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Application Proof of

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(the "**Company**")

(A limited liability company incorporated in the Cayman Islands)

WARNING

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KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(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)**
Number of [REDACTED]	:	**[REDACTED] Shares (including [REDACTED] under the [REDACTED]) (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per [REDACTED], plus brokerage fee of 1.0%, 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	:	**HK$0.01 per Share**
Stock code	:	**[REDACTED]**

Joint Sponsors

農銀國際 ABC INTERNATIONAL

华泰国际 HUATAI INTERNATIONAL

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, no later than [REDACTED]. The [REDACTED] will be no more than HK$[REDACTED] per [REDACTED] and is currently expected to be no less than HK$[REDACTED] per [REDACTED] unless otherwise announced. Investors applying for [REDACTED] must pay, on application, the maximum [REDACTED] of HK$[REDACTED] per Share, unless otherwise announced, together with brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] is less than HK$[REDACTED] per [REDACTED].

The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published in the [South China Morning Post] (in English), the [Hong Kong Economic Times] (in Chinese), the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.kwgliving.com no later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Further details are set out in "Structure of the [REDACTED]" and "How to Apply for [REDACTED]." If, for any reason, the [REDACTED] is not agreed between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on or before [REDACTED], the [REDACTED] will not proceed and will lapse. For more information, see "[REDACTED] — [[REDACTED] Arrangements and Expenses — The [REDACTED] — Grounds for Termination]."

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] may be offered, sold or delivered outside of the United States in accordance with Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

CONTENTS

This document is issued by KWG Living Group Holdings Limited solely in connection with the [REDACTED] and does not constitute an [REDACTED] or a solicitation of [REDACTED] any securities other than the [REDACTED] and the [REDACTED] offered by this document pursuant to the [REDACTED] and the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong (save for the [REDACTED] made to the [REDACTED]). The distribution of this document and the [REDACTED] of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on as having been authorized by our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, officers, representatives, employees, agents or professional advisors or any other person or party involved in the [REDACTED].

CONTENTS

SUMMARY

This summary aims to give you an overview of the information contained in this document. Since it 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 the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in "Risk Factors." You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a leading comprehensive property management service provider in China. Among the property management companies with commercial operational services, we were ranked seventh in China and fifth in the Greater Bay Area in terms of total GFA under management, according to JLL. CIA has ranked us No. 17 among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of the overall strength, based on data from the previous year on key factors such as scale of operations, financial performance, service quality, growth potential and social responsibility.

We provide comprehensive property management services for both residential properties and commercial properties. In 2019, the revenue we generated from our residential property management service segment and commercial property management and operational service segment amounted to RMB759.2 million and RMB365.6 million, respectively. We believe that our comprehensive property management services enable us to diversify our revenue sources and reduce our exposure to fluctuations in any single segment. Our residential property management service segment comprises (i) pre-sale management services; (ii) property management services; and (iii) community value-added services, including (a) property agency services to property developers and property owners; (b) home-living services to property owners and residents; and (c) common area value-added services. Our commercial property management and operational service segment comprises (i) pre-sale management services; (ii) commercial property management services; (iii) commercial operational services; and (iv) other value-added services, primarily including common area value-added services.

As of December 31, 2019, we managed 106 residential properties with an aggregate GFA under management of 18.3 million sq.m. These residential properties were located in 37 cities or autonomous county in China. As of the same date, we had been contracted to manage 158 residential properties with an aggregate contracted GFA of 29.4 million sq.m.

As of December 31, 2019, we managed 30 commercial properties with an aggregate GFA under management of 3.3 million sq.m. These properties were located in eight cities or autonomous county in China. As of the same date, we had been contracted to manage 33 commercial properties with an aggregate contracted GFA of 4.5 million sq.m.

Historically, the growth of our business significantly benefited from the support of KWG Group, which is a large-scale property developer with a leading position in the Greater Bay Area. The [REDACTED] of our Company will constitute a spin-off from KWG Holdings. As of December 31, 2019, KWG Group had 156 projects in 39 cities across mainland China and Hong Kong with a land bank of approximately 17.0 million sq.m., which we believe will bring us significant growth opportunities. In 2019, 89.0% and 95.9%, of the revenue generated from property management services was derived from the residential and commercial properties developed by KWG Group and its joint ventures, associates or other related parties, respectively. In addition, we have expanded our property management services to cover properties developed by third parties. Revenue contribution for property management services provided to residential properties developed by third-party property developers increased from nil in 2017 to 11.0% in 2019, and revenue contribution for property management services provided to commercial properties developed by third-party property developers increased from nil in 2017 to 4.1% in 2019. We expect to further increase revenue contribution from properties developed by third-party property developers.

We achieved strong financial performance during the Track Record Period. Our revenue increased at a CAGR of 55.8% from RMB463.4 million in 2017 to RMB659.1 million in 2018, and further to RMB1,124.9 million in 2019. Our net profit increased at a CAGR of 104.7% from RMB44.1 million in 2017 to RMB79.7 million in 2018, and further to RMB185.0 million in 2019.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue from the following business segments.

- **Residential Property Management Services**: We provide (i) pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities; (ii) property management services such as cleaning, security, gardening and repair and maintenance services to (a) property developers for undelivered portion of the properties; and (b) property owners, property owners' associations or residents for properties sold and delivered; and (iii) community value-added services such as (a) property agency services to property developers and property owners; (b) home-living services to property owners and residents; and (c) common area value-added services.

- **Commercial Property Management and Operational Services**: We provide (i) pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities; (ii) commercial property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants; (iii) commercial operational services such as preliminary planning and consultancy services, tenant sourcing services, tenant management services and marketing and promotion services to property owners and property developers; and (iv) other value-added services primarily including common area value-added services. We manage and operate a diversified portfolio of commercial properties including office buildings and shopping malls, and to a lesser extent, industrial parks.

The table below sets forth a breakdown of our total revenue by business segment for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Residential property management services	345,169	74.5	428,107	64.9	759,234	67.5
Commercial property management and operational services	118,212	25.5	231,029	35.1	365,644	32.5
Total	463,381	100.0	659,136	100.0	1,124,878	100.0

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed and will continue to contribute to our success: (i) a leading comprehensive property management service provider in China with a focus on the Greater Bay Area and a rapid growth track record; (ii) well-recognized reputation and premium brought by our quality services; (iii) diversified services catering to different demands of our customers; (iv) expansion of commercial property management and operational business; (v) support from KWG Group bringing us significant growth opportunities; (vi) advanced technologies to enhance our operational efficiency and customer experience; and (vii) experienced management team and capable workforce.

OUR BUSINESS STRATEGIES

We intend to strengthen our position in the residential property management services and commercial property management and operational services by implementing the following strategies: (i) further penetrate and solidify our leading position in the Greater Bay Area, and continue to increase our presence and market share in the Yangtze River Delta Area, Midwest China and Hainan and Bohai Economic Rim; (ii) continue to grow through acquisitions and strategic investments; (iii) further diversify our value-added services; (iv) upgrade our intelligent systems to further enhance our operational efficiency and customer experience; and (v) continue to attract, train and retain talent to propel our growth.

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

The table below sets forth a breakdown of our revenue from residential property management service segment by service line for the years indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Pre-sale management services	75,944	22.0	123,588	28.9	221,810	29.2
Property management services	253,709	73.5	287,034	67.0	382,047	50.3
Community value-added services	15,516	4.5	17,485	4.1	155,377	20.5
Total	345,169	100.0	428,107	100.0	759,234	100.0

During the Track Record Period, all of the residential properties solely developed by KWG Group were under our management. We also managed residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, we started to manage residential properties developed by third-party property developers in 2019. We achieved a steady growth in our revenue from the residential property management service segment during the Track Record Period. The table below sets forth a breakdown of the number of residential properties under our management and aggregate GFA under management with respect to residential properties as of the dates indicated, and revenue generated from property management services under residential property management service segment for the years indicated, by type of property developer:

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number	GFA	Revenue		Number	GFA	Revenue		Number	GFA	Revenue	
		sq.m.	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)											
KWG Group and its joint ventures, associates or other related parties	63	10,871	253,709	100.0	66	11,773	287,034	100.0	83	14,471	340,049	89.0
Third-party property developers	—	—	—	—	—	—	—	—	23	3,875	41,998	11.0
Total	63	10,871	253,709	100.0	66	11,773	287,034	100.0	106	18,346	382,047	100.0

We managed to grow the percentage of GFA under management with respect to residential properties developed by third-party property developers from nil as of December 31, 2017 to approximately 21.1% as of December 31, 2019. The property management service revenue we generated from managing residential properties developed by third-party property developers increased from nil in 2017 to approximately RMB42.0 million in 2019. We attribute this growth to (i) our ability to search for and capture market opportunities independent from our affiliation with KWG Group; and (ii) the acquisition of Gangyu Enterprise where its subsidiaries managed properties developed by third-party property developers. In 2018, we set up a market development department which is responsible for exploring potential business opportunities for properties developed by third-party property developers via participating in marketing events with industry associations and market participants in the real estate and property management industry and identifying new projects open for public tender. We will continue our efforts in exploring opportunities to cooperate with third-party property developers and property owners to spur our market expansion.

COMMERCIAL PROPERTY MANAGEMENT AND OPERATIONAL SERVICES

In addition to managing residential properties, during the Track Record Period, we also provided property management and operational services to commercial properties, including office buildings and shopping malls, and to a lesser extent, industrial parks.

The table below sets forth a breakdown of our revenue from commercial property management and operational service segment by service line for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Pre-sale management services	13,339	11.3	12,930	5.6	21,342	5.9
Commercial property management services	66,803	56.5	150,730	65.2	259,766	71.0
Commercial operational services	28,392	24.0	44,707	19.4	42,570	11.6
Other value-added services	9,678	8.2	22,662	9.8	41,966	11.5
Total	118,212	100.0	231,029	100.0	365,644	100.0

We managed and/or operated all of the commercial properties solely developed by KWG Group. We also managed commercial properties developed by KWG Group's joint ventures, associates or other related parties. In addition, we started to manage commercial properties developed by third-party property developers in 2019. We achieved a steady growth in our revenue from the commercial property management and operational service segment during the Track Record Period. The table below sets forth a breakdown of the number of commercial properties under our management and aggregate GFA under management with respect to commercial properties as of the dates indicated, and revenue generated from commercial property management services under commercial property management and operational service segment for the years indicated, by type of property developer:

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number	GFA	Revenue		Number	GFA	Revenue		Number	GFA	Revenue	
		sq.m.	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB*	*%*
	(in thousands, except for numbers and percentages)											
KWG Group and its joint ventures, associates or other related parties	12	1,341	66,803	100.0	18	2,031	150,730	100.0	22	2,398	249,025	95.9
Third-party property developers	—	—	—	—	—	—	—	—	8	870	10,741	4.1
Total	12	1,341	66,803	100.0	18	2,031	150,730	100.0	30	3,268	259,766	100.0

We managed to grow our percentage of GFA under management with respect to commercial properties developed by third-party property developers from nil as of December 31, 2017 to 26.6% as of December 31, 2019. The commercial property management service revenue we generated from managing commercial properties developed by third-party property developers increased from nil in 2017 to RMB10.7 million in 2019. The reasons for such growth were similar to those for residential properties.

RELATIONSHIP WITH KWG GROUP

The [REDACTED] will constitute a spin-off from KWG Holdings. Upon completion of the Spin-off and the [REDACTED], KWG Holdings will not retain any interest in our issued share capital and we will no longer be a subsidiary of KWG Holdings.

We have a well-established and ongoing business relationship with KWG Group. We have provided KWG Group with residential property management services since 2004 and commercial property management and operational services since 2006. KWG Group is principally engaged in property development, property investment, hotel operation and education, and requires both residential property management services and commercial property management and operational services in its daily operations. All of the residential and commercial properties solely developed by KWG Group are under our management. Our business relationship with KWG Group is common among property management and commercial operation service providers and their parent companies in the PRC and has been mutually beneficial and complementary. As confirmed by JLL, it is an industrial norm that property management and commercial operation service providers have a close working relationship with property developers under the same ultimate controlling shareholder.

Given our long and close cooperation relationship with KWG Group, we are familiar with KWG Group's strategy and requirements, which helps ensure that our services provided to KWG Group are reliable and satisfactory and also helps reduce the time required for the preliminary planning of a project, resulting in a more efficient development process. We consider that our relationship with KWG Group is beneficial to both KWG Group and us. We also consider that it may not be in the best interest of KWG Group to engage a new service provider in place of us considering the amount of time for such service provider to get familiar with KWG Group's strategy and requirements and to provide equally satisfactory services as compared to us.

Having considered the abovementioned factors, including (i) our long and close cooperation relationship with KWG Group; (ii) our familiarity with KWG Group's strategy and requirements; (iii) the mutual benefits for both KWG Group and us to continue with the current relationship; and (iv) the time required and the uncertainties involved for KWG Group to engage a new service provider which is able to provide equally satisfactory services to replace us, we are of the view that our current relationship with KWG Group is unlikely to be materially adversely changed or terminated.

As disclosed above, given there is a certain degree of mutuality and complementarity of the ongoing business between KWG Group and us, as well as our proven track record in securing engagements from KWG Group for the provision of residential property management services and commercial property management and operational services, we consider that we will continue to be able to secure future engagements from them and be able to maintain our revenue from them upon [REDACTED]. Our provision of residential property management services and commercial property management and operational services to KWG Group will constitute continuing connected transactions for our Company upon [REDACTED]. For details, see "Connected Transactions" in this document.

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of property developers, property owners, property owners' associations, tenants and residents. In 2017, 2018 and 2019, revenue generated from sales to our five largest customers amounted to RMB116.0 million, RMB232.2 million and RMB451.1 million, respectively, accounting for 25.0%, 35.2% and 40.1% of our total revenue, respectively. In 2017, 2018 and 2019, revenue generated from services provided to our largest customer, KWG Group, amounted to RMB94.8 million, RMB197.5 million and RMB404.9 million, respectively, accounting for 20.5%, 30.0% and 36.0% of our total revenue, respectively. See "Business — Customers" for details.

Our suppliers are primarily subcontractors located in China who provide cleaning, gardening, and repair and maintenance services. In 2017, 2018 and 2019, purchases from our five largest suppliers accounted for 14.1%, 12.4% and 14.1%, of our total cost of sales, respectively. In 2017, 2018 and 2019, purchases from our single largest supplier amounted to RMB11.8 million, RMB17.4 million and RMB23.1 million, respectively, accounting for 3.3%, 3.7% and 3.3% of our total cost of sales, respectively. During the Track Record Period, other than KWG Group, none of our major suppliers was also our customer. See "Business — Suppliers" for details.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Spin-off, without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED], (i) Mr. Kong Jianmin, will through Plus Earn and Hero Fine, own in aggregate approximately [REDACTED] of the total number of issued Shares; (ii) Mr. Kong Jiantao, will through Right Rich, Excel Wave and Wealth Express, own in aggregate approximately [REDACTED] of the total number of issued Shares; and (iii) Mr. Kong Jiannan, will through Peace Kind, own approximately [REDACTED] of the total number of issued Shares. Each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind is an investment holding company with no business operation. Mr. Kong Jiantao is an executive director and the chief executive officer of KWG Holdings, and is the brother of Mr. Kong Jianmin and Mr. Kong Jiannan.

On [•] 2020, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of our Company according to the instruction of whichever party thereto holds the most Shares from time to time. Hero Fine is wholly-owned by Mr. Kong Jianmin. Excel Wave and Wealth Express are wholly-owned by Mr. Kong Jiantao. As such, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are a group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting rights at general meetings of our Company and therefore are a group of our Controlling Shareholders under the Listing Rules.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Selected Items of Combined Statements of Profit or Loss

	For the year ended December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Revenue	463,381	659,136	1,124,878
Cost of sales	(359,111)	(476,175)	(705,050)
Gross profit	104,270	182,961	419,828
Profit before tax	57,599	104,308	250,604
Profit for the year	44,148	79,682	184,987

Selected Items of Combined Statements of Financial Position

	As of December 31,		
	2017	**2018**	**2019**
		(RMB'000)	
Non-current assets	15,900	25,809	254,944
Current assets	1,181,902	1,190,541	1,707,242
Current liabilities	1,074,615	1,013,543	1,537,767
Net current assets	107,287	176,998	169,475
Non-current liabilities	3,050	2,988	26,991
Total equity	120,137	199,819	397,428

Selected Items of Combined Statements of Cash Flow

	For the year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	61,442	112,145	280,966
Net cash from operating activities	61,011	70,320	259,405
Net cash (used in)/from investing activities	(196,261)	288,959	(14,947)
Net cash from/(used in) financing activities	27,507	(436,794)	(3,683)
Net (decrease)/increase in cash and cash equivalents	(107,743)	(77,515)	240,775
Cash and cash equivalents at the beginning of the year	361,248	253,505	175,990
Cash and cash equivalents at the end of the year	253,505	175,990	416,765

Summary of Key Financial Ratios

The following table sets forth the major financial ratios as of the dates or for the years indicated:

	As of or for the year ended December 31,		
	2017	**2018**	**2019**
Financial metrics			
Return on assets(1)	4.6%	6.6%	11.6%
Return on equity(1)	45.0%	49.8%	61.9%
Current ratio(1)	1.10	1.17	1.11
Liabilities to assets ratio(1)	0.90	0.84	0.80

Note:

(1) For details of the definition, see "Financial Information — Major Financial Ratios."

