint venture	Form of business structure	Place of incorporation and business	Registered capital/paid-up capital	Effective interest held by the Group: As at 31 December 2017	As at 31 December 2018	As at 31 December 2019	As at 30 June 2020	Principal activities
Hedu Agency[1] *(Note 5(ii))*	Incorporated	the PRC	RMB10,000,000/ RMB5,000,000	50%	50%	–	–	Real estate agency
Hangzhou Honghe Environmental Engineering Co., Ltd. ("Honghe Environmental") 杭州宏合環境工程有限公司[1][2]	Incorporated	the PRC	RMB5,000,000/ RMB400,000	–	40%	40%	40%	Landscape greening and environmental engineering

(1) These PRC entities are limited liability companies. The English translation of the companies name are for reference only. The official names of these companies is in Chinese.

(2) According to the Articles of Association of Honghe Environmental, the Group jointly controls Honghe Environmental, together with other third party.

Summarised financial information of the joint ventures, adjusted for fair value and any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Hedu Agency			Honghe Environmental		
	As at 31 December			As at 31 December		As at 30 June
	2017	2018	2019	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts of joint ventures						
Current assets	–	3,973	–	–	15,297	14,869
Non-current assets	–	918	–	–	13	11
Current liabilities	–	(45)	–	–	(12,100)	(11,245)
Equity	–	4,846	–	–	3,210	3,635
Included in the above assets and liabilities:						
Cash and cash equivalents	–	2,709	–	–	222	147

	Year ended 31 December			Year ended 31 December		Six months ended 30 June
	2017	2018	2019	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	915	7,235	–	14,072	1,993
(Loss)/profit from continuing operations	–	(153)	183	–	2,209	425
Total comprehensive income	–	(153)	183	–	2,209	425

	As at 31 December			As at 31 December		As at 30 June
	2017	2018	2019	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciled to the Group's interests in joint ventures						
Gross amounts of net assets	–	4,846	–	–	3,210	3,635
Group's effective interest	–	50%	–	–	40%	40%
Group's share of net assets of the joint ventures	–	2,423	–	–	1,284	1,454
Carrying amount in the consolidated financial statements	–	2,423	–	–	1,284	1,454

Note: As Hedu Agency was established in December 2017 and Honghe Environmental was established in December 2018, there were no operating activities of these two entities for the year ended 31 December 2017 and 2018, respectively.

16 INVENTORIES

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consumables	–	27	284	199
	–	27	284	199

17 TRADE AND OTHER RECEIVABLES

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
– Related parties	*28(d)*	5,526	9,187	2,276	9,969
– Third parties		10,420	17,351	20,092	33,412
Less: Allowance for impairment of trade receivables	*25(a)*	(2,404)	(4,801)	(5,266)	(6,524)
		13,542	21,737	17,102	36,857
Other receivables					
– Related parties	*28(d)*	1,616	31,157	4,717	3,422
– Loan and interest receivable from a third party	*(i)*	–	3,538	–	–
– Deposits		330	921	2,680	3,454
– Prepayments		462	609	3,020	5,046
– Value-added tax recoverable		326	2,157	1,725	1,600
– Others		2,416	4,376	4,425	2,120
		18,692	64,495	33,669	52,499

(i) As at 31 December 2018, the balance represents a loan and interest receivable from a third party at a fixed interest rate of 7.5% per annum. The amount was received in September 2019.

Trade receivables are primarily related to revenue recognised from the provision of property management services, value-added services to non-property owners, community value-added services and hotel business.

Ageing analysis

As at the end of each reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties				
0 to 180 days	4,420	8,343	2,276	9,479
181 to 365 days	1,043	781	–	490
1 to 2 years	26	–	–	–
2 to 3 years	–	26	–	–
Over 3 years	37	37	–	–
	5,526	9,187	2,276	9,969
Third parties				
0 to 180 days	5,047	7,606	10,067	21,616
181 to 365 days	2,169	3,990	3,602	2,417
1 to 2 years	800	954	1,157	2,855
	8,016	12,550	14,826	26,888
	13,542	21,737	17,102	36,857

Trade receivables are due when the receivables are recognised.

18 RESTRICTED BANK BALANCES

		As at 31 December			As at 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash collected on behalf of the property owners' associations	*21*	3,175	3,591	5,778	6,350

The Group collects cash on behalf of the property owners' associations as part of its property management service business. Since the property owners' associations often face difficulties opening bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

		As at 31 December			As at 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in hand		89	6	26	11
Cash at bank		71,632	69,449	143,311	159,161
		71,721	69,455	143,337	159,172
Less: Restricted bank balances	*18*	(3,175)	(3,591)	(5,778)	(6,350)
		68,546	65,864	137,559	152,822

The Company

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	–	–	9	8

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended 31 December			Six months ended 30 June	
	Note	**2017**	**2018**	**2019**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		18,873	28,762	46,516	18,489	22,470
Adjustments for:						
Depreciation of property, plant and equipment	*11*	184	1,078	3,936	1,944	2,029
Amortisation of intangible assets	*12*	26	41	46	21	26
Depreciation of right-of-use assets	*13*	293	293	281	145	125
Depreciation of investment properties	*14*	484	968	968	484	484
Finance income	*6(a)*	(1,503)	(2,678)	(3,240)	(1,878)	(681)
Finance costs	*6(a)*	466	1,861	2,766	1,283	317
Net gain on disposal of FVTPL	*5*	–	(200)	–	–	–
Net gain on disposal of an associate	*5*	–	(546)	–	–	–
Net loss on disposal of a joint venture	*5*	–	–	15	–	–
Net loss on disposal of property, plant and equipment	*5*	42	–	–	–	–
Net gain on early termination of a right-of-use asset	*5*	–	–	(125)	–	–
Share of losses/(profit) of joint ventures	*15*	–	77	(976)	(201)	(170)
Share of losses of an associate	*5*	–	546	–	–	–
Impairment losses on trade and other receivables	*6(c)*	1,031	190	465	859	1,258
Changes in working capital:						
Decrease/(increase) in inventories		23	(27)	(257)	(145)	85
Increase in contract assets and trade and other receivables		(3,992)	(12,562)	(9,737)	(39,398)	(25,984)
Increase in contract liabilities and trade and other payables		38,257	34,600	8,470	3,452	22,765
Increase in restricted cash		(529)	(416)	(2,187)	(1,451)	(572)
Cash generated from/(used in) operations		53,655	51,987	46,941	(16,396)	22,152

(c) Reconciliation of liabilities arising from financing activities:

	Note	**Lease liabilities**
		RMB'000
At 1 January 2017		–
Changes from financing cash flows		
Capital element of lease rentals paid	*13*	(68)
Interest element of lease rentals paid	*13*	(102)
Total changes from financing cash flows		(170)
Financial costs	*6(a)*	256
Additions		5,588
At 31 December 2017 and 1 January 2018		5,674
Changes from financing cash flows		
Capital element of lease rentals paid	*13*	(460)
Interest element of lease rentals paid		(474)
Total changes from financing cash flows		(934)
Financial costs	*6(a)*	394
At 31 December 2018 and 1 January 2019		5,134
Changes from financing cash flows		
Capital element of lease rentals paid	*13*	(1,879)
Interest element of lease rentals paid		(311)
Total changes from financing cash flows		(2,190)
Financial cost	*6(a)*	259
Early termination of a right-of-use asset		(226)
At 31 December 2019 and 1 January 2020		2,977
Changes from financing cash flows		
Capital element of lease rentals paid	*13*	(753)
Interest element of lease rentals paid		(86)
Total changes from financing cash flows		(839)
Financial cost	*6(a)*	103
At 30 June 2020		2,241

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Within operating cash flows	341	375	4,811	73	591
Within financing cash flows	170	934	2,190	1,281	839

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	Year ended 31 December			Six months ended 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Arising from performance under remodelling and decoration agreements	–	–	7,599	11,169

Contract assets are initially recognised for revenue earned from the remodelling and decoration services provided to Sundy Holdings Group on behalf of individual property owners before the properties are sold to individual property owners. The consideration will be received i) from individual property owners when signing property sale agreement, or from Sundy Holdings Group within 12 months from the date of signing property sale agreement if such service fee is not paid by individual property owner in respect of sold units; or ii) from Sundy Holdings Group within 12 months from the date of signing the cooperation agreement with Sundy Holdings Group in respect of unsold units.

The amount of contract assets that is expected to be recovered in one year is RMB7,599,000 and RMB11,169,000, as at 31 December 2019 and 30 June 2020, respectively.

(b) Contract liabilities

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property management services	9,325	15,555	17,541	26,249
Value-added services to non-property owners	52	1,790	11,796	8,245
Community value-added services	16,438	30,429	13,629	8,436
Other services	–	24	60	230
Total contract liabilities	25,815	47,798	43,026	43,160
Less: amount included under "current liabilities"	(14,383)	(45,772)	(40,483)	(43,160)
	11,432	2,026	2,543	–

Significant changes in contract liabilities were as follows:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	15,091	25,815	47,798	43,026
Decrease in contract liabilities as a result of recognising revenue during the year that was included in contract liabilities at the beginning of the year/period	(14,421)	(9,575)	(40,640)	(21,322)
Increase in contract liabilities as a result of cash receipts in advance from customers	24,935	30,091	33,361	21,242
Increase in contract liabilities as a result of accruing interest expense on advance	210	1,467	2,507	214
	25,815	47,798	43,026	43,160

21 TRADE AND OTHER PAYABLES

		As at 31 December			As at 30 June
	Note	2017	2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
– Related parties	*(b)*	–	932	327	618
– Third parties	*(a)*	4,206	18,128	26,274	45,732
		4,206	19,060	26,601	46,350
Other payables					
– Related parties	*(b) (c)*	–	36,841	1,711	2,466
– Deposits	*(d)*	6,299	5,670	4,984	4,850
– Other taxes and surcharges payable		2,629	5,505	3,402	2,533
– Accrued payroll and other benefits		9,198	11,963	14,071	12,598
– Cash collected on behalf of the property owners' associations	*18*	3,175	3,591	5,778	6,350
– Temporary receipts from property owners	*(e)*	14,229	15,435	17,811	21,683
– Others		463	1,977	461	1,229
		40,199	100,042	74,819	98,059

(a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers.

(b) The amounts due to related parties are unsecured and interest-free. Details of the amounts due to related parties are set out in Note 28(d).

(c) The balance as at 31 December 2018 includes the consideration payable to Sundy Holding of RMB36,841,000 for the acquisition of equity interests in Sundy Property as part of the Reorganisation.

(d) Deposits mainly represent miscellaneous decoration deposits received from property owners during the decoration period.

(e) Temporary receipts represent utility charges received from property owners on behalf of utility companies.

As at the end of each reporting period, the ageing analysis of trade payable based on invoice date is as follows:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Related parties				
Within 1 year	–	932	327	618
Third parties				
Within 1 year	3,447	17,417	21,579	41,020
After 1 year but within 2 years	37	175	4,001	3,948
After 2 years but within 3 years	196	9	158	101
Over 3 years	526	527	536	663
	4,206	18,128	26,274	45,732
	4,206	19,060	26,601	46,350

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC corporate income tax				
At 1 January	3,123	3,837	9,209	10,513
Charged to profit or loss	5,959	8,595	11,287	6,367
Payments during the year/period	(5,245)	(3,223)	(9,983)	(8,353)
At 31 December/30 June	3,837	9,209	10,513	8,527

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Impairment losses on trade and other receivables	Right-of-use assets	Accrued expenses	Provision	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	895	–	–	332	–	1,227
Credited/(charged) to profit or loss	258	56	849	(136)	24	1,051
At 31 December 2017	1,153	56	849	196	24	2,278
Credited/(charged) to profit or loss	47	(37)	821	(85)	(24)	722
At 31 December 2018	1,200	19	1,670	111	–	3,000
Credited/(charged) to profit or loss	117	(29)	30	(111)	–	7
At 31 December 2019	1,317	(10)	1,700	–	–	3,007
Credited/(charged) to profit or loss	315	36	(104)	–	–	247
At 30 June 2020	1,632	26	1,596	–	–	3,254

(c) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unused tax losses – PRC	–	1,539	76	1,530
Deductible temporary differences	639	1,508	1,740	545
	639	3,047	1,816	2,075

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets of nil, RMB385,000, RMB19,000 and RMB383,000 in respect of unused tax losses, and of RMB160,000, RMB377,000, RMB435,000 and RMB136,000 in respect of deductible temporary differences of certain subsidiaries of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020. The directors consider it is not probable that future taxable profits against which the tax losses or the deductible temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant PRC laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2023	–	1,539	28	28
2024	–	–	48	48
2025	–	–	–	722
2028	–	–	–	732
	–	1,539	76	1,530

All the tax losses of subsidiaries in the Mainland China can be carried forward for a maximum period of five years. Pursuant to the Notice No.8 issued by the Ministry of Finance and the State Administration of Taxation of the PRC on 6 February 2020, the maximum carried forward period of the tax losses affected by COVID 19 in certain difficult industries, such as hotel industry, is extended from five years to eight years.