SUMMARY OF MATERIAL RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include: (i) our future growth may not materialize as planned, and our future business expansions into new geographic regions may subject us to new rules and regulations which may have material adverse effect on our business, financial position and results of operations; (ii) our future acquisitions of or investment in other property management companies may not be successful and we may face difficulties in integrating acquired operations with our existing business; (iii) a substantial portion of our revenue is generated from property management services we provide in relation to KWG Group's property development projects; (iv) we generated revenue from property management services primarily on a lump sum basis. We may be subject to losses if we fail to estimate or control our costs in performing our property management services; and (v) a significant portion of our operations are concentrated in the Greater Bay Area, and we are susceptible to any adverse development in government policies or business environment in this region.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this document and, in particular, should evaluate the specific risks set forth in "Risk Factors" in deciding whether to invest in our Shares.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the [REDACTED] is completed and [REDACTED] Shares are issued and sold in the [REDACTED]; (ii) the [REDACTED] is not exercised; and (iii) [REDACTED] Shares are issued and outstanding upon completion of the [REDACTED].

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization of our Shares	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted net tangible asset value per Share(1)	[REDACTED]	[REDACTED]

Note:

(1) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

DIVIDEND POLICY

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, future business prospects, statutory and contractual restrictions on the payment of dividends by us, as well as any other factors which our Directors may consider relevant. Our Company did not declare any dividends during the Track Record Period. Our Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. There can be no assurance that we will be able to declare any dividends in the amount set out in any plan of the Board or at all. We currently do not have any dividend policy or intention to declare or pay any dividends in the near future. For more information, see "Financial Information — Dividends and Distributable Reserve."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$[REDACTED] from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range set forth on the cover page of this document). We intend to use such net proceeds from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] or [REDACTED], will be used to pursue strategic acquisitions and investment opportunities to further develop strategic alliances, expand our business scale and increase our market shares in residential property management service market and commercial and other non-residential property management and operational service market;

- approximately [REDACTED] or [REDACTED], will be used to upgrade the intelligent service systems in order to further enhance our operational efficiency and service quality;
- approximately [REDACTED] or [REDACTED], will be used to further diversify our value-added services; and
- approximately [REDACTED] or [REDACTED], will be used for general business purpose and working capital.

For more information, see "Future Plans and Use of Proceeds."

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED], including [REDACTED] commission, is approximately [REDACTED] (based on the mid-point of the indicative [REDACTED] range of [REDACTED] per Share and assuming no [REDACTED] will be exercised), of which (i) [REDACTED] has been charged to our combined statements of profit or loss in 2019, (ii) approximately [REDACTED] is expected to be charged to our combined statements of profit or loss for the year ending December 31, 2020; and (iii) approximately [REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. Our Directors do not expect that our [REDACTED] expenses will have a material adverse impact on our financial performance for the year ending December 31, 2020.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2019 up to the Latest Practicable Date, we had been contracted with third-party property developers to provide property management services to two property management projects with a total contracted GFA of approximately 329,091 sq.m.

Towards the end of 2019, an outbreak of respiratory illness caused by a novel coronavirus (COVID-19) quickly spread globally and throughout China. In response, measures such as travel restrictions have been imposed in major cities in China, as well as other countries and territories, in an effort to contain the outbreak of the COVID-19. The outbreak has led us to implement various measures in our property management projects to prevent transmission of or mitigate exposure to the disease. We constantly monitor the status of the COVID-19 outbreak, as well as the various regulatory and administrative measures adopted by local governments, to prevent and control the pandemic. Up to Latest Practicable Date, we were not aware of any material adverse effects on our financial statements as a result of the COVID-19 outbreak. For more information, see "Business — Effects of the COVID-19 Outbreak."

After the Track Record Period, for the purpose of expanding our business, we have entered into memorandums of understanding or has been in the process of negotiating with the sellers to acquire the equity interests of certain companies. For more details, see "Waivers from Strict Compliance with the Requirements under the Listing Rules."

Since December 31, 2019 and up to the Latest Practicable Date, our business remained stable which was in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC residential property management service and commercial property management and operational service markets in which we operate that may have a material adverse effect on our business operations and financial position.

DEFINITIONS

In this document, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in "Glossary."

[REDACTED]

"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on [•], 2020 and which will come into effect upon Listing, a summary of which is set out in the section headed " Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document, as amended from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules

[REDACTED]

"Audit Committee"	the audit committee of the Board

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Board" or "Board of Directors"	the board of directors of our Company
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

DEFINITIONS

"BVI"	the British Virgin Islands
[REDACTED]	
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"ChinaClear"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司)
"CIA"	China Index Academy (中國指數研究院), an independent market research company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	KWG Living Group Holdings Limited (合景悠活集團控股有限公司) (formerly known as KWG ULife Business Services Management Company Limited (合景悠活商業服務管理有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on September 11, 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which may have first appeared in late 2019
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the 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 Chinese national securities markets
"Deed of Indemnity"	the deed of indemnity dated [•], 2020 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Statutory and general information — D. Other information — 1. Tax and other indemnities" in Appendix IV to this document
"Deed of Non-Competition"	the deed of non-competition dated [•], 2020 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-competition" in this document
"Director(s)" or "our Directors"	director(s) of our Company

[REDACTED]

"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), enacted on March 16, 2007, effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively by the SCNPC
"Ever Thriving"	Ever Thriving Developments Limited (恒昌發展有限公司), a company incorporated in the BVI with limited liability on October 29, 2018 and an indirect wholly-owned subsidiary of our Company
"Excel Wave"	Excel Wave Investments Limited (卓濤投資有限公司), a company incorporated in the BVI with limited liability on April 10, 2008, which is wholly owned by Mr. Kong Jiantao and is one of our Controlling Shareholders
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Fast Choice"	Fast Choice Group Limited (迅擇集團有限公司), a company incorporated in the BVI with limited liability on May 10, 2006 and an indirect wholly-owned subsidiary of KWG Holdings
"Forever Fame"	Forever Fame Enterprises Limited (永譽企業有限公司), a company incorporated in the BVI with limited liability on July 30, 2019 and an indirect wholly-owned subsidiary of our Company
"Fuxin Property"	Guangzhou Fuxin Property Management Co., Ltd.* (廣州市富馨物業管理有限公司), a company established in the PRC with limited liability on June 23, 2003 and an indirect wholly-owned subsidiary of our Company
"Gangyu Enterprise"	Guangzhou Gangyu Enterprise Management Co., Ltd.* (廣東罡昱企業管理有限責任公司), a company established in the PRC with limited liability on January 15, 2019 and an indirect wholly-owned subsidiary of our Company
[REDACTED]	
"Gorgeous Chance"	Gorgeous Chance Development Limited (盛昌發展有限公司), a company incorporated in Hong Kong with limited liability on July 20, 2018 and an indirect wholly-owned subsidiary of our Company
[REDACTED]	
"Group", "our Group", "we", "our" or "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, the business operated by such subsidiaries or their predecessors (as the case may be)

"Guangzhou Fuyu"	Guangzhou Fuyu Property Management Services Company Limited* (廣州市富愉物業服務有限公司), a company established in the PRC with limited liability on January 9, 2019 and an indirect wholly-owned subsidiary of our Company
"Guanli Property"	Guangzhou Guanli Property Agency Company Limited* (廣州市冠力置業代理有限公司), a company established in the PRC with limited liability on March 7, 2019 and an indirect wholly-owned subsidiary of our Company
"Guanyu Property"	Guangzhou Guanyu Property Agency Co., Ltd.* (廣州市冠裕置業代理有限公司), a company established in the PRC with limited liability on September 8, 2015 and was a wholly-owned subsidiary of our Group immediately before its disposal on December 25, 2019
"Happy Clear"	Happy Clear Consultants Limited (悅明顧問有限公司), a company incorporated in the BVI with limited liability on May 18, 2006 and a direct wholly-owned subsidiary of KWG Holdings
"Happy Harmony"	Happy Harmony International Limited (美和國際有限公司), a company incorporated in the BVI with limited liability on July 23, 2019 and is owned as to 100% by Mr. Tsui Kam Tim, the general manager of the investment department and senior consultant of our Group
"Hejing Youhuo"	Guangdong Hejing Youhuo Holdings Group Co., Ltd. * (廣東省合景悠活控股集團有限公司) (formerly known as Guangdong Hejing Youhuo Commercial Services Management Co., Ltd.* (廣東省合景悠活商業服務管理有限公司)), a company established in the PRC with limited liability on October 17, 2019 and an indirect wholly-owned subsidiary of our Company
"Hero Fine"	Hero Fine Group Limited (英明集團有限公司), a company incorporated in the BVI with limited liability on October 25, 2007, which is wholly owned by Mr. Kong Jianmin and is one of our Controlling Shareholders
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

"Hong Kong Share Registrar"	[REDACTED]

[REDACTED]

[REDACTED]

"HKFRSs"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates (within the meaning of the Listing Rules)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

"Jiangtianyue Property"	Meishan Jiangtianyue Property Management Co., Ltd.* (眉山市江天樾物業管理有限公司), a company established in the PRC with limited liability on October 17, 2019 and an indirect wholly-owned subsidiary of our Company
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, our industry consultant and independent valuer
"JLL Report"	an industry research report prepared by JLL

[REDACTED]

[REDACTED]

[REDACTED]

"Joint Sponsors"	ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited
"Kaizhi Property"	Hangzhou Kaizhi Property Management Co., Ltd.* (杭州凱智物業管理有限公司), a company established in the PRC with limited liability on April 19, 2016 and was deregistered on May 11, 2020. Prior to the deregistration, Kaizhi Property was owned as to 50% by Ningjun Property and 50% by Zhejiang Caigen Information Technology Co., Ltd.* (浙江菜根信息科技有限公司), an Independent Third Party
"KWG Group"	KWG Holdings and its subsidiaries
"KWG Holdings"	KWG Group Holdings Limited (合景泰富集團控股有限公司) (formerly known as KWG Property Holding Limited (合景泰富地產控股有限公司)) (stock code: 1813), an exempted company incorporated in the Cayman Islands with limited liability on July 28, 2006, the share of which are listed on the Main Board
"KWG PRC Stock Connect Investor(s)"	the PRC southbound trading investor(s) through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect who hold KWG Shares through ChinaClear as nominee
"KWG Shareholders"	holders of the KWG Shares
"KWG Shares"	shares of a par value of HK$0.10 each in the share capital of KWG Holdings

"KWG Living (HK)"	KWG Living Group (Hong Kong) Company Limited (合景悠活集團(香港)有限公司) (formerly known as KWG ULife Group (Hong Kong) Company Limited (合景悠活集團(香港)有限公司) and Asia Leader Development Limited (利英發展有限公司)), a company incorporated in Hong Kong with limited liability on September 12, 2019 and an indirect wholly-owned subsidiary of our Company
"Latest Practicable Date"	June 21, 2020, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"Liheng Commercial"	Guangzhou Liheng Commercial Management Company Limited* (廣州市利恒商業管理有限公司), a company established in the PRC with limited liability on June 20, 2019 and an indirect wholly-owned subsidiary of our Company
"Lijun Property"	Guangzhou Lijun Property Management Company Limited* (廣州市利雋物業管理有限公司), a company established in the PRC with limited liability on June 26, 2019 and an indirect wholly-owned subsidiary of our Company
[REDACTED]	
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
[REDACTED]	
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on August 8, 2006 and amended by MOFCOM on June 22, 2009
"Main Board"	the stock exchange (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 [•], 2020, and which will come into effect upon [REDACTED], a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document, as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

"MOHURD" or "Ministry of Construction"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Ningjun Property"	Guangzhou Ningjun Property Management Company Limited* (廣州市寧駿物業管理有限公司), a company established in the PRC with limited liability on May 13, 2004 and an indirect wholly-owned subsidiary of our Company
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
[REDACTED]	
[REDACTED]	
[REDACTED]	
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Peace Kind"	Peace Kind Investments Limited (和康投資有限公司), a company incorporated in the BVI with limited liability on October 10, 2018, which is wholly owned by Mr. Kong Jiannan and is one of our Controlling Shareholders
"Plus Earn"	Plus Earn Consultants Limited (晉得顧問有限公司), a company incorporated in the BVI with limited liability on May 18, 2006, which is wholly owned by Mr. Kong Jianmin and is one of our Controlling Shareholders

DEFINITIONS

[REDACTED]

"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006 and further amended on December 28, 2013 and effective on March 1, 2014, as amended, supplemented and otherwise modified from time to time
"PRC Government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
"PRC Legal Advisor"	Jingtian & Gongcheng, legal advisor to our Company on PRC laws in connection with the Global Offering

[REDACTED]

[REDACTED]

"Principal Share Registrar"	[REDACTED]
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government

[REDACTED]

"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC

[REDACTED]

DEFINITIONS

"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization of the Group in preparation of the [REDACTED], details of which are set out in the section headed "History, Reorganization and Corporate Structure — Reorganization" in this document
[REDACTED]	
"Right Rich"	Right Rich Consultants Limited (正富顧問有限公司), a company incorporated in the BVI with limited liability on April 21, 2006, which is wholly owned by Mr. Kong Jiantao and is one of our Controlling Shareholders
"Rising Wave"	Rising Wave Enterprises Limited (昇濤企業有限公司), a company incorporated in the BVI with limited liability on May 12, 2006 and an indirect wholly-owned subsidiary of KWG Holdings
"Robust Profit"	Robust Profit Enterprises Limited (建利企業有限公司), a company incorporated in the BVI with limited liability on July 2, 2019 and a direct 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)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局), including, as the context may require, its local counterparts, which was merged into SAMR
"SAMR"	the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局)
"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 NPC
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and [REDACTED] on the Main Board

"Shareholder(s)"	holder(s) of the Share(s)
"Spin-Off"	the spin-off of our Company by way of [REDACTED] to be effected by the [REDACTED] and the [REDACTED] (including the [REDACTED])
"Stabilizing Manager"	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
[REDACTED]	
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Total Super"	Total Super Investments Limited (皓凱投資有限公司), a company incorporated in Hong Kong with limited liability on November 6, 2007 and an indirect wholly-owned subsidiary of KWG Holdings
"Track Record Period"	the period comprising the three years ended December 31, 2017, 2018 and 2019
"Ultimate Controlling Shareholders"	Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan
[REDACTED]	
[REDACTED]	
"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Government"	the federal government of the United States, including its executive, legislative and judicial branches
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "$"	U.S. dollars, the lawful currency of the United States
"VAT"	the PRC value-added tax

"Wealth Express"	Wealth Express Investments Limited (富迅投資有限公司), a company incorporated in the BVI with limited liability on October 3, 2012, which is wholly owned by Mr. Kong Jiantao and is one of our Controlling Shareholders
[REDACTED]	
[REDACTED]	
[REDACTED]	
"Xingyu Property"	Foshan Xingyu Property Management Co., Ltd.* (佛山市星譽物業管理有限公司), a company established in the PRC with limited liability on December 3, 2008 and an indirect non-wholly owned subsidiary of our Company which is owned as to 60% by our Group and 40% by Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司), an Independent Third Party (save for its interest in Xingyu Property)
[REDACTED]	
"Yijia Chuangsheng"	Guangzhou Yijia Chuangsheng Property Management Co., Ltd.* (廣州宜家創生物業管理有限公司) (formerly known as Guangzhou Yijia Chuangsheng Property Management Co., Ltd.* (廣州市宜家創生物業管理有限公司) and Guangzhou Tianbai Property Management Co., Ltd.* (廣州市天柏物業管理有限公司)), a company established in the PRC with limited liability on July 13, 2000 and an indirect wholly-owned subsidiary of our Company

Unless the content otherwise requires, references to "2017," "2018" and "2019" in this document refer to our financial year ended December 31 of such year.

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

The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this document is for identification purposes only. To the extent that there is any inconsistency between the Chinese names of PRC entities, enterprises, nationals, facilities and regulations and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

GLOSSARY

This glossary of technical terms contains terms used in this document in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

"average property management fee(s)"	calculated as the sum of the property management fees collected during a specified period divided by the weighted average GFA based on which we charge property management fee during that same period
"bid win rate"	the aggregate number of bids we won in a period divided by the aggregate number of bids we submitted in the same period
"CAGR"	compound annual growth rate
"commercial property(ies)"	for purposes of this document, properties which are used primarily for commercial purposes, mainly include office buildings, shopping malls and to a lesser extent, industrial parks but excluding hotels
"commission basis"	a revenue-generating model whereby we collect a percentage of the total amount of property management fees that our customers pay on a monthly basis
"common area(s)"	common areas in residential properties such as lobbies, hallways, stairways, car parks, elevators and gardens, among others
"contracted GFA"	GFA managed or to be managed by our Group for which we have entered into relevant residential property and commercial property management service contracts
"first-tier cities"	cities specified by MOHURD as such, being Beijing, Shanghai, Shenzhen and Guangzhou
"GFA"	gross floor area
"GFA under management"	GFA of properties that have been delivered, or are ready to be delivered by property developers, to property owners, for which we are already collecting property management fees in relation to contractual obligations to provide our services
"Internet"	international network that links together computers and allows data to be transferred between each computer using the TCP/IP protocols
"lump sum basis"	a revenue-generating model for our property management business line whereby we charge property developers, property owners and residents a pre-determined property management fee per sq.m. for all units (whether sold or unsold) on a monthly basis which represents the "all-inclusive" fees for all of the property management services provided by our employees and sub-contractors

"mid- to high-end properties"	properties for which property management fees charged are above market average for the same types of properties in the same area, locality, city or region for purpose of this document
"QR code"	abbreviated from Quick Response Code, a type of dot matrix barcode that can be read by a two-dimensional barcode scanner or a smart phone, which translates the dots into various types of characters
"renewal rate"	the number of property management service contracts successfully renewed during the period divided by the total number of property management service contracts expired during the same period
"residential communities" or "residential property(ies)"	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
"second-tier cities"	the 31 major cities in China defined by the PRC National Statistics Bureau that are provincial capitals, autonomous region capitals and other sub-provincial cities
sq.m.	square meter(s)
"the Greater Bay Area"	the Guangdong-Hong Kong-Macao Greater Bay Area, a geographical region in China including Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, the Special Administrative Regions of Hong Kong and Macao for purposes of this document
"Top 100 Property Management Companies"	an annual ranking of China-based property management companies by overall competitiveness published by CIA and China Property Management Institution based on a number of key indicators, including management scale, operational performance, service quality, growth potential and social responsibility

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and its subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "forecast", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to 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;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices in the industry and markets in which we operate;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

FORWARD-LOOKING STATEMENTS

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

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

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our combined financial statements and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. You should also pay particular attention to the fact that our subsidiaries in China are located in a legal and regulatory environment that in some respects differ significantly from that of other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Regulatory Overview" in this document.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Spin-Off and [REDACTED]. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our businesses, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth may not materialize as planned, and our future business expansions into new geographic regions may subject us to new rules and regulations which may have material adverse effect on our business, financial position and results of operations

We have been seeking to expand our business since our inception through organic growth as well as acquisitions of other property management companies and seek cooperation with third-party property developers. As of December 31, 2017, 2018 and 2019, the properties which we were contracted to manage had an aggregate contracted GFA of approximately 17.7 million sq.m., 24.7 million sq.m. and 33.8 million sq.m., respectively.

We seek to continue to expand through increasing the total contracted GFA and the number of properties we manage in existing and new markets, including properties developed by KWG Group and third-party property developers. However, our expansion plans are based upon our assessment of market prospects. We cannot assure you that our assessment will prove to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors, most of which are beyond our control. Such factors include:

- changes in China's economic condition in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations or policies;
- changes in the supply of and demand for property management and value-added services;
- our ability to develop and strengthen collaborative relationship with property developers and property owners in addition to KWG Group;
- our ability to generate sufficient liquidity internally and obtain external financing;

- our ability to recruit and train competent employees;
- our ability to select and work with suitable sub-contractors and suppliers;
- our ability to understand the needs of residents in the properties where we provide property management services;
- our ability to diversify our service offering and to optimize our business mix;
- our ability to adapt to new markets where we have no prior experience including our ability to adapt to the administrative, regulatory and tax environments in such markets;
- our ability to solidify our market position in existing market and our ability to leverage our brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than us; and
- our ability to improve our administrative, technical, operational and financial infrastructure.

We cannot assure you that our future growth will materialize or that we will be able to manage our future growth effectively, and failure to do so may have a material adverse effect on our business, financial position and results of operations.

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

We plan to continue to evaluate opportunities to acquire other property management companies and other businesses that are complementary to our existing business and integrate their operations into our business. However, we cannot assure you that we will be able to identify suitable opportunities.

Even if we manage to identify suitable opportunities, we may not be able to complete the acquisitions on terms favorable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects.

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

- inability to apply our business model or standardized business processes on the acquisition targets;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities;
- assumption of debt and liabilities of the acquired companies, some of which may not have been revealed during the due diligence process; and
- diversion of resources and management attention.

Approximately [REDACTED], or [REDACTED], of the net proceeds raised from the [REDACTED] will be used to pursue selective strategic investment and acquisition opportunities and further develop strategic alliances. See the section entitled "Future Plans and Use of Proceeds — Use of Proceeds" in this document. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our proceeds from the [REDACTED] may not be effectively used.

Moreover, we may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

A substantial portion of our revenue is generated from property management services we provide in relation to KWG Group's property development projects.

During the Track Record Period, a substantial portion of our property management service contracts were related to the management of properties developed by KWG Group. In 2017, 2018 and 2019, revenue generated from property management services provided to the properties developed by KWG Group accounted for 100%, 100% and 91.8%, respectively, of our revenue generated from property management services.

During the Track Record Period, our bid win rate with respect to properties developed by KWG Group was 100%, and our business scaled up in concert with the expansion of KWG Group. During the Track Record Period, we managed all of the properties solely developed by KWG Group. However, we do not have control over KWG Group's management strategy, nor the macro-economic or other factors that affect their business operations. Upon completion of the Spin-off and the [REDACTED], KWG Group will not retain any interest in our issued share capital and we will no longer be a subsidiary of KWG Group. Our bid win rate with respect to properties developed by KWG Group may drop in the future as a result of the Spin-off after which we will cease to be a subsidiary of the KWG Group. We would lose business opportunities if KWG Group suffers adverse developments that materially affect its property development efforts. There is no assurance that we will be able to procure property management service contracts from alternative sources to make up for the shortfall in a timely manner or on favorable terms. We also cannot guarantee that we will be successful in any efforts to diversify our customer base. In addition, there is no assurance that all of our property management service contracts with KWG Group will be renewed successfully upon their expiration. Should any of these events occur, we may experience a material adverse effect on our results of operations, financial position and growth prospects.

We generated revenue from property management services primarily on a lump sum basis. We may be subject to losses if we fail to estimate or control our costs in performing our property management services.

We generated a substantial amount of revenue from property management services on a lump sum basis during the Track Record Period. Our revenue generated from residential property management services contracts on a lump sum basis represented 98.2%, 97.8% and 97.4%, respectively, of the total revenue from property management services under our residential property management service segment in 2017, 2018 and 2019. Our revenue generated from commercial property management services contracts on a lump sum basis represented 87.9%, 92.9% and 91.9%, respectively, of the total revenue from property management services under our commercial property management and operational service segment in 2017, 2018 and 2019. On a lump sum basis, we charge property management fees at a pre-determined fixed lump sum price monthly or quarterly, representing "all-inclusive" fees for the property management services provided. These property management fees do not change with the actual amount of property management costs we incur. We recognize as revenue the full amount of property management fees we charge to the property owners, property developers, tenants and residents, and recognize as our cost of sales the actual costs we incur in connection with rendering our services. Our profitability depends on our ability to estimate or control our costs in performing our property management services. See "Business — Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services Provided to Residential Properties — Property Management Fees Charged on a Lump Sum Basis", "Business — Commercial Property Management and Operational Services — Commercial Property Management and Operational Service Fees — Service Fees Charged for Property Management Services Provided to Commercial Properties — Property Management Fees Charged on a Lump Sum Basis" and "Financial Information — Description of Certain Components of Our Combined Statements of Profit or Loss — Residential Property Management Services — Property Management Services" in this document for details.

In the event that the amount of property management fees that we charge is insufficient to cover all the costs for property management service we incur, we are not entitled to collect the shortfall from the relevant property owners, property developers, tenants and residents. As a result, we may suffer losses. We incurred loss in an aggregate amount of RMB10.0 million, RMB8.5 million and RMB7.8 million, respectively, with respect to 17, 13 and 14 properties including residential and commercial properties, respectively, which were managed on a lump sum basis for 2017, 2018 and 2019. The aggregate revenue generated from such loss-making properties was RMB69.3 million, RMB55.2 million and RMB45.5 million, respectively, for 2017, 2018 and 2019, representing 14.9%, 8.4% and 4.0%, respectively, of our total revenue for the same periods.

If we are unable to raise property management fees to fully cover the property management costs we incur, we would seek to cut costs with a view to reducing the loss. However, our ability to mitigate against such losses through cost-saving initiatives such as operation automation measures to reduce labor costs and energy-saving measures to reduce energy costs may not be successful, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce the owners' willingness to pay us the property management fees.

A significant portion of our operations are concentrated in the Greater Bay Area, and we are susceptible to any adverse development in government policies or business environment in this region.

We focus on cities with high population densities in economically developed regions, and a significant portion of our operations are concentrated in the Greater Bay Area. As of December 31, 2017, 2018 and 2019, our aggregate contracted GFA (including both residential and commercial properties) amounted to approximately 6.4 million sq.m., 8.1 million sq.m. and 13.9 million sq.m., respectively, of properties in the Greater Bay Area, accounting for 36.3%, 32.9% and 41.2%, respectively, of our aggregate contracted GFA (including both residential and commercial properties) as of such dates. The revenue generated from our residential property management services and commercial property management and operational services in the Greater Bay Area contributed 45.6%, 38.4% and 39.9% of our total revenue in 2017, 2018 and 2019, respectively. Due to such concentration, any adverse development in government policies or business environment in these regions will materially and adversely affect our business, financial position and results of operations. Our operations rely heavily on the development of the Greater Bay Area in the following factors, most of which are beyond our control:

- changes in the economic condition, the level of economic activity and the real estate market in the Greater Bay Area;
- the future development prospects of the Greater Bay Area;
- changes in government regulations and policies regarding the property management industry in the Greater Bay Area; and
- our ability to compete with other property management companies operating in the Greater Bay Area.

We have a limited operating history in property agency services businesses.

We began to provide property agency services to (i) property owners in June 2017 with respect to the second hand properties; and (ii) property developers with respect to newly developed properties in October 2019. We have a short operating history in the property agency service business, and you should consider our prospects in light of the risks, expenses and challenges that we may face as an early-stage company with limited experience operating such business in a competitive market. We may encounter risks and difficulties frequently experienced by early-stage businesses, and such risks and difficulties may be heightened in a rapidly evolving market. For example, we may encounter, including, among others, risk and difficulties regarding our ability to:

- retain customers;
- retain qualified employees;
- maintain effective control of our development as well as operating costs and expenses;

- develop and maintain internal personnel, systems, controls and procedures to comply with the extensive regulatory requirements applicable to the relevant industries;
- respond to competitive market conditions in the relevant industries; and
- respond to changes in the regulatory environment.

Our failure to achieve any of the above may jeopardize our ability to provide our property agency services in the manner we contemplate, which in turn may have a material adverse effect on our business and prospects, financial position, results of operations and liquidity.

We may fail to secure new or renew our existing property management service contracts on favorable terms, or at all.

We believe that our ability to expand our portfolio of property management service contracts is key to the sustainable growth of our business. During the Track Record Period, we procured new property management service contracts primarily through tender processes. The selection of a property management company depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management company. Our efforts may be hindered by factors beyond our control, which may include, among others, changes in general economic conditions, evolving government regulations as well as supply and demand dynamics within the property management industry. We cannot assure you that we will be able to procure new property management service contracts in the future on acceptable terms or at all.

We usually enter into preliminary property management service contracts with property developers before the commencement of their property sale. We cannot assure you that we will be able to maintain high success rate in winning such preliminary property management service contracts in relation to property projects developed by KWG Group or other property developers. In addition, such contracts are transitional in nature and facilitate the transfer of legal and actual control of the properties from property developers to property owners. Preliminary property management service contracts typically expire when property owners' associations are established and new property management service contracts have been entered into. As of December 31, 2019, property owners' associations were established in 15 residential communities we contracted to manage, accounting for approximately 9.5% of the total number of residential communities we contracted to manage. As of December 31, 2019, our property management service contracts in respect of both residential and commercial properties with an aggregate contracted GFA of 31.8 million sq.m. did not indicate expiration dates, while the remaining property management service contracts in respect of both residential and commercial properties with an aggregate contracted GFA of 2.0 million sq.m. had terms ranging from one to six years. See "Business — Residential Property Management Services — Contracts Under Our Residential Property Management Services — Residential Property Management Service Contracts" and "Business — Commercial Property Management and Operational Services — Contracts Under Our Commercial Property Management and Operational Services — Commercial Property Management Service Contracts" in this document. Further, we cannot assure you that we will be engaged by the property owners' associations to provide property management services upon their establishments. There is no guarantee that property owners' associations will enter into property management service contracts with us instead of our competitors. Our customers select us based on parameters such as quality and cost, and we cannot assure you that we will always be able to balance them on favorable terms for both sides.

Even where we succeed in entering into property management service contracts with property owners' associations, we cannot guarantee that they will be renewed upon expiration. It is also possible that they may be terminated. In such cases, we would no longer be able to provide community value-added services to residential communities who have terminated our engagements, in addition to our property management services. In 2017, 2018 and 2019, our retention rates for property management service contracts with respect to residential properties were 100%, 100% and 100%, respectively. In 2017, 2018 and 2019, our renewal rates for property management service contracts were 100%, 100% and 100%, respectively. In 2017, 2018 and 2019, our retention rates for property management service contracts with respect to commercial properties were 100%, 100% and 100%, respectively. In 2017, 2018 and 2019, our renewal rates for property management service contracts with respect to commercial properties were n/a (no expired contracts), 100% and 100%, respectively. In the event of termination or non-renewal, there is no guarantee that we would be able to find other business opportunities and enter into alternative property management service contracts on favorable terms, or at all. Moreover, as both termination and non-renewal may be detrimental to our reputation, we may experience material adverse effects to our brand value. We believe that our brand value is essential to our ability to procure new property management service contracts. Failure to cultivate our brand value may diminish our competitiveness within the industry.

We may need to recognize impairment losses for goodwill recorded in connection with our historical acquisitions.

In 2019, we acquired Gangyu Enterprise. See "History, Reorganization and Corporate Structure — Acquisitions During the Track Record Period" for details. We recorded goodwill in the amount of RMB134.7 million as of December 31, 2019, in connection with our acquisition of Gangyu Enterprise, which amount accounted for 6.9% of our total assets as of December 31, 2019. This mainly reflects the difference between the total cash consideration of RMB197.5 million paid for Gangyu Enterprise and their total fair value of identifiable net assets attributable to the Group of RMB62.8 million. See "Financial Information — Description of Certain Items in Our Combined Statements of Financial Position — Goodwill" and Notes 15 and 26 of the Accountants' Report in Appendix I to this document. We generally test goodwill for impairment annually. Impairment losses are recognized when the carrying amount of an asset exceeds its estimated recoverable amount. In making impairment assessments, estimated future cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset. Changes in the assumptions made with respect to estimated future cash flows or pre-tax discount rates may lower the estimated recoverable amount of an asset in comparison to its carrying amount. However, our ability to generate cash flow from our acquired business will depend on our ability to realize the intended objectives, potential benefits or other revenue-enhancing opportunities that motivated our acquisition of these assets, as well as our ability to effectively integrate their business operations with our own. In the event that we are unsuccessful in achieving the aforementioned, we may have to record impairment losses to our goodwill. This may in turn result in an adverse effect on our financial position and results of operations.

Increase in labor costs and sub-contracting costs could harm our business and reduce our profitability.

In 2017, 2018 and 2019, our labor costs recorded as cost of sales accounted for 55.9%, 54.1%, and 56.3%, respectively, of our total cost of sales. During the same periods, our sub-contracting costs represented 13.7%, 16.5% and 17.1%, respectively, of our total cost of sales. To maintain and improve our profit margins, it is critical for us to control and reduce our labor costs as well as other operating costs. We face pressure from rising labor and sub-contracting cost due to various contributing factors, including but not limited to:

- **increases in minimum wages.** The minimum wages in the regions where we operate have increased substantially in recent years, directly affecting our direct labor costs as well as the fees we pay to our third-party sub-contractors.

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

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

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

We rely on third-party sub-contractors to perform certain property management services and dispatch agencies for provision of labor.

During the Track Record Period, we delegated certain property management services, primarily including cleaning, gardening and equipment and elevator maintenance services, to third-party sub-contractors. In 2017, 2018 and 2019, sub-contracting costs amounted to RMB49.3 million, RMB78.6 million and RMB120.6 million, respectively, accounting for 13.7%, 16.5% and 17.1% of our total cost of sales, respectively. We may not be able to monitor their services as directly and efficiently as with our own services. They may take actions contrary to our or our customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, we may have disputes with our sub-contractors, or may be held responsible for their actions, either of which could lead to damages to our reputation, additional expenses and business disruptions and potentially expose us to litigation and damage claims.

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

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

During the Track Record Period, we hired dispatched staff through dispatch agencies at one of our subsidiaries. As of the Latest Practicable Date, approximately 15.7% of the total number of our workers at one of our subsidiaries were dispatched staff that we hired above the threshold of 10% as required by the Interim Provisions. These dispatched staff were mainly hired for positions with supporting nature. Pursuant to the Interim Provisions on Labor Dispatch (勞務派遣規定) (the "**Interim Provisions**") which came into effect on March 1, 2014, an employer shall strictly control the number of dispatched staff to make sure that it does not exceed 10% of the total number of its workers. In order to reduce the percentage of dispatched staff engaged by us to a level that complies with the Interim Provisions, we are in the process of scaling down our engagements with dispatched staff. See "Business — Employees — Dispatched Staff" for details. As a result, we cannot guarantee if we can have sufficient workers to perform different types of property management services after reducing our reliance on dispatched staff at this subsidiary.