(d) Deferred tax liabilities not recognised

According to the PRC's corporate income tax laws and implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to a 10% withholding tax, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

The Group has not recognised deferred tax liabilities as at 31 December 2018, 2019 and the six months ended 30 June 2020 in respect of undistributed earnings of RMB36,495,000, RMB68,097,000 and RMB84,287,000 respectively as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

23 PROVISIONS

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,329	784	443	–
Provisions utilised	(545)	(341)	(443)	–
At 31 December	784	443	–	–
Less: amount included under "current liabilities"	(341)	(443)	–	–
	443	–	–	–

The Group was involved in contracts with certain communities that were operating at a loss. The obligation for the future payments of these communities, net of expected property management service income, has been provided for.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the changes in the Company's individuals component of equity during the Relevant Periods are set out below:

	Note	Share capital	Share premium	Exchange reserve	Accumulated Losses	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017, 2018 and 2019		–	–	–	–	–
Changes in equity for 2019:						
Issue of shares	*24(b)*	7	40,331	–	–	40,338
Loss for the year and other comprehensive income		–	–	–	–	–
At 31 December 2019		7	40,331	–	–	40,338
Changes in equity for the six months ended 30 June 2020						
Loss for the period and other comprehensive income		–	–	–	(1)	(1)
At 30 June 2020		7	40,331	–	(1)	40,337

(b) Share capital

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 May 2017 with an authorised share capital of USD500 divided into 500 shares with a par value of USD1 each.

(ii) On 25 November 2019, the authorised share capital of the Company was increased from USD500 divided into 500 shares of USD1.00 each to USD50,000 divided into 50,000 shares of USD1.00 each by creation of additional 49,500 shares of USD1.00 each ranking pari passu in all aspects with the existing issued shares.

(iii) On 25 November 2019, each authorised, issued and unissued share then of USD1.00 par value was subdivided into 100,000 shares of USD0.00001 par value each. Upon completion of the increase of authorised share capital and share subdivision, the authorised share capital of the Company was USD50,000 divided into 5,000,000,000 shares of par value USD0.00001 each. Accordingly, the issued 500 shares of the Company before 25 November 2019 with par value of USD1.00 each are subdivided into 50,000,000 shares with par value of USD0.00001 each thereafter. The issued share capital of USD500 (equivalent to RMB3,500) was fully paid on 25 November 2019.

(iv) On 25 November 2019, the Company allotted and issued additional 50,000,000 shares to the shareholders of the Company at the consideration of approximately HK$44.8 million (equivalent to RMB40,334,500). The amount was fully paid on 25 November 2019.

(c) Dividends

No dividend has been declared by the Company during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

(ii) Capital reserve

For the purposes of the Historical Financial Information, the aggregate amount of the paid-in capital of all entities comprising the Group at the respective dates was recorded as a capital reserve, after the elimination of investments in subsidiaries.

During the Relevant Periods, the Group acquired entire equity interests in Sundy Property from the then equity holders of Sundy Property at a consideration of RMB38,780,000, as part of the Reorganisation as detailed in the section headed "History, Reorganisation and Development" to the Document. For the purpose of the preparation of the Historical Financial Information, the consideration of RMB38,780,000 paid in connection with the acquisition are recorded within equity as deemed distribution arising from the Reorganisation.

(iii) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. These statutory reserves are established until the reserve balance reaches 50% of their registered capital. Transfers to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies set out in Note 2(t).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. To this end, the Group aims to price services commensurately with the level of risk and secure access to financing at a reasonable cost. The Group's overall strategy remained unchanged throughout the Relevant Periods.

The Group monitors its capital structure based on the adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital represents total equity attributable to equity shareholders of the Company, less unaccrued proposed dividends.

As at 31 December 2017, 2018 and 2019 and 30 June 2020,the Group maintained at net cash position.

25 FINANCIAL RISK MANAGEMENT

Exposure to credit risk, liquidity risk and interest rate risk occurs in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank, financial assets at FVTPL (wealth management products) and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash at bank is mainly held by well-known financial institutions. Management does not foresee any significant credit risks arising from these deposits and does not expect that these financial institutions will default and cause losses to the Group.

The Group's wealth management products classified as FVTPL are issued by well-known financial institutions. The Group has determined that there is no significant credit risk associated with these wealth management products, and these products did not cause any losses during the Relevant Periods.

In respect of amounts due from related parties, the Group has determined that the expected credit loss rate for these receivables is minimal. Thus no loss allowance provision for these receivables was recognised during the Relevant Periods.

In respect of prepayments, deposits and other receivables except for other receivables due from certain customers as mentioned below, the Group has assessed that the expected credit loss rate for these receivables is minimal under 12 months expected credit losses method based on historical settlement records and forward-looking information (including the economic environment). Thus no loss allowance provision for these receivables was recognised during the Relevant Period.

In respect of trade receivables due from third parties, the Group measures loss allowances at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group considers a default event to have occurred when there is a significant decrease in the collection rate for property management and other service fees, and estimates the expected credit loss rate for the Relevant Periods. For trade receivables related to non-property management services, such as value-added services to non-property owners, these receivables are normally settled within 6 months. The Group has determined that the expected credit loss rate for these receivables is immaterial under the lifetime ECLs method based on historical settlement records and forward-looking information (including the economic environment).

For trade and other receivables, management of the Group have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from third parties as at 31 December 2017, 2018 and 2019 and 30 June 2020.

At 31 December 2017

	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Non-property management services			
Within 6 months	0%	2,061	–
Property management services			
Within 1 year	16%	6,145	990
1 to 2 years	52%	1,673	873
Over 2 years	100%	541	541
Total		10,420	2,404

At 31 December 2018

	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Non-property management services			
Within 6 months	0%	2,014	–
Property management services			
Within 1 year	21%	12,134	2,552
1 to 2 years	52%	1,995	1,041
Over 2 years	100%	1,208	1,208
Total		17,351	4,801

At 31 December 2019

	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Non-property management services			
Within 6 months	0%	4,813	–
Property management services			
Within 1 year	19%	10,885	2,029
1 to 2 years	68%	3,647	2,490
Over 2 years	100%	747	747
Total		20,092	5,266

At 30 June 2020

	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Non-property management services			
Within 6 months	0%	2,138	–
Property management services			
Within 1 year	7%	23,614	1,719
1 to 2 years	46%	5,322	2,467
Over 2 years	100%	2,338	2,338
Total		33,412	6,524

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Relevant Periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In addition to the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of assets and considers whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information that is available. Details of indicators are disclosed in Note 2 (j)(i).

The movement in the allowance for impairment of trade receivables and other receivables during the Relevant Periods, including both specific and collective loss components, is as follows:

Impairment of trade receivables

		Year ended 31 December			Six months ended 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January		(1,373)	(2,404)	(4,801)	(5,266)
Impairment loss recognised	*(i)*	(1,031)	(2,397)	(465)	(1,258)
At 31 December/30 June		(2,404)	(4,801)	(5,266)	(6,524)

(i) At 31 December 2017, 2018 and 2019 and 30 June 2020, none of the trade receivables was individually determined to be impaired. The allowances for doubtful debts of RMB2,404,000, RMB4,801,000, RMB5,266,000 and RMB6,524,000 for trade receivables recognised at 31 December 2017, 2018 and 2019 and the 30 June 2020 respectively, were made at each reporting date based on a collective group basis assessment by ageing of trade receivables.