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

We may encounter difficulties in collecting property management fees from property owners especially in communities where the vacancy rate is relatively high. Even though we seek to collect overdue property management fees through a number of collection measures, we cannot assure you that such measures will be effective or enable us to accurately predict our future collection rate.

Our allowance for impairment of trade receivables amounted to RMB4.2 million, RMB3.9 million and RMB9.1 million as of December 31, 2017, 2018 and 2019, respectively. Our collection rate for property management fees (including residential and commercial properties), calculated as a percentage of the property management fees cumulatively collected by the end of the relevant period of the corresponding total property management fees receivable for the same period, was 80.0%, 79.6% and 77.6%, respectively, in 2017, 2018 and 2019. In addition, our collection rate for property management fees (including residential and commercial properties) due from Independent Third Parties, calculated as a percentage of the property management fees cumulatively collected from Independent Third Parties by the end of the relevant period of the corresponding total property management fees receivable from Independent Third Parties for the same period, was 85.3%, 87.6% and 88.9%, respectively, during the same periods. In 2017, 2018 and 2019, our trade receivable turnover days of related parties were 263, 260 and 242 days, respectively, and our trade receivable turnover days of Independent Third Parties were 79, 76 and 63 days, respectively. The overdue trade receivables due from KWG Group will be fully settled before the [REDACTED] and KWG Group will settle all our trade receivables, on a regular basis after the [REDACTED]. See "Financial Information — Description of Certain Items in Our Combined Statements of Financial Position — Trade Receivables" in this document. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions may need to be adjusted if new information becomes known. See "Financial Information — Key Sources of Estimation Uncertainty — Provision for Expected Credit Losses on Trade Receivables and Other Receivables" in this document. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

In addition, before allowance for impairment of trade receivables, our trade receivables are RMB219.4 million, RMB330.6 million and RMB576.4 million as of December 31, 2017 and 2018 and 2019, respectively, the increase of which was primarily due to our business expansion.

Delays in receiving payments from, or non-payment by property developers, property owners, tenants and residents would adversely affect our cash flow position and our ability to meet our working capital requirements.

The collection of our trade receivables is subject to seasonal fluctuations.

We experienced seasonal fluctuations in the collection of our trade receivables during the Track Record Period and expect to continue experiencing such seasonal fluctuations going forward. Property owners, tenants and residents tend to settle outstanding property management fee balances toward the second half of the year, especially near the end of the year. In general, our trade receivable amounts increase throughout the year and decrease toward the end of the year when property owners, tenants, and residents clear their outstanding property management fee balances. Seasonal fluctuations in our collection rates and trade receivables require that we manage our liquidity carefully so as to provide our business with adequate cash for operations. Any inability to ensure adequate liquidity may hamper our ability to expand and grow our operations, which could in turn adversely affect our business, financial position and results of operations.

Some of our residential property management services contracts may have been obtained without going through the required tender and bidding process.

We had entered into 32 preliminary property management service contracts in respect of residential properties with property developers which did not go through the tender and bidding process as required under PRC laws and regulations and the compulsory requirement of relevant local authorities (the "**Relevant Property Management Projects**"). The total contracted GFA of the Relevant Property Management Projects accounted for 15.8% of our total contracted GFA as of December 31, 2019. Revenue generated from the Relevant Property Management Projects amounted to RMB104.8 million, RMB127.2 million and RMB203.2 million in 2017, 2018 and 2019, respectively, representing 22.6%, 19.3% and 18.1% of our total revenue during the same periods. For further details, please refer to the section headed "Business — Residential Property Management Services — Contracts Under Our Residential Property Management Services — The Tender Process."

The lack of a tender and bidding process for the selection of property management service providers for the aforementioned preliminary property management service contracts was not caused by us but by the relevant property developers. According to the relevant PRC laws and regulations, the property developers shall engage the property management service providers to provide preliminary property management services by going through the tender process. As advised by our PRC Legal Advisor, there are no specific laws and regulations in the PRC which set out administrative penalties upon property management service providers for failing to enter into preliminary management service contracts through a tender and bidding process. Nonetheless, if the local government requires the relevant property developer to rectify within a prescribed period, the relevant property developer may need to organize a tender and bidding process to select a property management service provider for their developed projects. In the case that we do not win the tender and bidding, we may not continue our property management services for the relevant projects and, as a result, our revenue and business may be negatively impacted.

Some of our lease agreements were not registered with the relevant government authorities and, as a result, we might be subject to administrative fines.

According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed.

As of the Latest Practicable Date, we had not filed ten lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations, primarily due to non-cooperation of the relevant landlords and the lack of title certificates. According to applicable PRC administrative regulations, lessors of the related leases need to provide us with certain documents (such as their business licenses or personal identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. As advised by our PRC Legal Advisor, we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. As such, the estimated maximum amount of penalty for our failure to file these lease agreements is approximately RMB100,000.

In the event that we are required by the competent authorities to register the lease agreements but the relevant landlords do not cooperate, we may be subject to fines for the failure to register the lease agreements, which could disrupt our financial conditions and results of operations.

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

In 2017, 2018 and 2019, revenue generated from our property management services provided to residential properties on a commission basis accounted for 1.8%, 2.2% and 2.6%, respectively, of our total revenue from property management services under our residential property management service segment. During the same period, revenue generated from our commercial property management services on a commission basis represented 12.1%, 7.1% and 8.1%, respectively, of our total revenue from commercial property management services under commercial property management and operational service segment. When we are contracted to manage properties on a commission basis, we essentially act as an agent of the property owners. As of the end of a reporting period, if the working capital of a community accumulated in our treasury function is insufficient to cover the expenses the community has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognized as receivable subject to impairment. Management estimation is required to determine whether the community have the ability to settle the payments on behalf of residents. We take into consideration a number of indicators to determine whether there is objective evidence of credit loss on payments on behalf of residents, including, among others, (i) subsequent settlement status; (ii) historical write-off experience of payments on behalf of residents; (iii) the financial performance of the underlying communities (such as profitability trend, cash receipts from residents by respective community during each reporting period, and cash payments to settle communities' account payables); and (iv) future cash flow from the communities. Some of the payments on behalf of residents may have lower recoverability if the relevant communities have poor financial performance. For instance, if a significant number of communities consistently carry account payables which are significantly higher than their receivables, their financial and liquidity positions may deteriorate, which in turn may affect the recoverability of our payments on behalf of residents attributable to them. For the balances that our management believes may not be recovered within a reasonable time, we write such balances off as an impairment of trade receivables. See "Financial Information — Significant Accounting Policies — Financial Assets — Impairment of Financial Assets" in this document.

Although our management's estimation or the related assumptions have been made according to information available to us currently, such estimation or assumptions may need to be adjusted if new information comes up. In the event that the actual recoverability is lower than expected, or our past allowance on bad debt becomes insufficient in light of new information, we may need to make more allowance on bad debt, which in turn may materially and adversely affect our business, financial position and results of operations.

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

Although we experienced fast revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. There is no guarantee that we will continue to be able to increase the number of our property management service contracts or total GFA under management, nor that we will be able to succeed in our business development efforts going forward. Moreover, we will continue to face challenges related to rising labor and sub-contracting costs and intensive competition for employees and business opportunities. The effects of changing regulatory, economic or other factors beyond our control may also have material adverse effects on our business. Thus, investors should not rely on our historical results of operations to predict our future financial performance.

Accidents in our business may expose us to liability and reputational risk.

Accidents may occur during the course of our business. We provide repair and maintenance services to property developers and the properties we manage through our own employees and third-party sub-contractors. Work injuries may occur during the ordinary course of our business. For example, repair and maintenance services performed by our employees or sub-contractors may involve the handling of tools and machinery that carry the inherent occupational risk of accidents. Hence, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees or sub-contractors. Such occurrences may also damage our reputation within the property management industry. We may also experience business disruptions and be required to implement additional safety measures or modify our business model as a result of any governmental or other investigations. To the extent that we incur additional costs, we may suffer material adverse effects to our business, financial position, results of operations and brand value. In addition, we are exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing repair and maintenance services. We may be held liable for the injuries or deaths of employees, sub-contractors, residents or others. We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect our reputation, business, financial position and results of operations.

We are in a highly competitive business and we may not compete successfully against existing and new competitors.

The PRC property management industry is highly competitive and fragmented. See "Industry Overview — Competitive Landscape" in this document for details. Our major competitors include large national, regional and local property management companies. Competition may intensify as our competitors expand their product or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors on a number of factors, primarily including business scale, brand recognition, financial resources, price and service quality. Our competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. The emerging companies may have stronger capital resources, greater expertise in management and human resources and greater financial, technical, and public relations resources than we do.

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

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

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

We recorded deferred tax assets of RMB9.4 million, RMB11.7 million and RMB19.0 million, respectively, as of December 31, 2017, 2018 and 2019. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

We are exposed to risks associated with the use of third-party online payment platforms.

We accept payments via various methods, including but not limited to online payments through third-party platforms such as WeChat Pay and Alipay. Transactions conducted through WeChat Pay and Alipay involve the transmission of confidential information such as credit card numbers, personal information and billing addresses over public networks. However, we do not have control over the security measures taken by providers of these third-party platforms. In the event that the security and integrity of these third-party platforms are compromised, we may experience material adverse effects on our ability to process property management fees. We may also be perceived as partially responsible for failures to secure personal information and be subjected to claims alleging possible liability brought by our customers. Such legal proceedings may damage our reputation and harm our brand value. Furthermore, the PRC Government may yet promulgate new laws and policies to regulate the use of third-party online payment platforms, and such measures may increase our compliance and operational costs, for example by requiring that we pay higher transaction fees.

Interruptions and security risks to our IT systems and failure to upgrade our management systems may result in disruption of our operations.

We rely on our information technology systems to manage key operational functions such as processing financial data and facilitating communications. Moreover, we have built an integrated command platform to standardize and intelligentize our operations, flatten our management structure and improve operational efficiency. To facilitate our business development, we need to continuously maintain and upgrade our systems to meet evolving requirements of our operations and customer needs and preferences. However, we may fail to upgrade our information technology systems according to customer needs and market demands. Moreover, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. We may thus experience adverse effects on our business and results of operations.

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

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

Under the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (promulgated by the SCNPC on November 7, 2016, came into effect on June 1, 2017) (the "**Cyber Security Law**"), network operators are generally obligated to protect their networks against disruption, damage or unauthorized access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, on July 16, 2013, the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) ("the "**MIIT**") promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which became effective on September 1, 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and Internet information services. These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. The evolving PRC regulations regarding (i) data collection, usage and transfer; and (ii) cyber security may lead to future restrictions and the establishment of new regulatory agencies, and we may bear more legal responsibilities and compliance costs, which may have an adverse effect on our prospects. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brands could be severely damaged and we could incur significant liability, and our business, financial condition and results of operations could be adversely affected.

Damage to the communal areas of our managed properties may adversely affect our business, financial position and results of operations.

The communal areas of the properties we manage may suffer damage due to causes beyond our control, including but not limited to natural disasters, accidents or intentional damage. Although PRC law mandates that each residential community establish a special fund to pay the repair and maintenance costs of communal areas, there is no guarantee that there will be sufficient sums in those special funds. Where the damage is caused by natural disasters such as earthquakes, floods or typhoons, or accidents or intentional harm such as fires, the damage caused may be extensive. At times additional resources may have to be allocated to assist police and other governmental authorities in investigating criminal actions that may have been involved.

As a property management service provider, we may be viewed as responsible for restoring the communal areas and assisting any investigative efforts. In the event that there is any shortfall in the special funds necessary to cover all the costs involved, we may have to compensate for the difference with our own resources first and collect the amount of the shortfall from the property owners later. To the extent that our attempts are unsuccessful, we may experience material adverse effects on our business, financial position and results of operations. As we intend to continue growing our business, the likelihood of such occurrences may rise in proportion to any increases in the number of our managed properties.

The communal areas of the communities we manage, such as the lobby, hallway, outdoor open space, stairway, car park, elevator shaft and equipment room, may be damaged or impacted in a variety of ways that are out of our control, including but not limited to natural disasters, residents' intended or unintended actions, and epidemics, such as severe acute respiratory syndrome.

The additional costs we incur due to damage to the communal areas of our properties may increase along with our business growth and geographic expansion. For example, certain areas where we operate may be located on earthquake belt or may be subject to typhoons. Although none of our assets, business, results of operations and financial positions were materiality affected during the Track Record Period, we continue to be exposed to such risks that a material number of the properties may suffer damage due to reasons such as natural disasters, epidemics and residents' intended or unintended actions.

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

Negative publicity about us, our Shareholders and affiliates, the properties we manage, our brand, management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources, and we cannot assure you that other types of negative publicity will not arise in the future. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms such as WeChat and Weibo. Our sub-contractors may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our ability to attract and retain new customers and employees, and our business, financial position, results of operation and prospects would be materially and adversely affected.

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

We are exposed to risk associated with fraud or other misconduct committed by our employees, sub- contractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

Our success largely depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections and industry expertise, losing their services may have a material adverse effect on our business. For example, Mr. Kong Jiannan, our executive Director and chief executive officer, has been responsible for our overall management and operation since 2004. We believe that his insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. In addition, Ms. Kuang Xiaoling, our senior management and the general manager of human resources, has been responsible for the management of human resources and administrative matters of our Group since 2007. We believe their expertise will help us compete more effectively. Should any or all members of our senior management team join or form a competing business with their expertise, connections and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. If any of our key employees leaves and we are unable to promptly hire and integrate a qualified replacement, our business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all aspects of our business, including corporate management and property management personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, financial position and operating results could be materially and adversely affected.

We may be involved in intellectual property disputes and claims.

We currently hold three registered trademarks and one domain name and have filed various applications in China for protection of certain aspects of our intellectual property. We rely on and expect to continue to rely on a combination of confidentiality and license agreements, as well as trademark, copyright and domain name protection laws, to protect our proprietary rights. See "Business — Intellectual Property" in this document. Nevertheless, these measures afford limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, and could involve substantial risks to us. To our knowledge, the relevant authorities in the PRC historically have not protected intellectual property rights to the same extent as most developed countries. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, results of operations and financial position.

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

We may fail to register for and/or contribute to social insurance and housing provident funds for some of our employees.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees. We have made provisions in the amounts of RMB2.5 million, RMB5.5 million and RMB6.4 million to our combined statements of profit or loss and other comprehensive income in respect of such potential liabilities in 2017, 2018 and 2019, respectively, for certain of our PRC subsidiaries. As advised by our PRC Legal Advisor, under the Regulations on Administration of Housing Provident Fund (住房公積金管理條例), (i) if we fail to complete housing provident fund registration before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) if we fail to pay housing provident fund contributions within the prescribed deadlines, we may be subject to an order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay; if we fail to make such payments within the stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount. See "Business — Employees — Social Insurance and Housing Provident Fund Contributions" in this document.

Our insurance coverage may not sufficiently cover the risks related to our business.

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

We may be involved in legal and other disputes and claims or subject to administrative actions from time to time arising out of our operations.

We may, from time to time, be involved in disputes with and subject to claims by property developers, property owners, tenants and residents as well as local property management companies, to whom we provide property management services. Disputes may also arise if they are dissatisfied with our services. In addition, property owners may take legal action against us if they perceive that our services are inconsistent with our service standards we agreed to. 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 third-party sub-contractors, suppliers and employees, or other third parties who sustain injuries or damages while visiting properties under our management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against us, thereby resulting in damage to our reputation, substantial costs and diversion of resources and management's attention from our business activities. Any such dispute, claim or proceeding may have a material adverse effect on our business, financial position and results of operations.

We may be subject to administrative penalties if we fail to comply with applicable regulations and requirements. During the Track Record Period, we had been subject to administrative fine in the total amount of RMB0.5 million for violating certain local regulations in relation to, among others, fire safety and trash handling issues. If similar incidents occur or we fail to comply with applicable regulations in the future, we may be subject to administrative fines or other penalties, and our business and results of operations may be adversely affected.

Fluctuations in amounts of tax benefits or government grants may lead to volatility in our profit.

We enjoy favorable treatment from government authorities in respect of, among other things, tax benefits and government grants on entrepreneurship and achievements in research and development.

Our government grants amounted to nil, nil and RMB0.2 million, or nil, nil and 0.1% of our net profit, for 2017 and 2018 and 2019, respectively. Tax benefits and government grants fluctuated during the Track Record Period because such benefits and grants were subject to the sole discretion of the relevant government authorities. There can be no assurance that we will continue to receive significant amounts of tax benefits or government grants, or at all. Accordingly, we may experience additional fluctuations in our tax benefits and government grants, which may lead to volatility in our profit.

We are subject to the regulatory environment and various factors affecting our industry and general economic conditions.

Our operations are affected by the regulatory environment and measures affecting the PRC residential property management and commercial property management and operational markets. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. See "Regulatory Overview — Laws and Regulations Relating to Property Management Services — Charging of Property Management Enterprises" in this document. In December 2014, the National Development and Reform Commission of the PRC issued the Circular of NDRC on the Opinions on Relaxing Price Controls in Certain Services (《國家發展改革委關於放開部分服務價格意見的通知》) (發改價格[2014]2755號) ("**the Circular**"), which requires property management fees for affordable housing, housing-reform properties and properties in old residential areas and property management fees under preliminary property management service contracts remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. The Notice on Further Standardization of Property Service Charges (《關於進一步規範物業服務收費的通知》) (粵發改價格函[2019]2897號) issued by the Guangdong Provincial Development and Reform Commission and the Guangdong Provincial Bureau of Housing and Urban-rural Development has taken effect on August 1, 2019. The property management charging standards for which government guidance prices are carried out will be determined by the property management companies and the property owners through negotiation, and will no longer be required to report to the local development and reform commission for filing.

We expect the price controls on residential properties to be relaxed over time pursuant to the Circular. However, for our operations in certain provinces other than Guangdong province, our property management fees will continue to be subject to price controls until local regulations implementing the Circular are passed. On the other hand, our commercial operational service fees are not subject to price control. However, we cannot guarantee that the PRC Government may not reverse its policy and re-impose limits on property management and commercial operational fees. Generally, pricing control policies may negatively impact our profitability as they restrict the amount of property management fees we may charge. The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on our earnings. If properties are managed on a lump sum basis, we may experience a decrease in profit margin. If properties are managed on a commission basis, in the event that the collected fees after deducting the commission are insufficient to cover property management expenses, the property owners are legally responsible for making up for such shortage. There can also be no assurance that we would be able to implement cost-saving measures timely and effectively.

Given the stringent governmental regulations on property management fees, together with the difficulties we may face in obtaining the requisite votes at property owners' meetings, it may be impracticable to collect additional property management fees. We may therefore be forced to reduce costs, so as to strike a balance between collected property management fees and expenditures in relation to service provisions, or write off the uncollected payments on behalf of the residents.

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

We are affected by the PRC government regulations on the PRC real estate industry.

We generated most of our revenue from our property management services provided to residential and commercial properties during the Track Record Period. The performance of our property management services business is primarily dependent on the total GFA and number of residential communities we manage. As such, our growth in the property management services business is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. For further information on laws and regulations that are applicable to our business, please see the section entitled "Regulatory Overview" in this document.

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

We may fail to obtain or renew required permits, licenses, certificates or other relevant PRC governmental approvals necessary for our business operations.

We are required to obtain and maintain certain licenses, permits, certificates and approvals in order to provide property management and certain other services that we currently offer. See "Business — Certificates, Licenses and Permits" in this document for details. We must meet various specific conditions in order for the government authorities to issue or renew any certificate or permit. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We may fail to provide satisfactory services through "CoKWG (一合)" app.

We provide certain services online through the CoKWG app. However, the CoKWG app is still evolving and may encounter technical problems, security issues, logistical issues or any other unexpected issues. Therefore, we cannot assure you that it will function to our satisfaction, and there can be no assurance that property owners and residents will respond favorably to the CoKWG app. The performance of the CoKWG app may affect the level of satisfaction of our customers and our business, financial condition, results of operations and reputation could be adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

We manage all of our business operations from our headquarters in Guangzhou. Substantially all of our business assets are located in the PRC and all of our income is derived from the PRC Accordingly, our financial position, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transitioning to become a market economy with socialist characteristics.

For approximately four decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial position and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our services and therefore materially and adversely affect our business, financial position and results of operations.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. In 2018, the United States government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on various categories of imports from China, and China responded with similarly sized tariffs on U.S. products in retaliation. The trade war escalated in May 2019, when the United States increased tariffs on US$200 billion worth of Chinese products from 10% to 25%, and China increased tariffs on US$60 billion worth of U.S. goods in response. Moreover, since May 2019, the

United States has banned six Chinese technology firms from exporting certain sensitive U.S. goods. In August 2019, the U.S. Treasury declared China a currency manipulator. On September 1, 2019, the U.S. implemented further tariffs on more than US$125 billion worth of Chinese goods. On September 2, 2019, China lodged a complaint in the World Trade Organization against the U.S. over the import tariffs. The rhetoric surrounding the trade war has continued to escalate, and trade negotiations between the two governments, even though ongoing, have not yielded breakthroughs. The amicable resolution of the trade war remains elusive, and the lasting impact it may have on China's economy and the industries in which our Company operate remains uncertain.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), COVID-19, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC, which in turn may adversely impact domestic consumption and our income. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. The recent outbreak of COVID-19, which may have first appeared in late 2019, continues to spread across the PRC and globally. The new strain of COVID-19 is considered highly contagious and may pose a serious threat to public health. On January 23, 2020, the PRC government announced the lockdown of Wuhan city in an attempt to quarantine the city. Since then, draconian measures including travel restrictions had been imposed in other major cities in the PRC in an effort to contain the COVID-19 outbreak. The World Health Organization ("**WHO**") is closely monitoring and evaluating the situation. On March 12, 2020, the WHO declared the outbreak of COVID-19 a pandemic. COVID-19 had subsequently spread across China and to more than a hundred countries and territories globally and death toll and number of infected cases continued to rise. The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC, particularly Wuhan city and Hubei province. In light of the epidemic brought by COVID-19, local administrative authorities may impose more stringent health control measures which in turn increase our cost of services. The property market in the PRC, particularly Wuhan city and Hubei province, may also be adversely impacted. The outlook of the property market, economy slowdown and/or negative business sentiment could potentially have an indirect impact on the property management market and our business operation and financial condition may be adversely affected. We are uncertain as to when the outbreak of COVID-19 will be contained, and we also cannot predict if the impact will be short-lived or long-lasting. If the outbreak of COVID-19 is not effectively controlled in the foreseeable future, our business operations and financial condition may be materially and adversely affected as a result of the changes in the outlook of the property market, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

Any future outbreak of SARS, avian flu, COVID-19 or other similar epidemic may, among others, significantly disrupt our business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which in turn may have a material and adverse effect on our business, financial position and results of operations.

Moreover, China has experienced natural disasters, including earthquakes, floods, landslides and droughts in the past, resulting in deaths of people, significant economic losses and significant damage to factories, power lines and other properties, as well as blackouts, transportation and communication disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by, among other factors, the policies of the PRC Government and changes in international and domestic political and economic conditions. From 1995 to July 20, 2005, the conversion of the Renminbi into foreign currencies was based on fixed rates set by the PBOC. However, effective from July 21, 2005, the PRC Government decided to permit the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On November 30, 2015, the Executive Board of the International Monetary Fund completed a regular five-year review of the basket of currencies that make up the Special Drawing Right and determined that, effective from October 1, 2016, the Renminbi will be included in the Special Drawing Right basket as a fifth currency along with the U.S. dollar, the Euro, the Japanese yen and the British pound. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

All of our revenue, liabilities and assets are denominated in Renminbi, while our proceeds from the [REDACTED] will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting [REDACTED] proceeds or proceeds from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

Inflation in China could negatively affect our profitability and growth.

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

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

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

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

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China.

Our Company is incorporated in the Cayman Islands. All of our assets are located in China and most of our executive and non-executive Directors and senior management ordinarily reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region 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**") which has come into effect on August 1, 2008. Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. It may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

We may be deemed a "PRC resident enterprise" under the EIT Law and be subject to a tax rate of 25% on our global income, which could result in unfavorable tax consequences to us.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**") on April 22, 2009 (which was amended on December 29, 2017) setting out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or a PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行)) (the "**Bulletin 45**"), which took effect on September 1, 2011 and amended on June 1, 2015, June 28, 2016 and June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. All members of our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within China unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct all of our business operations in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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

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

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial position and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

RISKS RELATING TO THE SPIN-OFF AND THE [REDACTED]

There has been no prior market for our Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there was no public market for our Shares. The indicative [REDACTED] and the [REDACTED] will be determined by negotiations between us and the [REDACTED] (on behalf of the [REDACTED]), and they may differ significantly from the market price of our Shares following the [REDACTED].

We have applied to [REDACTED] and [REDACTED] our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the [REDACTED]; or (iii) the [REDACTED] of our Shares will not decline below the [REDACTED]. The [REDACTED] of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- industrial or environmental accidents, litigation or loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The [REDACTED] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the [REDACTED]. If we were to distribute our net tangible assets to our Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the [REDACTED]. However, after six months from the [REDACTED] we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

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

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in "[REDACTED] — [REDACTED] and Expenses" in this document. However, there is no assurance that following the expiration of the lock-up periods, the Controlling Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial position, capital requirements and surplus, contractual restrictions, future prospects and other factors which our Board may determine are important. See "Financial Information — Dividends and Distributable Reserve" in this document. We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our management has significant discretion as to how to use the net proceeds of the [REDACTED], and you may not necessarily agree on how we use them.

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

Investors may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands, and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands company law and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the company law of the Cayman Islands on protection of minority shareholders is set out in "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Companies Law — Cayman Islands Company Law — (f) Protection of minorities and shareholders' suits" to this document.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED].

Immediately upon completion of the Spin-off, our Controlling Shareholders will directly or indirectly control the exercise of [53.39]% of voting rights in the general meeting of our Company. For more information, see "Relationship with Controlling Shareholders" in this document. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Since there will be a gap of several days between the pricing and trading of our [REDACTED], the price of our [REDACTED] 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], but in any event not later than [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until the [REDACTED], which is expected to be [REDACTED]. Accordingly, investors may not be able to [REDACTED] 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].

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to China, the PRC economy and our relevant industries contained in this document.

Certain facts, forecasts and statistics in this document relating to China, the PRC economy and industries relevant to us were obtained from information provided or published by PRC Government agencies, JLL, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] or any of its or their respective affiliates or advisors. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

You should read this entire document carefully and not consider or rely on any particular statements in this document or in published media reports without carefully considering the risks and other information in this document.

Prior or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED], in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward- looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [REDACTED].

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

(1) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Kong Jiannan, our executive Director and chief executive officer, and Ms. Chan Ching Nga ("**Ms. Chan**"), our company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Each of our authorized representatives is an ordinarily resident in Hong Kong and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Chan has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(2) both our authorized representatives have means to contact our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her mobile phone number, office phone number, fax number and/or email address to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone number. Each of our Directors and the authorized representatives has also provided his/her mobile phone number, office phone number, fax number and/or email address to the Stock Exchange;

(3) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Maxa Capital Limited as our compliance advisor, which will have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(4) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the compliance advisor.

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, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected transactions — B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" in this document and a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected transactions — C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" in this document. See the section headed "Connected transactions" in this document for details.

POST-TRACK RECORD PERIOD ACQUISITIONS

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules and the guidance letter HKEX-GL32–12 issued by the Stock Exchange ("**GL32–12**") and Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, a new listing applicant is required to include in its accountants' report in the listing document the results and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the listing applicant have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to the Stock Exchange (the "**Relevant Requirements**").

Since the end of the Track Record Period, for the purpose of expanding its business, our Group has entered into memoranda of understanding or has been in the process of negotiating with the sellers to acquire the equity interests of certain companies (collectively referred to as the "**Target Companies**") as set out below (the "**Acquisitions**"):

1. Hubei Acquisition

On May 9, 2020, Ningjun Property entered into a memorandum of understanding with two sellers, pursuant to which Ningjun Property agreed to acquire 51% to 75% of the equity interest in a target company which is engaged in property management in Hubei Province. To the best knowledge, information and belief of our Directors after having made all reasonable enquiry, each of the sellers and their ultimate beneficial owners is an Independent Third Party. The proposed consideration is expected to be not more than RMB19.5 million, which will be determined after arm's length negotiation with reference to the expected profit of the target company. As of the Latest Practicable Date, we were in the initial stage of negotiation with the sellers on such proposed acquisition.

2. Shandong Acquisition

On May 20, 2020, Ningjun Property entered into a memorandum of understanding with two sellers, pursuant to which Ningjun Property agreed to acquire 51% of the equity interest in a target company which is engaged in property management in Shandong Province. To the best knowledge, information and belief of our Directors after having made all reasonable enquiry, each of the sellers is an Independent Third Party. The proposed consideration is expected to be not more than RMB6.3 million, which will be determined after arm's length negotiation with reference to the expected profit of the target company. As of the Latest Practicable Date, we were in initial stage of negotiation with the sellers on such proposed acquisition.

3. Zhejiang Acquisition

On April 30, 2020, Ningjun Property entered into a memorandum of understanding with two sellers, pursuant to which Ningjun Property agreed to acquire 51% of the equity interest in a target company which is engaged in property management in Zhejiang Province. To the best knowledge, information and belief of our Directors after having made all reasonable enquiry, each of the sellers is an Independent Third Party. The proposed consideration is expected to be not more than RMB3.3 million, which will be determined after arm's length negotiation with reference to the expected profit of the target company. As of the Latest Practicable Date, we were in initial stage of negotiation with the sellers on such proposed acquisition.

4. Proposed Acquisition 1

As of the Latest Practicable Date, we were in the process of negotiation to acquire 51% of an entity from a seller, who is an Independent Third Party. The target company is engaged in property management in Tianjin. The proposed consideration is expected to be not more than RMB3.2 million, which will be determined after arm's length negotiation with reference to the expected profit of the target company. As of the Latest Practicable Date, we were in initial stage of negotiation with the seller on such proposed acquisition and no binding agreement had been signed.

5. Proposed Acquisition 2

As of the Latest Practicable Date, we were in the process of negotiation to acquire 51% of an entity from two sellers, who are Independent Third Parties. The target company is engaged in property management in Henan Province. The proposed consideration is expected to be not more than RMB6.6 million, which will be determined after arm's length negotiation with reference to the expected profit of the target company. As of the Latest Practicable Date, we were in initial stage of negotiation with the sellers on such proposed acquisition and no binding agreement had been signed.

We [have applied] for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in relation to the preparation of financial statements in respect of the Acquisitions on the following grounds:

(a) **Ordinary and usual course of business** — the Acquisitions are in the ordinary and usual course of business of our Group as it is one of our principal business strategies to expand its market share through acquisitions of local players in the property management industry. Our Directors believe that the terms of the Acquisitions are fair and reasonable and in the interests of the Shareholders as a whole.

(b) **Immateriality of Target Companies** — the scale of businesses operated by each of the Target Companies (which are owned by different sellers) as compared to that of our Group is not material. Based on the financial information of the Target Companies available to our Company, all the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to each of the Acquisitions referenced against the financials of our Company in the most recent financial year of the Track Record Period are less than 5%. Moreover, the Acquisitions, when calculated on an aggregated basis, are not significant enough to require our Company to prepare pro forma financial information under Rule 4.28 of the Listing Rules.

Accordingly, our Directors believe that (i) the Acquisitions are immaterial when compared to the scale of our Group's operations as a whole; (ii) the Acquisitions have not resulted in any significant change to the financial position of our Group since December 31, 2019; and (iii) all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this Document. As such, a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

(c) **Unavailability of information** — In respect of the Hubei Acquisition, Shandong Acquisition and Zhejiang Acquisition, only memoranda of understanding were entered into with the sellers and we only have limited access to the necessary historical financial information of the Target Companies at this stage. In respect of the Proposed Acquisition 1 and Proposed Acquisition 2, as neither sale and purchase agreement nor any memorandum of understanding has been entered into as of the Latest Practicable Date, we do not have the right to access the necessary historical financial information of the relevant Target Companies to prepare its audited accounts to satisfy the Relevant Requirements. As such, it would be impracticable and unduly burdensome to our Company to disclose the audited financial information of all such Target Companies as required under Rules 4.04(2) and 4.04(4) of the Listing Rules.

(d) **Disclosure of necessary information in the document** — with a view to allowing the potential investors to understand the Acquisitions in greater details, our Company has included in this document the following information regarding the Acquisitions, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, which includes:

(i) general description of the scope of principal business activities of the Target Companies and the sellers;

(ii) confirmation that the counterparties and the ultimate beneficial owners of the counterparties are Independent Third Parties;

(iii) the consideration of the Acquisitions, how the consideration would be satisfied and the basis upon which the consideration was determined; and

(iv) the reasons for Acquisitions and the benefits which are expected to accrue to our Group as a result of the Acquisitions.

As the consideration with respect to each of the Acquisitions will be fully settled in cash utilizing internal resources of our Company, we do not expect to apply any proceeds from the [REDACTED] to finance any of the Acquisitions.

ALLOCATION OF SHARES TO [REDACTED] (AS DEFINED BELOW) UNDER THE [REDACTED]

[REDACTED] who are entitled to participate in the [REDACTED] include certain Directors and/or Ultimate Controlling Shareholders ("**[REDACTED]**"), namely Mr. Kong Jiannan, Mr. Kong Jiantao and Mr. Kong Jianmin. The [REDACTED] is required under paragraph 3(f) of the Practice Note 15 of the Listing Rules. In the absence of prior written consent from the Stock Exchange, participation by the KWG Non-Independent Participants in the [REDACTED] would be prohibited by paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors or existing shareholders of the listing applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their close associates may only [REDACTED] or [REDACTED] for which [REDACTED] is sought which are being marketed by or on behalf of a new applicant, whether in their own names or through nominees, if (1) no securities are [REDACTED] to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Rule 10.04 of the Listing Rule provides that a person who is an existing shareholder of the issuer may only [REDACTED] or [REDACTED] any securities for which [REDACTED] is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules above are fulfilled.