There were no trade receivables that were past due but not impaired at the end of each reporting period.

Impairment of other receivables

		Year ended 31 December			Six months ended 30 June
	Note	**2017**	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January		(2,207)	(2,207)	–	–
Impairment loss reversal	*(ii)*	–	2,207	–	–
At 31 December/30 June		(2,207)	–	–	–

(ii) The Group provided property management services to Zhejiang Yaxiya Real Estate Development Co., Ltd. ("Yaxiya Property") on a commission basis. Yaxiya Property was declared bankruptcy in May 2016. As the Group had disputes with the liquidator of Yaxiya Property on certain receivables and assessed the recoverability of these receivables was remote, the Group recognised an allowance for impairment of other receivables of RMB2,207,000 for related unsettled amounts due from Yaxiya Property before May 2016.

During the year ended 31 December 2018, the Group won the law suit against Yaxiya Property for those unsettled amounts. According to a court decision on 20 December 2018, the Group was entitled to recover the above unsettled amounts and accordingly reversed the related impairment loss of RMB2,207,000 during the year ended 31 December 2018. The amount was subsequently received during the year ended 31 December 2019.

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis. This includes reviewing the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and/or from other Group companies to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end for each reporting period of the Group's financial liabilities. These liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at 31 December**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	40,199	–	–	–	40,199	40,199
Lease liabilities	934	–	–	–	934	869
Lease liabilities non-current	–	2,230	3,175	–	5,405	4,805
	41,133	2,230	3,175	–	46,538	45,873

	As at 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	100,042	–	–	–	100,042	100,042
Lease liabilities	2,230	–	–	–	2,230	2,177
Lease liabilities non-current	–	2,141	1,034	–	3,175	2,957
	102,272	2,141	1,034	–	105,447	105,176

	At at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	74,819	–	–	–	74,819	74,819
Lease liabilities	2,110	–	–	–	2,110	2,064
Lease liabilities non-current	–	992	9	–	1,001	913
	76,929	992	9	–	77,930	77,796

	Six months ended 30 June 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 30 June
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and other payables	98,059	–	–	–	98,059	98,059
Lease liabilities	2,157	–	–	–	2,157	2,132
Lease liabilities non-current	–	115	–	–	115	109
	100,216	115	–	–	100,331	100,300

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at 31 December 2017, 2018 and 2019 and 30 June 2020 are cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant.

The Group does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

Overall speaking, the Group's exposure to interest rate risk is not significant.

26 CAPITAL COMMITMENTS

The Group did not have any material capital commitments as at 31 December 2017, 2018 and 2019 and 30 June 2020.

27 CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2017, 2018 and 2019 and 30 June 2020.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods.

(a) Name of and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions:

Name of related party	Relationship with the Group
Mr. Yu Jianwu 俞建午先生	Controlling shareholder of the Company
Sundy Holdings and its subsidaires ("Sundy Holdings Group") 宋都控股及其附屬公司	Corporate Controlled by Mr. Yu Jianwu and the immediate holding company of Sundy Property before the Reorganisation
Tonglu Daqi County Real Estate Co., Ltd. 桐廬大奇山郡置業有限公司	Joint venture of Sundy Holdings
Ningbo Fenghua Hedu Real Estate Development Co., Ltd. 寧波奉化和都房地產開發有限公司	Joint venture of Sundy Holdings
Quzhou Rongsheng Property Co., Ltd. 衢州融晟置業有限公司	Associate of Sundy Holdings
Zhoushan Rongdu Property Co., Ltd. 舟山榮都置業有限公司	Joint venture of Sundy Holdings
Deqing Dening Real Estate Co., Ltd. 德清德寧置業有限公司	Joint venture of Sundy Holdings
Greenland Holdings Corporation Hangzhou Twin Towers Property Co., Ltd. ("Twin Towers Property") 綠地控股集團杭州雙塔置業有限公司	Joint venture of Sundy Holdings
Zhoushan Hongdu Real Estate Co., Ltd. 舟山弘都置業有限公司	Associate of Sundy Holdings
Sundy Yangguang Kindergarten 宋都陽光幼兒園	Corporate significantly influenced by Mr. Yu Jianwu
Shanghai Greenland Property Services Co., Ltd. ("Greenland Property Services") 上海綠地物業服務有限公司	Non-controlling shareholder of Lusong Property
Shaoxing Guangdu Real Estate Development Co., Ltd. 紹興廣都房地產開發有限公司	Associate of Sundy Holdings

The English translation of the Company name is for reference only. The official names of these companies are in Chinese.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	165	302	728	192	1,034
Discretionary bonuses	40	83	315	38	436
Retirement scheme contributions	11	25	48	16	3
	216	410	1,091	246	1,473

Total remuneration is included in "staff costs" (see Note 6(b)).

(c) Significant related party transactions

The particulars of significant transactions between the Group and the above related parties during the Relevant Periods are as follows:

Significant related party transactions

	Year ended 31 December			Six months ended 30 June	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Property management services and the corresponding value-added services:					
(i) Property management services					
– Sundy Holdings Group	9,383	11,026	24,810	10,191	10,676
– Associates and joint ventures of Sundy Holdings	1,740	1,232	1,039	365	331
– Sundy Yangguang Kindergarten	–	–	72	36	–
(ii) Value-added services to non-property owners					
– Sundy Holdings Group	9,128	30,515	40,171	18,517	26,748
– Associates and joint ventures of Sundy Holdings	1,961	8,202	7,077	3,596	4,472
(iii) Remodelling and decoration of property units (a)					
– Sundy Holdings Group	–	–	7,599	663	7,798
(iv) Other community value-added services					
– Sundy Holdings Group	2,280	3,905	6,535	4,825	3,543
– Associates and joint ventures of Sundy Holdings	–	–	10	9	–

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Hotel business services (b)					
(i) Hotel operation income from:					
– Sundy Holdings Group	–	–	57	42	48
– Associates and joint ventures of Sundy Holdings	–	–	–	–	1
(ii) Variable lease expenses to:					
– Sundy Holdings Group	–	921	3,843	1,743	626
Long-term rental apartment business (c)					
Rental income from:					
– Sundy Holdings Group	–	–	238	119	–
Leases of office buildings and staff dormitories					
(i) Purchase of right-of-use assets from:					
– Sundy Holdings Group	1,466	–	–	–	–
(ii) Interest expenses for lease liabilities:					
– Sundy Holdings Group	102	84	62	36	17
(iii) Payments of lease liabilities:					
– Sundy Holdings Group	68	443	267	–	–
(iv) Short-term lease expenses to:					
– Sundy Holdings Group	–	–	11	6	29
Purchase goods from:					
– Sundy Holdings Group	57	147	204	144	45
Related party loans (d):					
(i) Lending of loans to:					
– Sundy Holdings Group	42,000	30,000	129,000	107,000	–
– Sundy Yangguang Kindergarten	–	4,565	673	673	–
(ii) Repayments of loans by:					
– Sundy Holdings Group	(42,000)	(7,000)	(152,000)	(78,000)	–
– Sundy Yangguang Kindergarten	–	–	(5,238)	–	–
(iii) Interest Income:					
– Sundy Holdings Group	1,252	2,174	2,156	1,185	–
– Sundy Yangguang Kindergarten	–	152	282	183	–

(a) Remodelling and decoration of property units

For certain residential properties and apartments sold by Sundy Holdings Group to individual property owners, the Group simultaneously entered into a remodelling and decoration agreement with each property purchaser when the latter signed the sales and purchase agreements for the properties with Sundy Holdings Group. Also, when circumstances permitted by rules and regulations from time to time, the Group also entered into co-operation agreements with Sundy Holdings Group to provide remodelling and decoration services for remaining unsold units of properties under the same residential area or apartments, pursuant to which the property developer acted in the capacity of property owner to appoint the Group for providing the standardised remodelling and decoration services. When those unsold units are sold out, Sundy Holdings Group will request the individual property purchaser to sign the same remodelling and decoration agreement with the Group and pay the decoration fee to the Group directly. In accordance with the co-operation agreement, Sundy Holdings Group shall be held responsible for paying remodelling and decoration fee within 12 months from the date of signing property sale and purchase agreement if such service fee is not paid by individual property purchase, or within 12 months from the date of signing the cooperation agreement with Sundy Holdings Group.

During the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 the Group recognised remodelling and decoration of property units services revenue of nil, nil, RMB34.9 million, RMB2.5 million (unaudited) and RMB11.2 million respectively in total of which, nil, nil, RMB7.6 million, RMB0.7 million (unaudited) and RMB7.8 million respectively was related to service provided to Sundy Holdings Group before the properties are sold to individual property purchasers in accordance with the cooperation agreement.

(b) Hotel business

The Group leased one hotel premise from Sundy Holding Group for its hotel business under variable lease term in 2017. According to the hotel lease agreement signed with Sundy Holdings Group dated 1 June 2017, the Group is required to pay 15% of the revenue from hotel operation in its first six months of operation, i.e. October 2018, and then 20% of the revenue from hotel operation from the seventh month of operation onwards. In addition, the Group is required to pay 50% of the rental income in 2018 and 60% of the rental income from 2019 onwards when the Group sub-lets the shops in the hotel premise.

The leasing period is three years commencing from the delivery of hotel premise in October 2018. Sundy Holdings Group is also committed to lease the hotel premise to the Group for another 7 years with the lease terms unchanged.

(c) Long-term rental apartment business

The Group has been engaged in long-term rental apartment business since 2017. The Group initially entered into a lease agreement with Sundy Holdings Group in 2017 with respect to certain property units developed by Sundy Holdings Group. The leasing period is four years till 31 May 2021 including rent-free period for the first year and the total rental payable amount during the leasing period is RMB5.2 million ("Initial Rent").

When Sundy Holdings Group sold nearly all the units to individual purchasers in 2017 and some units in early 2018, Sundy Holdings Group agreed to provide a guaranteed return to the individual purchaser for the leasing of these units for three years starting from the second year after the date of purchase with the rent-free period for the first year ("Guaranteed Return Rent"). Sundy holding Group then facilitated the Group to enter into an individual lease agreement with each purchaser subsequently. Pursuant to the individual lease agreement, the Group agreed to pay each purchaser the Initial Rent and the difference between the Initial Rent and Guaranteed Return Rent. It was agreed between Sundy Holdings Group and the Group that such difference was borne by Sundy Holdings Group. On regular basis, Sundy Holdings Group paid such differences to the Group which then immediately paid the same amount to the individual property owners. The Directors confirm there was no sale rebate arrangement between Sundy Holdings Group and the Group for such referral. Under such arrangement, Sundy Holdings Group paid such differences of nil, RMB0.7 million and RMB2.0 million, RMB1.1 million (unaudited) and RMB1.1 million to the Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the entire amount of which were paid by the Group to the individual property owners shortly. The receipts and payments for such differences were considered as operating cash flows in preparing the consolidated statements of cash flow during the Relevant Period.

During the year ended 31 December 2017, the Group recognised investment properties of RMB4.1 million in accordance with the accounting policies set out in Note 14 and same lease liabilities of RMB4.1 million. Subsequently the Group recognised rental income from long-term rental apartment services of RMB0.8 million, RMB2.2 million and RMB2.1 million, RMB1.0 million (unaudited) and RMB0.8 million, related depreciation cost of investment properties of RMB0.5 million, RMB1.0 million and RMB1.0 million, RMB0.5 million (unaudited) and RMB0.5 million, and related interest expenses on lease liabilities of RMB0.2 million, RMB0.3 million and RMB0.2 million, RMB0.1 million (unaudited) and RMB0.1 million for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively.

(d) In 2017, the Group entered into a loan agreement with Sundy Holdings Group, pursuant to which the Group agreed to provide loans to Sundy Holdings Group, for its general working capital purpose, with a principal amount of no more than RMB100 million, during the period from 1 January 2017 to 31 December 2019. These loans were unsecured and interesting bearing at 7.5% per annum. Sundy Holdings Group fully repaid all outstanding loans in September 2019.

In 2018 and 2019, the Group entered into loan agreements with Sundy Yangguang Kindergarten to provide loans of RMB4.6 million and RMB0.7 million, respectively, to Sundy Yangguang Kindergarten for its working capital purpose during the start-up period. These loans were unsecured, interesting bearing at 7.5% per annum and have no fixed payment term. Sundy Yangguang Kindergarten fully repaid all outstanding loans in September 2019.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(d) Balances with related parties

	As at 31 December			As at 30 June
	2017	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related				
Trade receivables				
– Sundy Holdings Group	4,177	5,193	919	6,775
– Associates and joint ventures of Sundy Holdings	1,349	3,994	1,357	3,194
	5,526	9,187	2,276	9,969
Trade payables				
– Sundy Holdings Group	–	932	327	618
Contract assets				
– Sundy Holdings Group	–	–	7,599	11,169
Contract liabilities				
– Sundy Holdings Group	–	2,024	15,488	9,823
Non-trade related				
Other receivables				
– Sundy Holdings Group *(Note iii)*	1,602	26,426	1,295	–
– Joint ventures of Sundy Holdings *(Note i)*	14	14	3,422	3,422
– Sundy Yangguang Kindergarten *(Note iii)*	–	4,717	–	–
	1,616	31,157	4,717	3,422
Other payables				
– Sundy Holdings Group *(Note iii)*	–	36,841	–	170
– Joint ventures of Sundy Holdings	–	–	–	585
– Greenland Property Services *(Note iii)*	–	–	1,711	1,711
	–	36,841	1,711	2,466
Lease liabilities				
– Sundy Holdings Group *(Note ii)*	1,398	956	461	478

Note:

(i) The balance of other receivables due from joint ventures of Sundy Holdings as at 31 December 2019 and 30 June 2020 includes certain performance guarantee deposit of RMB3,422,000 to secure the quality of property management services provided to Twin Towers Property.