The [REDACTED] to the [REDACTED] are [REDACTED] pursuant to the [REDACTED] and therefore the condition set out in Rule 10.03(1) of the Listing Rules is not fulfilled. However, the [REDACTED] who are eligible to participate in the [REDACTED] will be participating in their capacity as [REDACTED] rather than in their capacity as Directors and/or [REDACTED], on the same terms as all other [REDACTED], and not on a basis of preferential treatment given to them in their capacity as Directors and/or [REDACTED].

We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 10.03 and 10.04 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules for the inclusion of [REDACTED], who are [REDACTED], as the eligible participants under the [REDACTED], subject to the conditions that:

(a) no preferential treatment will be given to the [REDACTED] who are [REDACTED] in the allocation of the [REDACTED] under the [REDACTED];

(b) the [REDACTED] in their capacity as [REDACTED] will not apply for such number of [REDACTED] which is more than the total number of [REDACTED];

(c) save for the [REDACTED], none of the [REDACTED] will participate or indicate any interest in the [REDACTED] and the [REDACTED];

(d) the allocation of the [REDACTED] will be on a pro rata basis amongst all [REDACTED] (who have applied for the [REDACTED]) and no preferential treatment (in terms of allocation) will be given to the [REDACTED] (who have applied for the [REDACTED] and in their capacity as [REDACTED]) as compared to other [REDACTED]; and

(e) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be complied with immediately after completion of the Spin-off.

THE SPIN-OFF

On June 19, 2020, the Stock Exchange confirmed that KWG Holdings may proceed with the Spin-off based on its proposal submitted to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules ("**PN15**").

KWG Holdings has been listed on the Main Board of the Stock Exchange since 2007. Following completion of the Spin-off, KWG Group will be principally engaged in property development, property investment, hotel operation and education, whereas our Group will focus on the provision of residential property management services and commercial property management and operational services. The Spin-off aims to allow separate platforms for the two businesses of KWG Group and our Group with clear delineation and allow the respective management of KWG Group and our Group to have a more defined business focus on their own core business segments.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The directors of KWG Holdings consider that the Spin-off will be commercially beneficial to KWG Group and our Group for the following reasons:

(a) the Spin-off will allow the shareholders of KWG Holdings an opportunity to realize the value of investment in our Group under a separate standalone platform for our Group's business;

(b) the Spin-off will enable our Group to build our identity as a separately [REDACTED] group, to have a separate fund-raising platform and to broaden our investor base through the [REDACTED]. The Spin-off would allow our Group to gain direct access to the capital market for equity and/or debt financing to fund our existing operations and future expansion without reliance on KWG Holdings, thereby improving our operating and financial management efficiencies;

(c) as a separately [REDACTED] group, our Group will be able to build on our reputation further and be in a better position to negotiate and solicit more business;

(d) the Spin-off will enable our Group to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for our Group, for investment in and forming strategic partnerships directly with our Group; and

(e) the Spin-off will enable more focused development, strategic planning and better allocation of resources for KWG Group and our Group with respect to the business of each group. Both KWG Group and our Group will benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities, especially with a dedicated management team for our Group to focus on our development and our business.

In accordance with the requirements of PN15, KWG Holdings will give due regard to the interests of its shareholders by providing [REDACTED] with an [REDACTED] to the Shares by way of the [REDACTED], being a [REDACTED] of the Shares and the [REDACTED] if the Spin-off proceeds. Details of the [REDACTED] are set out below. Under the [REDACTED], each

[REDACTED] is entitled pursuant to the [REDACTED] to apply on the basis of [REDACTED] held on the [REDACTED]. For details of the [REDACTED], please refer to the section headed "Structure of the [REDACTED]" in this document.

THE [REDACTED]

The [REDACTED] will be satisfied wholly by way of a [REDACTED] to [REDACTED] of an aggregate of [REDACTED] Shares, representing the entire issued share capital of our Company immediately following the [REDACTED] and before completion of the [REDACTED], pro rata to their respective shareholdings in KWG Holdings on the [REDACTED] on the basis of [REDACTED] held on the [REDACTED] rounded down to the nearest Share. The [REDACTED] is conditional on the [REDACTED] becoming unconditional in all respects. If such condition is not satisfied, the [REDACTED] will not be made and the Spin-off will not take place.

Fractional entitlements of the [REDACTED] to the Shares under the [REDACTED] will be retained by KWG Holdings for sale in the market and KWG Holdings will keep the net proceeds of sale, after deduction of related expenses therefrom, for the benefit of KWG Holdings.

Subject to the [REDACTED] becoming unconditional, we expect to despatch share certificates to [REDACTED] who are entitled to receive Shares under the [REDACTED] on or before [REDACTED]. Share certificates will only become valid if the [REDACTED] becomes unconditional.

Our Shares will be traded in board lots of [REDACTED] Shares each. ABCI Securities Company Limited will provide matching services, on a best efforts basis, to [REDACTED] to facilitate the trading of odd lots (if any) of Shares which the [REDACTED] may receive under the [REDACTED].

According to the "Stock Connect Shareholding Search" available on the Stock Exchange's website (**www.hkexnews.hk**), as of June 20, 2020, ChinaClear held 193,834,040 KWG Shares, representing approximately 6.09% of the total issued KWG Shares. ChinaClear is a CCASS Participant with HKSCC Nominees. The KWG PRC Stock Connect Investors may hold our Shares pursuant to the [REDACTED] through ChinaClear. Pursuant to the Shenzhen Stock Exchange Measures for the Implementation of Shenzhen-Hong Kong Stock Connect promulgated and effective on 30 September 2016 and last amended on March 13, 2020 and the Shanghai Stock Exchange Measures for the Implementation of Shanghai-Hong Kong Stock Connect revised and effective on 30 September 2016 and last amended on March 13, 2020, the KWG PRC Stock Connect Investors (or the relevant ChinaClear participants, as the case may be) whose stock accounts in ChinaClear are credited with our Shares may only sell them on the Stock Exchange under the Shanghai Stock Connect and Shenzhen Stock Connect.

KWG PRC Stock Connect Investors should seek advice from their intermediary (including broker, custodian, nominee or ChinaClear participant) and/or other professional advisors for details of the logistical arrangements as required by ChinaClear.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Kong Jiannan (孔健楠)	Room 302 No. 13 Fujin East Road Yuexiu District Guangzhou Guangdong Province China	Chinese
Ms. Yang Jingbo (楊靜波)	Room 1802, A4 Junfeng Garden No. 10-4 Xingsheng Road Tianhe District Guangzhou, Guangdong Province China	Chinese
Mr. Wang Yue (王躍)	Room 302, Unit 3, Building 28 Zhanchun Garden Haidian District Beijing China	Chinese
Non-executive Director		
Mr. Kong Jianmin (孔健岷)	Flat C, 12/F The Somerest 67 Repulse Bay Road Hong Kong	Chinese
Independent non-executive Directors		
Ms. Liu Xiaolan (劉曉蘭)	Room 1201, Unit 5 Lane 215, Shiquan East Road Putuo District Shanghai China	Chinese
Mr. Fung Che Wai, Anthony (馮志偉)	Flat G, 11/F Hong Yan Court Healthy Street Central North Point Hong Kong	Chinese
Ms. Ng Yi Kum (伍綺琴)	Flat B, 5/F, Block A2 Oasis No. 8–12 Peak Road The Peak Hong Kong	Chinese

See "Directors and Senior Management" in this document for further details of our Directors and senior management members.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**ABCI Capital Limited** 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisors to our Company	*As to Hong Kong law:* **Sidley Austin** Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing, China *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law:* **Miao & Co.** **(in Association with Han Kun Law Offices)** Rooms 3901–05, 39/F Edinburgh Tower, The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6th Floor, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, China
Auditor and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Compliance advisor	**Maxa Capital Limited** Unit 1908 Harbour Center 25 Harbour Road Wanchai Hong Kong
Industry consultant	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F One Taikoo Place 979 King's Road Hong Kong
Property valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F One Taikoo Place 979 King's Road Hong Kong
Receiving bank	[•]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business and headquarters in China	No. 75, Unit 3601 8 Huaxia Road Tianhe District Guangzhou Guangdong Province China
Principal place of business in Hong Kong	Unit 8205A, Level 82 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Company's website	**www.kwgliving.com** *(The information on this website does not form part of this document)*
Company secretary	Ms. Chan Ching Nga (陳靜雅) *ACS, ACIS* Unit 8205A, Level 82 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Audit Committee	Ms. Ng Yi Kum *(Chairperson)* Mr. Fung Che Wai, Anthony Ms. Liu Xiaolan
Remuneration Committee	Ms. Ng Yi Kum *(Chairperson)* Mr. Kong Jiannan Mr. Fung Che Wai, Anthony
Nomination Committee	Mr. Kong Jianmin *(Chairperson)* Mr. Fung Che Wai, Anthony Ms. Ng Yi Kum

CORPORATE INFORMATION

Authorized representatives	Mr. Kong Jiannan (孔健楠) Room 302 No. 13 Fujin East Road Yuexiu District Guangzhou Guangdong Province China Ms. Chan Ching Nga (陳靜雅) Unit 8205A, Level 82 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Compliance advisor	**Maxa Capital Limited** Unit 1908 Harbour Center 25 Harbour Road Wanchai Hong Kong
Principal Share Registrar and transfer office in the Cayman Islands	**[REDACTED]**
Hong Kong Share Registrar	**[REDACTED]**
Principal banks	**Industrial and Commercial Bank of China Limited, Guangzhou Industrial Avenue Branch** No. 31 Industrial Avenue North Haizhu District Guangzhou Guangdong Province China

Certain information and statistics in this section and elsewhere in the document relating to the property management industry and the overall China economy are derived from various official and independent third party sources and have been prepared on the basis of information made public by governmental entities and inter-governmental organizations and the commissioned research report from JLL. The information presented in this section and elsewhere in the document from these and other sources represents the most recent information that is currently available from those sources.

We believe that the sources of the information in this section and elsewhere in this document 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 Joint Sponsors, the [REDACTED], their respective directors, employees, agents, representatives, affiliates and advisers and all other parties (other than JLL) involved in the [REDACTED] have not independently verified, and have made no representation as to, the completeness, accuracy or fairness of such information from official or other third party sources. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside China. Accordingly, the official and other third party sources contained or referred to herein may not be accurate and should not be unduly relied on.

INTRODUCTION

In connection with the [REDACTED], we have commissioned JLL, an Independent Third Party, for use in this document to prepare the industry research report with necessary information on the markets of residential property management, commercial property management and operational service in China. JLL has charged us a total fee of approximately RMB420,000 for the preparation of the industry research report, which we believe is in line with the market rate for similar reports.

JLL is an international professional services and investment management firm offering specialized real estate services to clients seeking increased value by owning, occupying and investing in real estate. JLL has nearly 300 corporate offices, operates in more than 80 countries and has a global workforce of more than 94,000.

This section was prepared primarily by the designated market research team based on the followings and considered that the information and statistics are reliable:

- data from various Chinese government publications;
- site visits and interviews;
- recognized research institutions; and
- proprietary database of JLL.

The following sets out the main reasons for JLL to adopt the above sources of information and considered them as reliable:

- It is a general market practice to adopt official data and announcements from various Chinese government agencies; and
- JLL understands the data collection methodology and data source of its proprietary database and the subscribed database from CREIS (中指數據), CEIC (司爾亞司數據).

While preparing this section, JLL has relied on the assumptions listed below:

- all documents provided by the Group are true and correct;
- all published data by the relevant Chinese government authorities are true and correct;
- JLL makes no warranty or representation that these forecasts will be achieved. The market of residential property management, commercial property management and operational service is constantly fluctuating and changing. JLL will not take any responsibility to predict or in any warrant the future conditions of the market; and
- where subscribed data is obtained from recognized research and public institutions, JLL will rely upon the apparent integrity and expertise of such institutions.

Our directors confirm that, as of the Latest Practicable Date, to the best of their knowledge, after taking reasonable care, there is no material adverse change in the market information since the date of JLL Report or the date of the relevant data contained in the JLL Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC & THE GREATER BAY AREA

The Economy & the Real Estate Market in the PRC

As the world's second-largest economic entity, the GDP in the PRC increased from RMB64,128 billion in 2014 to RMB99,087 billion in 2019, with a CAGR of 9.1%.

In line with the rapid growth of the PRC economy, the total real estate investment in the PRC also increased steadily from RMB9,504 billion in 2014 to RMB13,219 billion in 2019, representing a CAGR of 6.8%, despite a series of tightening measures imposed by the central government to cool down the overheated housing market.

Selected economic statistics and real estate market statistics of the PRC (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Nominal GDP (RMB billion)	64,128	68,599	74,006	82,075	90,031	99,087	9.1%
Total Population (million)	1,368	1,375	1,383	1,390	1,395	1,400	0.5%
Urbanization (%)	54.8	56.1	57.4	58.5	59.6	60.6	N/A
Real Estate Market							
Total real estate investment (RMB billion)	9,504	9,598	10,258	10,980	12,026	13,219	6.8%
Total GFA of properties completed (million sq.m.)	1,075	1,000	1,061	1,015	936	959	–2.2%
Total GFA of properties sold (million sq.m.)	1,206	1,285	1,573	1,694	1,717	1,716	7.3%

Source: National Bureau of Statistics

The Economy & the Real Estate Market in the Greater Bay Area

The economy of the Greater Bay Area is strong, contributing to approximately 12% of the total GDP in the PRC with approximately 5% of the population. Meanwhile, comparing with the whole PRC, its total population increased with a higher CAGR, and its urbanization rate has reached a much higher level.

As one of the most densely populated and economically prosperous regions, the real estate market in the Greater Bay Area is prosperous. The total real estate investment in the Greater Bay Area increased with a CAGR of 16.2% during the year of 2014–2018. The GFA of properties completed in the Greater Bay Area increased from 53 million sq.m. in 2014 to 65 million sq.m. in 2019.

Selected economic statistics and real estate market statistics of the Greater Bay Area (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Nominal GDP (RMB billion) (excluding Hong Kong SAR and Macau SAR)	5,864	6,338	6,907	7,571	8,095	8,690	8.2%
Nominal GDP (RMB billion) (including Hong Kong SAR and Macau SAR, adjusted by exchange rates in corresponding years)	8,024	8,658	9,455	10,127	10,962	11,635	7.7%
Total Population (million)	65.5	66.7	68.0	69.6	71.2	72.6	2.1%
Urbanization (%)	85.9	86.3	86.7	87.0	87.5	N/A	N/A
Real Estate Market							
Total real estate investment (RMB billion)*	629	708	860	983	1,149	N/A	16.2%**
Total GFA of properties completed (million sq.m.)*	53	43	45	59	51	65	4.0%
Total GFA of properties sold (million sq.m.)*	67	87	107	104	94	N/A	8.6%**

Note: * *Data of Hong Kong SAR and Macau SAR is excluded*
** *CAGR is calculated based on the data between 2014–2018.*

Source: National Bureau of Statistics

THE RESIDENTIAL PROPERTY MANAGEMENT MARKET

Definition and Introduction

Residential property management refers to the behavior that a selected property management company was employed, entrusted and authorized by the owner of the residential property to manage and maintain the buildings, facilities, equipment and sites within the community. In the PRC, the residential properties usually exist in the form of community with a clear boundary.

Business and Revenue Model

Property management companies are required to guarantee basic management services and are encouraged to provide value-added services. Value-added services commonly refer to customized and specific services such as household management, booking services, house leasing, carpark management and so on. Property agency service is also a common value-added service, in which real estate agency institutions and agents provide property market information and agency services to clients, as well as collecting commission for the purpose of facilitating property transactions.

There are generally two main revenue models for property management service, known as the "lump sum basis" (包幹制) and the "commission basis" (酬金制). The "lump sum basis" model is the dominant revenue model, which allows the company to charge property owner a fixed service fees every time period and retain unused funds. In return, the company needs to do self-financing. The "commission basis" model is also preferred, as the management offers to acquire a fixed percentage of total service expense as the commission.

Overview of the Development

Benefited from the urbanization process in previous decades, the continuous development of residential properties created a huge demand for residential property management market. As a result, based on the statistics from CIA, the estimated market size of the PRC residential property management market reached RMB485 billion at the end of 2019. The average GFA of residential properties managed by the top 100 PRC property management companies increased from 18 million sq.m. in 2014 to 56 million sq.m. in 2018, with a CAGR of 32.6%.

Operation indicator of residential properties management market (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Average GFA of residential properties managed by the top 100 PRC property management companies (million sq.m.)	18	26	N/A	44	56	N/A	32.6%*

Note: * *CAGR is calculated based on the data between 2014–2018.*

Source: China Property Management Institution

Meanwhile, the total revenue of residential properties management services provided by the top 100 PRC property management companies reached RMB90.4 billion in 2018, representing a CAGR of 30.5% during the period of 2015–2018. Specifically, the revenue from residential properties management fees increased from RMB35.1 billion in 2015 to RMB75.4 billion in 2018 with a CAGR of 29.0%, while the revenue from value-added service for community reached RMB15.0 billion. Moreover, the revenue of residential properties management fee still takes up to 83.40% of total revenue in 2018, although the percentage decrease over time.