(ii) The balance of lease liabilities as at 30 June 2020 will be settled in accordance with the payment terms of respective lease contracts.

(iii) The Directors confirm these non-trade receivables due from or payables due to related parties as at 30 June 2020 will be fully settled prior to the [**REDACTED**].

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2017, 2018, 2019 and 30 June 2020, the directors consider the immediate parent to be SUNDY HEYE LIMITED ("**Sundy Heye**"), which is incorporated in Cayman island, and ultimate controlling party of the Group to be Mr. Yu Jianwu.

30 SUBSEQUENT EVENTS

Pursuant to the written resolutions of the shareholders passed on 21 December 2020, conditional on the share premium account of the Company being credited as a result of the offering or otherwise having sufficient balance, the directors were authorised to allot and issue a total of [**REDACTED**] shares credited as fully paid at par by way of capitalisation of the sum of [**REDACTED**] standing to the credit of the share premium account of the Company.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of this report, the IASB has issued a number of amendments and a new standard, IFRS 17 *Insurance Contracts*, which are not yet becoming effective on 1 January 2020 and which have not been adopted in the Historical Financial Information.

These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an Investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries that comprise the Group in respect of any period subsequent to 30 June 2020.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this [**REDACTED**] *and the Accountants' Report set forth in Appendix I to this* [**REDACTED**].

A UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to equity shareholders of the Company as at 30 June 2020 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of the Group had the [**REDACTED**] been completed as at 30 June 2020 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2020(1)	**Estimated net proceeds from the [REDACTED](2)(3)**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company(5)**	**Unaudited pro forma adjusted consolidated net tangible assets per Share(4)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	99,224		[**REDACTED**]		
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	99,224		[**REDACTED**]		

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2020 have been calculated based on the consolidated total equity attributable to equity shareholders of the Company as at 30 June 2020 of RMB 99,535,000 less intangible assets of RMB311,000, extracted from the Accountants' Report set out in Appendix I to this Document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of HK$[**REDACTED**] (being the minimum [**REDACTED**]) and HK$[**REDACTED**] (being the maximum [**REDACTED**]) per Share and the assumption that there are [**REDACTED**] newly issued Shares in the [**REDACTED**], after deduction of the estimated [**REDACTED**] fees and other related expenses payable by the Company of approximately RMB[**REDACTED**] and RMB[**REDACTED**], respectively (excluding approximately RMB[**REDACTED**] of [**REDACTED**] which have been accounted for prior to 30 June 2020), and taking no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**].

(3) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is based on [**REDACTED**] shares in issue immediately upon the completion of the [**REDACTED**], assuming that the [**REDACTED**] and the [**REDACTED**] have been completed on 30 June 2020, and taking no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**].

(4) For illustrative purpose, the estimated [**REDACTED**] from the [**REDACTED**] and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.84498, the exchange rate set by the People's Bank of China ("**PBOC**") prevailing on 21 December 2020. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2020.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 December 2020 with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange or by electronic means or other means in such manner as may be accepted by the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalment. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalment payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A

Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or sub-[**REDACTED**] of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the Listing Rules. A meeting of members or any class thereof may be held by means of such telephone, electronic or other communication facilities and participation in such a meeting shall constitute presence at such meeting.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 January 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection — 2. Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 5 May 2017. Our Company's name changed from "SUNDY HUIDU LIMITED 宋都汇都有限公司" to "Sundy Service Group Co. Ltd 宋都服务集团有限公司" on 13 September 2017. Our Company has established a principal place of business in Hong Kong at 39/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 January 2020. Mr. Tsang has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

On 5 May 2017, i.e. the date of incorporation, the authorised share capital of our Company was US$500 divided into 500 Shares with a par value of US$1.00 each. On the same date, (i) one Share was allotted and issued at par to the initial subscriber, which was transferred to Sundy Heye at the consideration of US$1.00, and (ii) our Company allotted and issued 299 Shares and 200 Shares at par value to Sundy Heye and Sundy Xingye, respectively.

On 25 October 2017, Sundy Xingye transferred 200 Shares to Sundy Heye at the consideration of US$200. On 29 December 2017, Sundy Heye transferred 25 Shares to Yuan Rui at the consideration of US$25. As a result of the said transfers, our Company was owned as to 95% by Sundy Heye and 5% by Yuan Rui.

On 25 November 2019, the authorised share capital of our Company was increased from US$500 divided into 500 Shares of US$1.00 each to US$50,000 divided into 50,000 Shares of US$1.00 each by creation of additional 49,500 Shares of US$1.00 each ranking *pari passu* in all aspects with the existing issued Shares.

On 25 November 2019, each authorised, issued and unissued Share then of US$1.00 par value was subdivided into 100,000 Shares of US$0.00001 par value each. Upon completion of the increase of authorised share capital and share subdivision, the authorised share capital of our Company was US$50,000 divided into 5,000,000,000 Shares of par value US$0.00001 each.

Please refer to the paragraph headed "History, Reorganisation and Development — Reorganisation" of this document for further details.

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US$[**REDACTED**] divided into [**REDACTED**] Shares, all fully paid or credited as fully paid and [**REDACTED**] Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "— A. Further information about our Group — 3. Resolutions in writing of all our Shareholders passed on 21 December 2020" in this Appendix below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all our Shareholders passed on 21 December 2020

On 21 December 2020, resolutions in writing were passed by all our Shareholders, pursuant to which, among other things:

(a) our Company approved and adopted its new Memorandum of Association and its new Articles of Association both with effect from the [**REDACTED**];

(b) conditional on the Listing Committee of the Stock Exchange granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document (including any additional Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the options which may be granted under the Share Option Scheme); the entering into of the agreement on the [**REDACTED**] between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and our Company on or before the [**REDACTED**]; and the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]:

(i) the [**REDACTED**] was approved and our Directors were authorised to allot and issue the new Shares pursuant to the [**REDACTED**];

(ii) the granting of the [**REDACTED**] was approved and our Directors were authorised to allot and issue Shares pursuant to the exercise of the [**REDACTED**];

(iii) the proposed [**REDACTED**] was approved and our Directors were authorised to implement the [**REDACTED**];

(iv) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed "— D. Other information — 1. Share Option Scheme" in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

(v) conditional on the share premium account of our Company being credited as a result of the issue of the [**REDACTED**] by our Company pursuant to the [**REDACTED**] or otherwise having sufficient balance, our Directors were authorised to capitalise an amount of US$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [**REDACTED**] Shares, such Shares to be allotted and issued to our Shareholders whose names appearing on the register of members of our Company on the date of passing the shareholders resolutions (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, unissued Shares with an aggregate number not exceeding 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and [**REDACTED**] (excluding any Shares which may be allotted and issued upon exercise of the [**REDACTED**] or any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever first occurs;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose the total number of Shares may not exceed 10% of the number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever first occurs; and

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

4. Corporate reorganisation

Details of the Reorganisation are set out in the section headed "History, Reorganisation and Development" in this document.

5. Changes in share capital of subsidiaries of our Group

Subsidiaries of our Company are referred to in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and Development" in this document, there is no alteration in the share capital of any of our Company's subsidiaries within the two years immediately preceding the date of this document.

6. Repurchase of Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolution passed by our then Shareholders on 21 December 2020, the Repurchase Mandate was granted to our Directors authorising any repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate number not exceeding 10% of the aggregate number of Shares of our Company in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (excluding any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] or options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held or when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders of our Company in a general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from purchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of its securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of such company as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all securities which are repurchased by a listed company (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable.

(v) Suspension of repurchases

A listed company may not make any repurchase of its securities after inside information has come to its knowledge, until such information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, such listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a listed company from repurchasing its securities on the Stock Exchange if such listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases made by a company of its securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report shall contain references to the repurchases made during the year and our Directors' reasons for making such repurchases.

(vii) Core connected persons

A listed company is prohibited from knowingly repurchasing its securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates, and a core connected person is prohibited from knowingly selling his/her or its securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the relevant time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law and if so authorised by the Articles, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law and if so authorised by the Articles, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No core connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of issued Shares.

If, as a result of a repurchase of securities pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of his/her or their interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) a cooperation agreement dated 5 May 2019 entered into between Sundy Property and Greenland Property Services in respect of the establishment of Lusong Property;

(b) a share equity cooperation agreement dated 29 June 2020 entered into between Sundy Property and Liaoyuan Modern in respect of the establishment of Jilin Sundy;

(c) [**REDACTED**];

(d) the Deed of Indemnity;

(e) the Deed of Non-competition; and

(f) the [**REDACTED**].

2. Intellectual property rights of our Group

(a) Trademark registered

As at the Latest Practicable Date, our Group had registered the following trademarks, which in the opinion of our Directors, are material to our business:

No.	Trademark	Class	Place of registration	Registered owner	Application number	Registration Date	Expiry date
1.	SUNDY宋服務 臻享幸福+	36, 37, 41, 44, 45	Hong Kong	Sundy Property	305056533	16 September 2019	15 September 2029
2.	SUNDY宋服务 臻享幸福+	36, 37, 41, 44, 45	Hong Kong	Sundy Property	305056533	16 September 2019	15 September 2029
3.	SUNDY宋服務 臻享幸福+	36, 37, 41, 44, 45	Hong Kong	Sundy Property	305056533	16 September 2019	15 September 2029
4.	SUNDY宋服务 臻享幸福+	36, 37, 41, 44, 45	Hong Kong	Sundy Property	305056533	16 September 2019	15 September 2029
5.	宋服务	36	PRC	Sundy Property	40186316	14 June 2020	13 June 2030
6.	SUNDY	36	PRC	Sundy Property	40202022	14 June 2020	13 June 2030
7.	宋服务	37	PRC	Sundy Property	40183670	14 June 2020	13 June 2030

No.	Trademark	Class	Place of registration	Registered owner	Application number	Registration Date	Expiry date
8.	SUNDY	37	PRC	Sundy Property	40202044	21 June 2020	20 June 2030
9.	宋服务	41	PRC	Sundy Property	40192161	14 April 2020	13 April 2030
10.	宋服务	44	PRC	Sundy Property	40199454	14 June 2020	13 June 2030
11.	宋服务	45	PRC	Sundy Property	40203505	14 June 2020	13 June 2030
12.	SUNDY	45	PRC	Sundy Property	40192192	14 April 2020	13 April 2030

(b) Trademark licensed

As at the Latest Practicable Date, our Group was the licensee of the following trademarks, which in the opinion of our Directors, are material to our business:

No.	Trademark	Class	Place of registration	Registered owner	Registration number	Registration date	Expiry date
1.	宋都	36	PRC	Sundy Real Estate	1135831	14 December 2017	13 December 2027
2.		36	PRC	Sundy Real Estate	1135832	14 December 2017	13 December 2027
3.		37	PRC	Sundy Real Estate	1137732	21 December 2017	20 December 2027
4.	宋都	37	PRC	Sundy Real Estate	1137727	21 December 2017	20 December 2027
5.	亚朵酒店	43	PRC	Yaduo Shanghai	26987599	7 October 2018	6 October 2028
6.	亚 朵 酒 店	43	PRC	Yaduo Shanghai	26991064	7 October 2018	6 October 2028
7.	Atour Hotel	43	PRC	Yaduo Shanghai	27002376	7 October 2018	6 October 2028
8.	ATOUR	43	PRC	Yaduo Shanghai	23318238	21 November 2018	20 November 2028

(c) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which are material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	songduwuye.com	Sundy Property	19 June 2019	19 June 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Disclosure of interests

(a) Disclosure of interests and short positions of our Directors and chief executives of our Company

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or the options which may be granted under the Share Option Scheme, none of our Directors or chief executives of our Company has the interests or short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed.

(b) Disclosure of interests and short positions of our substantial Shareholders

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the options which may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of any class of the issued voting shares of any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	As at the submission of the application proof of this document: Number of Shares(1)	As at the submission of the application proof of this document: Percentage of issued Shares	Immediately after the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised): Number of Shares(1)	Immediately after the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised): Percentage of issued Shares
Mr. Yu(2)	Settlor of a trust	95,000,000 ordinary shares (L)	95%	[REDACTED] Shares (L)	[REDACTED]%
CMB Wing Lung(2)	Trustee	95,000,000 ordinary shares (L)	95%	[REDACTED] Shares (L)	[REDACTED]%
Success Base(2)	Interest of a controlled corporation	95,000,000 ordinary shares (L)	95%	[REDACTED] Shares (L)	[REDACTED]%
Sundy Heye(2)	Beneficial owner	95,000,000 ordinary shares (L)	95%	[REDACTED] Shares (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long positions in the Shares.