Revenue indicator of residential properties management market (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Total revenue of residential management services of the top 100 PRC property management companies (RMB billion)	N/A	40.6	N/A	61.6	90.4	N/A	30.5%*
Total revenue of residential properties management fee of the top 100 PRC property management companies (RMB billion)	N/A	35.1	N/A	52.0	75.4	N/A	29.0%*
Total revenue of value-added service for community of the top 100 PRC property management companies (RMB billion)	N/A	5.5	N/A	9.6	15.0	N/A	39.5%*

Note: * *CAGR is calculated based on data between 2015–2018*

Source: China Property Management Institution

The residential property management market in the Greater Bay Area. The residential property management market in the Greater Bay Area is prosperous. Firstly, on the demand side, the Greater Bay Area has been witnessing years of sustained population net inflow, while the figures in Beijing and Shanghai has decreased for two consecutive years. Moreover, the Guangdong Province has issued an Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要). To improve the connectivity within the Greater Bay Area via transport infrastructure development is one of the key themes for the plan. With such supporting policy, the population inflow is expected to be remained an increasing trend, creating a huge demand on residential properties and related management service. Secondly, the plan also emphasizes refining and improving the quality for consumer services (生活性服務業) and brings about great opportunities for the residential property management market. Thirdly, coupling with the high disposable income of this area, the desire for high-quality property management services contributes to the relatively high management fee.

As estimated, the average GFA of residential properties under management in the Greater Bay Area of the top 10 leading property management companies in this area[1] increased with a CAGR of 23.0% during 2014–2019.

Operation indicator of the residential property management market in the Greater Bay Area (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Average GFA of residential properties under management in Greater Bay Area of the top 10 property management companies (million sq.m.)*	8.2	9.5	11.9	15.1	18.5	23.0	23.0%

Note: * *Data of Hong Kong SAR and Macau SAR is excluded*

Source: JLL

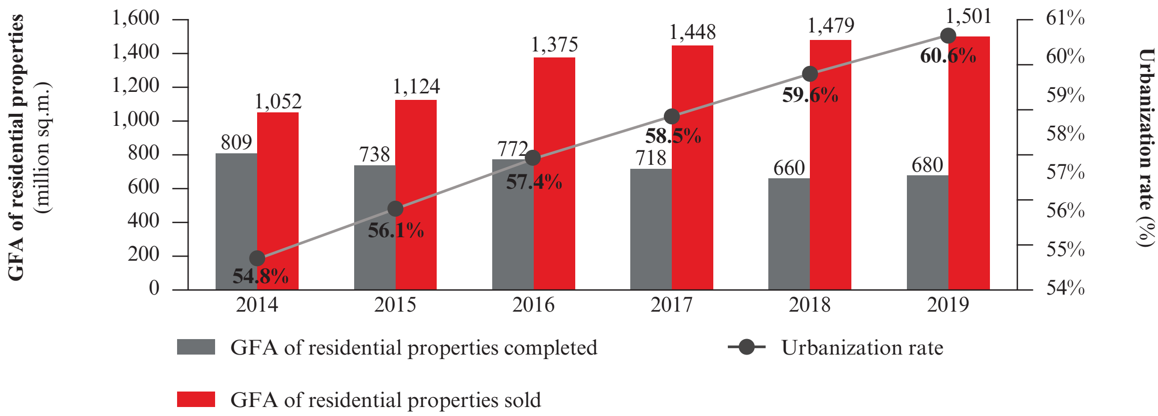
Impact of the COVID-19 outbreak. Recently, due to the COVID-19 outbreak, the operational cost of residential property management services has increased subsequently, because of the increasing cost of labor, disinfectants, and PPE (Personal Protective Equipment). However, the revenue stream of the industry remained resilient. The income of residential property management fee is stable and only the income of value-added service is affected partly. Local governments, such as Shenzhen and Hangzhou, also introduced subsidy policies for the industry. More importantly, the pandemic has leveled up the demand for professional and branded management service, which is likely to stimulate the development of residential property management service in the future. Therefore, there is a reason to believe that, in the middle and long term, the residential property management market will be benefited correspondingly.

[1] The top 10 leading property management companies refer to the top 10 leading companies in the Greater Bay Area ranked by the CIA in 2019, and the Group ranked 10th among these companies.

Key Growth Drivers

Continuous urbanization and development of residential real estate market. The urbanization rate in the PRC reached 60.6% in 2019. Accompanied with the rapid urbanization, the amount of commodity residential properties also surged in China. It is expected that the growth of urban population will continuously levels up the demand for the commodity housing, which further generates a demand for residential property management service.

Urbanization and selected residential real estate market indicators of China (2014–2019)



Sources: National Bureau of Statistics of China

Increase in disposable income and expenditure of urban residents. Per capita disposable income of urban residents and per capita consumption expenditure of urban residents reached RMB42,359 and RMB28,063 in 2019. In response to such growth, spending on residential property management also increased as people demand better living conditions.

Per capita income and expenditure indicators of the PRC (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Per capita disposable income of urban residents (RMB)	28,844	31,195	33,616	36,396	39,251	42,359	8.0%
Per capita consumption expenditure of urban residents (RMB)	19,968	21,392	23,079	24,445	26,112	28,063	7.0%

Sources: National Bureau of Statistics of China

Favorable policies. A series of favorable policies were promulgated. The Circular of the National Development and Reform Commission (NDRC) on the Opinions of Relaxing Price Controls in Certain Services (《國家發展和改革委關於放開部分服務價格意見的通知》) allows the management fee to be set based on negotiation instead of regulation. The Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) promotes the development of property management industry. In June 2017, the Opinion on Strengthening and Improving the Governance of Urban and Rural Communities (《關於加強和完善城鄉社區治理的意見》) encouraged the industry to expand its geographical coverage into rural areas.

Future Opportunities and Challenges

Adopting merger and acquisition strategies for market expansion. The market leaders are commonly adopting the merger and acquisition strategy to expand their market shares. In recent years, a growing number of leading property management companies are actively looking for financing and listing opportunities. With the support of the capital market, the property companies are eager to achieve a substantial business expansion through merger and acquisition actions. It is expected that more mergers and acquisitions will take place in the near future.

Increasing proportion of value-added service. According to the China Property Management Institute, the proportion of value-added service in total revenue of the top 100 PRC property management companies has increased from 13.6% in 2015 to 16.6% in 2018. Because of the higher profit margin of value-added service, value-added services will be the new opportunity for residential property management companies to outperform the others.

Digital Management. With the prevalent adoption of the internet, big data, internet of things (IoT) and other related technologies, property management companies are motivated to promote the application of digital management. Popular practices include one-stop service app, intelligent facilities management system, access control system and etc. These practices promote the management efficiency and cut the expense. Moreover, it provides an opportunity for management companies to extend their service chains. For example, some companies are integrating B2C (Business to Customer) services into their online platform.

Growing labor cost. The property management market is a labor-intensive market. The average annual wage is increasing in recent years, which results in a growing labor cost. The average annual wage of real estate industry indicates such trend.

Labor costs of China (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Average annual wage of workers in real estate industry (RMB)	55,568	60,244	65,497	69,277	75,281	80,157	7.6%

Source: National Bureau of Statistics

THE COMMERCIAL PROPERTY MANAGEMENT AND OPERATIONAL SERVICE MARKET

Definition and Introduction

The commercial property management refers to the general term of property management of various commercial property types. However, this section focuses on two dominant types, namely, office buildings and retail commercial properties. Different from residential property, commercial property has the characteristics of large visitors flow rate, diverse components, multiple functions and large public areas. Therefore, the management service provided is technically more completed.

Apart from the property management service, the commercial property requires commercial operational service. It refers to the consulting and operation service provided from the period of design and construction to the period of handover and operation.

Business and Revenue Model

The business model includes two aspects. On the one hand, property management companies provide a similar but more complicated property management service comparing to the residential sector. On the other hand, from the perspective of commercial property operation, property management companies mainly focus on tenant management services, such as tenants filtering for an appropriate mix, rental pricing, rental contracts drafting, rent collecting and etc. To further support the owners, property management companies also engage in multiple services, including but not limited to, marketing, events organizing, consulting service as well as value-added services.

The revenue stream of commercial property management and operational service is diverse, and the revenue models differ based on the service content provided. The following table sets out the fee basis to be charged by commercial operational service providers in general:

Revenue model of commercial property management and operational service

Period	Development Stage	Service Provided	Revenue Model
Pre-opening	Design and Construction	**Commercial Operational Service** Consultancy Services *(Project Positioning and Planning)* Tenant Management Service *(Tenant Sourcing)*	One-time fixed price
Post-opening	Handover/Operation	**Property Management Service** *(Facilities' Renovation and Upgrade, Cleaning Service, Security Service, Fire Safety)*	Lump sum basis or Commission basis
		Commercial Operational Service Tenant Management Service *(Tenants Filtering, Rental Pricing and Adjusting, Rental Contracts Drafting, Rent Collecting)* **Value-added Services** *(Paid Memberships, Gift Cards and Management of advertising space, etc.)*	Commission basis
		Commercial Operational Service Marketing Services *(Brand Marketing, Sales Promoting)*	Fixed Price based on GFA
		Commercial Operational Service Events Organizing *(Brand Marketing Events, Exhibitions, Temporary Sales Stalls and Advertisement Booth)*	One-time fixed price

Source: JLL

Overview of the Development

The rise of commercial property management was benefited from the rapid expansion of commercial property development in the last few decades. At the end of 2019, the accumulated GFA of commercial properties under management in China reached 3.43 billion sq.m. Moreover, since the profit margin is higher in the commercial sector than in the residential sector, the companies are proactively expanding their portfolio of commercial properties under management.

Development overview of commercial property management. The estimated market size of the commercial property management market in China was RMB274 billion in 2019.

The average GFA of both office and retail commercial properties managed by the top 100 PRC property management companies soared to 6.4 million sq.m. and 4.8 million sq.m. in 2018, indicating a CAGR of 26.6% and 25.6% respectively. In terms of revenue, the office management service provided by the top 100 PRC property management companies achieve a total revenue of RMB24.8 billion in 2018, with a CAGR of 19.3% during the period of 2015 to 2018. During the same period, the total revenue of retail commercial properties management service of top 100 PRC property management companies increased from RMB4.5 billion to RMB11.6 billion, representing a CAGR of 36.7%.

Operation indicators of commercial property management in the PRC (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Office Properties							
Average GFA of office properties managed by the top 100 PRC property management companies (million sq.m.)	2.5	3.2	N/A	4.8	6.4	N/A	26.6%*
Total revenue of office management services of the top 100 PRC property management companies (RMB billion)	N/A	14.6	N/A	19.0	24.8	N/A	19.3%**
Retail Commercial Properties							
Average GFA of retail commercial properties managed by the top 100 PRC property management companies (million sq.m.)	2.0	2.2	N/A	3.6	4.8	N/A	25.6%*
Total revenue of retail commercial properties management services of the top 100 PRC property management companies (RMB billion)	N/A	4.5	N/A	8.4	11.6	N/A	36.7%**

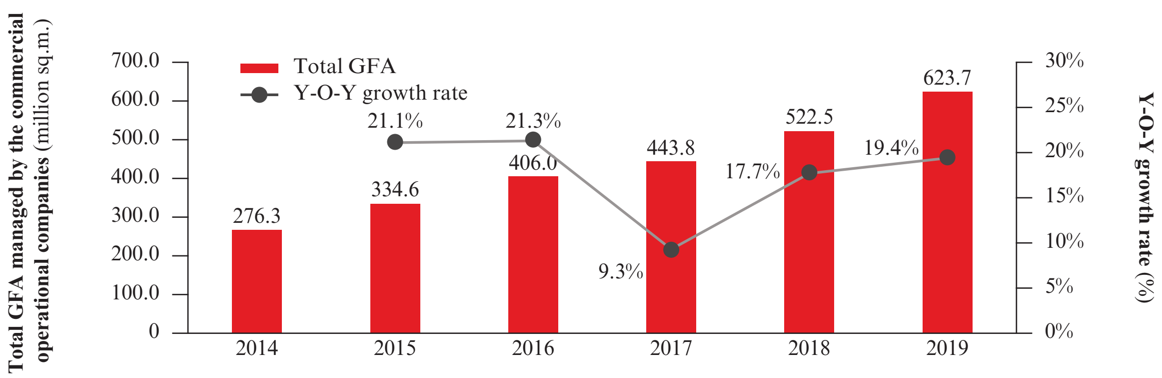
Note: * *CAGR is calculated based on data between 2014–2018*

** *CAGR is calculated based on data between 2015–2018*

Source: China Property Management Institution

Development overview of commercial operational service. With the progression of the commercial property market, developers are putting more emphasis on long-term benefits and preferring to hold the properties and generate profits by renting out instead of selling. Correspondingly, the demand of professional commercial operational service has developed substantially, and the service contents expanded along the development process consequently. As estimated, the total GFA managed by the commercial operational companies increased from 267.3 million sq.m. in 2014 to 623.7 million sq.m. in 2019, with a CAGR of 17.7% during the period.

Market indicator of commercial operational market (2014–2019)



Source: JLL

The Commercial Property Management & Operational Service Market in the Greater Bay Area. The commercial property management market in the Greater Bay Area is robust, with the estimated total GFA of commercial property under management reached 300.7 million sq.m. in 2019. Meanwhile, the market of the commercial operational service in the Greater Bay Area has also experienced a rapid and substantial development. The market size of the commercial operational service grew from approximately 42.0 million sq.m. in 2014 to approximately 70.0 million sq.m. in 2019, representing a CAGR of 10.8%.

The robust market is contributed by multiple factors. On the one hand, with the ambition to build a world-class bay area, the government is undertaking substantial steps to upgrade industries, focusing on the industries of finance, technological innovation and advanced manufacturing. The developers actively respond by acquiring new lands for office properties development. As such, the overall supply of office buildings is expected to increase. For example, the newly-supply of Grade-A office properties in Shenzhen in the upcoming five years is approximately 7.6 million sq.m., which is about the same size of the existing stock. On the other hand, with increasing disposable income and population in the area, the purchasing power in this area is generally on the rise. The total retail sales of consumer goods of almost all the cities in the Greater Bay Area achieved a CAGR of around 7% during the past five years. Moreover, the consumers in this area are in demand of unique and diversified shopping experience, which also brings about great business opportunity for retail property management and operational service. As a result, the market of retail property and related management service has also shown a promising development trend.

Market indicator of commercial operational market in Greater Bay Area (2014–2019)

	2014	2015	2016	2017	2018	2019	CAGR (2014–2019)
Total GFA in Greater Bay Area managed by the commercial operational companies (million sq.m.)*	42.0	46.9	52.8	59.5	65.2	70.0	10.8%

Note: * *Data of Hong Kong SAR and Macau SAR is excluded*

Source: JLL

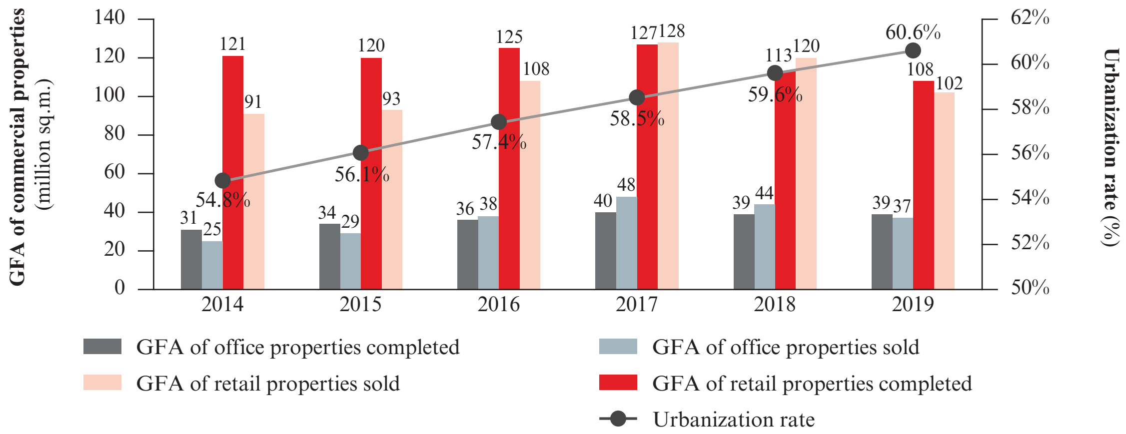
Impact of the COVID-19 outbreak. Similar to the residential property management market, the operational cost has also increased because of the recent COVID-19 outbreak. Moreover, with the quarantine policies in place, a negative impact regarding the footfall and sales in brick-and-mortar stores is inevitable in the short term. The retailers are under immense pressure, and some have to cease operation. Some developers, owners, and property management companies thus decided to slash rent and management fee for their commercial tenants to help them ride out the impact of the disease. Similar cases also happened in the office sector. As a result, the income of commercial property management and operational service market has been affected in the short term.

However, with the ease of pandemic and supporting policies issued by local governments, such as the consumption coupons to boost retail recovery, the market has gradually resumed to normal. Studies show that the average daily sales in key monitored retail enterprises in March 2020 increased by 3.2% from February 2020, and the resumption rate in the catering sector has reached 85.4% nationwide. Moreover, as the pandemic raises the demand for professional commercial property management service, there are reasons to believe that the PRC's commercial real estate market as well as the commercial property management and operational service market are able to remain resilient in the medium and long run, especially in the cities with robust economy, high population density and consumption power. Nonetheless, under the pressure of economic downturn, it is expected that the negative impacts of COVID-19 will increase vacancy rate and decrease average rents in the short term, which will also affect the commercial property management and operational market.