(2) Sundy Heye is wholly owned by Success Base, which is indirectly wholly owned by CMB Wing Lung. CMB Wing Lung is the trustee of The Jianwu Yu's Trust, which holds the entire issued share capital in Sundy Heye through its nominee companies on trust for the benefit of Mr. Yu and his family members.

2. Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the [**REDACTED**], which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set forth in the Articles of Association.

Save as disclosed above, none of our Directors has entered, or has proposed to entered, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' remuneration

For FY2017, FY2018, FY2019, 6M2019 and 6M2020, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid by us to our Directors were approximately RMB216,000, RMB410,000, RMB495,000, RMB247,000 and RMB877,000, respectively. The said remuneration includes their emoluments as key management and employees of our Group before their appointment as our Directors.

Save as disclosed above, no other payments have been paid or are payable by us to our Directors during the Track Record Period.

Our independent non-executive Directors have been appointed for an initial term of three years from the [**REDACTED**]. Our Company intends to pay a director's fee of HK$120,000 per annum to each of Mr. Zhang Jingzhong and Mr. Xu Rongnian, and HK$162,000 per annum to Mr. Lau Kwok Fai Patrick.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director during the current financial year.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) paid to our Directors for the year ending 31 December 2020 is estimated to be approximately RMB2.2 million.

4. Agency fees or commissions paid or payable

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any share or loan capital of any member of our Group.

5. Disclaimers

Save as disclosed in this document and as at the Latest Practicable Date:

(a) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "— D. Other information — 7. Qualifications and consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) none of the experts referred to under the paragraph headed "— D. Other information — 7. Qualifications and consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who is interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 21 December 2020:

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group;

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of our Group; and

(iii) for such purposes as our Board may approve from time to time.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive and independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**], being [**REDACTED**] Shares, excluding for this purpose, Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Board may:

(i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, [**REDACTED**], rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.03(4) and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the Eligible Participant is a Connected Person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(f) Grant of options to certain connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;

(iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules and the information required under Rule 2.17 of the Listing Rules.

(g) Restrictions on the time of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has announced such information pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of :

(i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results or half-year or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the [**REDACTED**]. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the [**REDACTED**].

(j) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on cessation of employment by death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Group on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation (which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, ill-health, injury or disability, his personal representative(s) may exercise the option within a period of 12 months from such cessation.

(l) Rights on cessation of employment by dismissal

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally, or on any other ground that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(o) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full as if such compromise or arrangement had not been proposed by our Company.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company while any option may become or remains exercisable, whether by way of [**REDACTED**], rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised; the subscription price per Share of each outstanding option; the shares to which the option relates; the method of exercise of the option; and/or any combination thereof, as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (k), (m), (n) or (o);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;

(iv) the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or any other ground that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme) shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(t) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

(u) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise;

(iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

2. Tax and other indemnities

Each of our Controlling Shareholders have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities, on a joint and several basis, in connection with, among other things:

(a) any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the [**REDACTED**] becomes unconditional; and

(b) any and all expenses, payments, sums, outgoings, fees, demands, claims, actions, proceedings, judgements, damages, losses, costs (including but not limited to legal and other professional costs), charges, contributions, liabilities, fines and penalties which any member of our Group may incur, suffer or accrue, directly or indirectly from, among others:

  (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the [**REDACTED**] becomes unconditional;

  (ii) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the [**REDACTED**] becomes unconditional;

  (iii) any failure, delay or defects of corporate or regulatory compliance under, or any breach of any provision of, the applicable laws, rules, regulations and agreements by any member of our Group on or before the date on which the [**REDACTED**] becomes unconditional;

  (iv) any failure to obtain the necessary licences, consents or permits under applicable laws and regulations for any member of our Group's valid and legal establishment and/or operation on or before the date on which the [**REDACTED**] becomes unconditional; and

  (v) the incidents referred to in the paragraph headed "Business — Legal proceedings and compliance" in this document.

3. Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

4. Litigation

As at the Latest Practicable Date, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group that would have a material adverse effect on its operating results or financial condition.

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately RMB[**REDACTED**] and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualifications and consents of experts

The following are the qualifications of the experts who have given reports, letters, opinions or advice (as the case may be) which are contained in this document:

Name	Qualification
Cinda International Capital Limited	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified public accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
AllBright Law Offices	Legal advisers to our Company as to PRC laws
Conyers Dill & Pearman	Cayman Islands attorneys-at-laws
China Index Academy	Industry Consultant
Ernst & Young (China) Advisory Limited	Tax adviser

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letters and/or valuation certificates and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Group has no outstanding convertible debt securities or debentures;

(iv) no commission, discount, brokerage or other special term has been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(v) no founders, management or deferred shares of our Company or, any of our subsidiaries have been issued or agreed to be issued; and

(vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) none of the persons named in the paragraph headed "— D. Other information — 7. Qualifications and consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2020 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(e) the principal register of members of our Company will be maintained in Cayman Islands by [**REDACTED**] and a branch register of members of our Company will be maintained in Hong Kong by [**REDACTED**]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's branch [**REDACTED**] in Hong Kong and may not be lodged in Cayman Islands;

(f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(g) no member of our Group is presently listed on any stock exchange or traded on any trading system; and

(h) there is no arrangement under which future dividends are waived or agreed to be waived.

10. Bilingual document

The English and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

11. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares that may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme.

The Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee payable by us in respect of the Sole Sponsor's services as sponsor for the [**REDACTED**] is HK$[**REDACTED**].

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the [**REDACTED**];

(b) the written consents referred to in the paragraph headed "Statutory and General Information — D. Other information — 7. Qualifications and consents of experts" in Appendix IV to this document; and

(c) a copy of each of the material contracts referred to in the paragraph headed "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stevenson, Wong & Co. in association with AllBright Law Offices at 39/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountants' Report prepared by KPMG, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for FY2017, FY2018, FY2019 and 6M2020;

(d) the assurance report from KPMG in respect of the compilation of pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising certain aspects of Cayman Islands company law referred to in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document;

(f) the Companies Law;

(g) the legal opinions dated the document date issued by AllBright Law Offices, our PRC Legal Adviser in respect of our Group's business operations and property interests in the PRC;

(h) the CIA Report;

(i) copies of the material contracts referred to in the section paragraph "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document;

(j) the service contracts or letters of appointment entered into between our Company and our Directors referred to in the paragraph headed "Statutory and General Information — C. Further information about our Directors and substantial shareholders of our Company — 2. Directors' service contracts" in Appendix IV to this document;

(k) the written consents referred to in the paragraph headed "Statutory and General Information — D. Other information — 7. Qualifications and consents of experts" in Appendix IV to this document; and

(l) the rules of the Share Option Scheme.