Key Growth Drivers

Rapid urbanization and further development of commercial property market. Similar to the residential sector, the significant growth in urbanization process and commercial property market also increases the demand on management and operation service of commercial properties.

Urbanization and selected commercial real estate market indicators of China (2014–2019)



Sources: National Bureau of Statistics of China

Increase in disposable income and expenditure of urban residents. Both per capita disposable income and consumption expenditure of urban residents had grown steadily in recent year, reaching RMB42,359 and RMB28,063 respectively in 2019. The growing income and expenditure level up people's demand for the high-quality commercial properties which requires maintenance and operational service.

Favorable policies and government's promotion on consumption. The favorable policies of property management discussed above also imposed a positive impact on the development of commercial property management and operational industry.

In addition, to spur domestic demand, steps have been taken to stimulate commodity circulation and cultivate an environment for consumption. Following the Opinions on Accelerating Commodity Circulation and Promoting Commercial Consumption (《關於加快發展流通促進商業消費意見》) issued by the State Council, multiple policies were promulgated by other ministries and local governments to promote consumption. It brings about great business opportunity for commercial property management companies.

Continuous innovation in commercial real estate market. The real estate industry is continuously trying to embrace innovations in recent years. In the retail sector, it has become the priority task for the retail commercial properties to create tactile and engaging experiences that can not be easily replicated online. More catering, cinemas, gyms etc. are introduced into the retail commercial properties. Similarly, there is a trend of adopting co-working space and green building technology in the office sector. As a result, more challenges have been imposed on the management service. It thus drives the development of the commercial property management industry.

Future Opportunities and Challenges

Digital management and operation. Considering the complexity of running a commercial property, the owner and management company are more eager to promote the digital management and operation. Firstly, it can help to monitor the conditions of daily operations, including number of daily visitors, consumer behaviors and etc. Secondly, it is beneficial to tenant management. With hundreds of rent contracts having different covenants, it is a great challenge for the management companies to take good care of all tenants.

Expansion of service scope. To maintain market competitiveness, the providers of commercial property management and operational service are seeking to offer more diversified services. Consulting service for both developers and tenants is one of the aspects. In addition, the companies are also paying more attention to the value-added services. Online platform and mobile application are widely adopted to enrich the value-added services such as paid memberships, membership points, gift cards for better promotion and a good shopping experience for consumers.

Customized and Featured Retail Commercial Projects. Owing to the intense competition of the market, the leading providers of management and operational service strive to distinguish their managing retail projects by providing customized design of operation theme, tenant mix and store layout. The shopping centres with featured theme are generally more favored by customers.

COMPETITIVE LANDSCAPE

Competitive Landscape

The PRC property management industry is fragmented and competitive, with approximately 0.13 million property management service providers in the industry in 2019. Moreover, the increasing market concentration rate indicates a fiercer competition in the industry. According to CIA, the market share of the Top 100 Property Management Companies has experienced a constant increase, with the figure increase from 19.50% in 2014 to 43.61% in 2019. The average GFA managed by the top 10 companies is about fifth times of the average GFA managed by the top 100, reaching 0.22 billion sq.m.

In the sub-markets for specific property types, the competition is also fierce. Specifically, the residential property management market has around 114,000 participants. As estimated, the market share of the top 5 companies in residential property management service market reached 9.1% in 2019 when the top 5 market share of overall market is only 7.5%. Meanwhile, the top 5 market share of commercial property management and operational service market is around 13.9%. It is partly contributed by the fact that there are fewer participants in the respective sub-sector. In addition, companies may also specialize in managing specific types of properties, and they normally have larger shares in those sub-markets. However, even with relatively higher concentration ratio, the market of commercial property management and operational service is still at the early development stage, compared with residential property management. It has fewer competitors and leaves larger room for the companies to expand.

Entry Barrier

Service Quality and Service Experience. Although the qualification requirement of management companies is canceled, the market still requires professional and refined service after years of development. The early participants, who has cultivated enough experience, can guarantee the service quality and has advantages over the others.

Reliable Project Source. The companies maintaining good relationship with developers, or affiliated to developers will have advantages over the others in terms of obtaining new projects. Moreover, once the property management company is selected, it is not easy for the property owners to change their management companies. Therefore, early participants who has achieved certain market share across the region generally possess competitive advantages over the new entrants.

Brand Reputation. Brand reputation has been built up among top property management companies in the PRC. It is an important factors when obtaining projects in the public market. New entrants, without an established brand face increasing difficulty in penetrating into the market.

Ranking of the Group

Carrying the company philosophy of "Careful Housekeeper", the Group has become a leading player in the market. According to CIA, in 2019 and 2020, the Group ranked 18th and 17th separately in China Top 100 Property Management Companies (中國物業服務百強企業) in terms of comprehensive strength[1]. As estimated, the Group accounted for approximately 0.09% of the total GFA under management in the PRC property management market in 2019.

The Company also made a strong presence in the Greater Bay Area and ranked 10th among the leading property management companies in the Greater Bay Area, according to the CIA. Moreover, in 2019, the Group ranked 1st and 2nd in terms of revenue per sq.m. and revenue growth rate among these 10 leading companies while these top 10 leading property management companies accounted for approximately 8% of the total GFA under management in the PRC property management market.

In addition, the Group offers not only property management service for both residential and commercial properties, but also commercial operational service. Among similar competitors, according to JLL we were ranked 7th in terms of total GFA under management in China, and 5th in terms of total GFA under management[2] in the Greater Bay Area.

Top Property Management Companies providing commercial operational service by total GFA under management (China), 2019

Ranking	Company	Market Share (%)
1	Company A	1.20%
2	Company B	0.58%
3	Company C	0.30%
4	Company D	0.29%
5	Company E	0.27%
6	Company F	0.15%
7	The Group	0.09%

Top Property Management Companies providing commercial operational service by total GFA under management (the Greater Bay Area), 2019

Ranking	Company	Market Share (%)[2]
1	Company A	2.57%
2	Company B	1.57%
3	Company E	1.47%
4	Company G	1.12%
5	The Group	0.80%

1 Comprehensive strength is assessed taking consideration of following aspects: scale of operations, financial performance, service quality, growth potential and social responsibility

2 Only include the residential properties, offices and retail properties in the mainland cities of the Greater Bay Area.

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws and regulations applicable to our business in PRC.

LAWS AND REGULATIONS RELATING TO PROPERTY MANAGEMENT SERVICES

Foreign Invested Property Management Enterprises

All companies established in the PRC are subject to the Company Law of the People's Republic of China《中華人民共和國公司法》(hereafter referred to as the "**Company Law**", which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993, came into effect on July 1, 1994, and was subsequently revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018). The Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises. Where laws and regulations relating to foreign investment provide otherwise, such stipulations shall apply.

Pursuant to the Foreign Investment Law of the People's Republic of China《中華人民共和國外商投資法》(promulgated by SCNPC on March 15, 2019 and came into effect on January 1, 2020) and the Regulations on Implementation of Foreign Investment Law of the People's Republic of China《中華人民共和國外商投資法實施條例》(promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020), the PRC will further implement the open-up policy, proactively promote foreign investment, protect the legitimate rights and interests of foreign investment and regulate the management of foreign investment. The various policies of the State to support the development of enterprises shall equally apply to foreign-invested enterprises according to laws. Foreign investors' capital contributions, profits, capital gains, income from asset disposals, intellectual property royalties, compensation or indemnification obtained legally and gains from liquidation can be freely remitted in or out of China in RMB or foreign exchange. The State implements a management system comprising pre-access national treatment along with a negative list with respect to foreign investment. Foreign investors shall not invest in any field prohibited by the Negative List for Foreign Investment. For any field with investment restricted by the Negative List for Foreign Investment, foreign investors shall meet the special management measures for restricted investment stipulated under the Negative List, such as the requirements on shareholding and senior management members. Any field that does not fall within the Negative List shall be administered under the principle of consistency between domestic and foreign investment.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) 2019 Edition (《外商投資准入特別管理措施(負面清單) (2019年版)》) (promulgated on June 30, 2019 and came into effect on July 30, 2019), property management service and commercial operation service are not included in the above Negative List and are the industries that allows foreign merchants to make investments.

Pursuant to the Measures for the Reporting of Foreign Investment Information《外商投資信息報告辦法》(promulgated by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020), where foreign investors carry out investment activities directly or indirectly within the PRC, foreign investors or foreign-funded enterprises shall report investment information to competent commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Qualification of Property Management Enterprises

According to the Regulation on Property Management (《物業管理條例》) (No. 379 Order of the State Council, the "**Regulation on Property Management**"), which was promulgated on June 8, 2003, came into effect since September 1, 2003, and was amended on August 26, 2007, February 6, 2016 and March 19, 2018, the State adopted a qualification administration systems for enterprises engaged in property management activities.

According to Decision of the State Council on Canceling the Third Batch of Administrative Licensing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) (GF[2017]No.7), which was promulgated on January 12, 2017 and came into effect on the same day, the examination and approval of second grade or below qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Group of Administrative Licensing Items (《國務院關於取消一批行政許可事項的決定》) (GF [2017] No.46), which was promulgated by the State Council on September 22, 2017 and came into effect on the same day, the examination and approval of first-grade qualification of property management enterprises was cancelled.

According to the Notice of the General Office of Ministry of Housing and Urban-Rural Development on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《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》) (Jian Ban Fang [2017] No.75), which was promulgated and came into effect on December 15, 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.

According to the Decision of the General Office of Ministry of Housing and Urban-Rural Development on Abolishing the Measures for the Administration on Qualifications of Property Management Enterprises (《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》) (promulgated by the General Office of Ministry of Housing and Urban-Rural Development on March 8, 2018 and came into effect on the same day), the Measures for the Administration on Qualifications of Property Management Enterprises is abolished and the qualification accreditation for property management enterprises is canceled.

According to the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) (No. 698 Order of the State Council), which was promulgated and became effective on March 19, 2018, the requirements on qualifications of the property management enterprises in Regulation on Property Management was deleted, and the Regulation on Property Management was revised accordingly and implemented on March 19, 2018.

Appointment of Property Management Enterprises

According to the Property Law of the PRC (《中華人民共和國物權法》)(No. 62 Order of the President, the "**Property Law**"), which was promulgated on March 16, 2007 and came into effect on October 1, 2007, property owners can either manage the buildings and ancillary facilities by themselves, or by entrusting the matter to a property management enterprise or other custodians. As regards the property management enterprise or any other custodians hired by the developer, property owners are entitled to alter it in accordance with law. Property management enterprises or other custodians shall manage the buildings and ancillary facilities within the area of the building as agreed with the property owners, and shall be subject to the supervision by them.

According to the Regulation on Property Management, the selecting, employing and dismissing of property management enterprise shall be subject to the approval by owners who possess exclusive areas accounting for more than half of the total area of buildings and owners who account for more than half of the total number of owners. Where a developer recruits and selects any property management enterprise before it is selected by owners and the general meeting, such developer shall conclude a written preliminary property management contract with the enterprise. A sales contract concluded by the construction entity and the realty buyer shall include the contents stipulated in the preliminary property management contract. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' committee and the property management enterprise comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates.

According to the Regulation on Property Management and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (Jian Zhu Fang [2003] No.130), which was promulgated on June 26, 2003 and came into effect on September 1, 2003, preliminary property management services shall be implemented by the property management enterprise employed by the construction entity before the owners or the owners' general meeting select a property management enterprise at its own discretion. The construction entity of residential buildings and non-residential buildings located in the same property management areas shall engage the property management enterprises of corresponding qualification through bid-invitation and bidding. In cases where there are no more than 3 bidders or the residence scale is relatively small, the construction entity may select the property management enterprise with corresponding qualifications through agreement upon approval by the administrative department of real estate of the people's government of the district or county of the place where the realty is located. Where the developer of a residential property fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and may impose with the penalty of no more than RMB100,000.

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

In addition, according to the Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《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》) (Fa Shi [2009] No.8), which was promulgated on May 15, 2009 and came into effect on October 1, 2009, the preliminary property management contract signed according to the relevant laws and regulations by the developer and the property management enterprise and the property management contract signed by the property owners' committee and property management enterprises hired according to the relevant laws and regulations by the general meeting are legally binding on property owners, the people's court shall not support a claim if property owners plead as property owners are not party to the contract. The court shall support a claim if property owners' committee or property owners appeal to the court to confirm that the clauses of property management services contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' committee or property owners are invalid.

Charging of Property Management Enterprises

According to the Measures on the Charges of Property Service (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2013] No.1864), which was promulgated on November 13, 2003 and came into effect on January 1, 2004, property management enterprises may charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental health and order of relevant areas according to relevant property management services contracts. Property service charges shall be reasonable, transparent, and suitable for the level of services offered, and shall follow either government-guided pricing or market-regulated pricing based on the nature and features of properties of various kinds. 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 directly under the Central Government, 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 a commission basis. The lump-sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses and 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 contract, and property owners shall enjoy or assume the surplus or deficit.

Property management enterprises shall expressly price their services according to law, and display its service items and standards, charged items and standards and other related contents on the noticeable positions in the management areas publicly.

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (Fa Gai Jia Jian [2004] No.1428), which was promulgated on July 19, 2004 and came into effect on October 1, 2004, property management enterprises shall clearly mark the price, state service items and standards and relevant information on services (including property management services under the property management contract and services entrusted by property owners) provided to the owners. If the clearly-marked charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard.

According to the Notice by NDRC and the MOHURD of Issuing the Measures on Supervision over Pricing of Property Management Services (Trial) (《國家發展改革委及建設部關於印發物業服務定價成本監審辦法(試行)的通知》) (Fa Gai Jia Ge [2007] No.2285), which was promulgated on September 10, 2007 and came into effect on October 1, 2007, the pricing cost of property management services should be the average cost of community property services as verified by the competent price administration department of the people's government. With the assistance of competent real estate administrative department, competent pricing department is responsible to organize the implementation of the property management pricing cost supervision and examination work. Property management services pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展改革委關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No.2755), which was promulgated and came into effect on December 17, 2014, price control on property services of non-government-supported houses was canceled, including fees charged by a property service company from property owners for the maintenance, conservation and management of non-government-supported houses, the supporting facilities and equipment, and the relevant sites thereof, activities of maintaining the environment, sanitation, and relevant order inside the property management regions, and other actions completed in accordance with the agreement of the property service contract, upon commission of the property owners. The provincial price authorities shall, jointly with the housing and urban-rural development administrative authorities, decide to implement government guidance prices for charges of property management for government-supported houses, houses under housing reform, old residence communities and preliminary property management service in light of the actual situation. In decontrolling the charges of property services for government-supported houses and implementing market-regulated prices, the affordability of the supported subjects shall be considered and a subsidy mechanism shall be established.

LAWS AND REGULATIONS RELATING TO OTHER MAIN BUSINESS OF THE COMPANY

Real Estate Brokerage Business

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (No. 29 Order of the President of the PRC), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and revised on August 30, 2007, August 27, 2009, and 26 August 2019, real estate intermediate service agencies include real estate consultants, real estate evaluation agencies, real estate brokerage agencies, etc. Real estate intermediate agencies shall meet the following conditions: (1) have their own name and organization; (2) have a fixed business site; (3) have the necessary assets and funds; (4) have a sufficient number of professionals; (5) other conditions specified by laws and administrative regulations.

According to the Administrative Measures for Real Estate Brokerage (《房地產經紀管理辦法》) (No.8 Order of the MOHURD, NDRC and Ministry of Human Resources and Social Security), which was issued by the MOHURD, NDRC and Ministry of Human Resources and Social Security on January 20, 2011, came into effect on April 1, 2011 and revised on March 1, 2016, Real estate brokerage agencies and their branches shall go to the competent housing and urban-rural development (real estate) authority for handling the filing formalities within 30 days from the date of receiving business licenses. a real estate brokerage institution or its branch shall, within 30 days as of the date of fetching a business license, go through the filing formalities with the competent housing and urban-rural development (real estate) authority. The real estate brokerage services shall be subject to a marked price system. A real estate brokerage institution shall abide by the price laws, regulations and rules, and indicate real estate brokerage service items, service details, fee rate, prices of relevant properties and other information at an eye-catching place in its premise.

FOREIGN EXCHANGE REGULATIONS

According to Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (Order No.532 of the State Council), which was promulgated on January 29, 1996, came into effect on April 1, 1996 amended on January 14, 1997 and August 5, 2008, and became effective on August 5, 2008), foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange in accordance with the relevant provisions of the State. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating the foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative organ shall be obtained, unless it is otherwise provided by the state.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No.13), which was promulgated on February 13, 2015 and came into effect on June 1, 2015, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been canceled, the banks will review and carry out foreign exchange registration under domestic direct investment and overseas direct investment (collectively known as direct investment foreign exchange registration) directly, while the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of State Administration of Foreign Exchange on Reforming and Regulating the policies for the Administration of Foreign Exchange Settlement under the Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) (Hui Fa [2016] No.16), which was promulgated and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The State Administration of Foreign Exchange may adjust the above ratio in due time in accordance with the balance of payment status. Where there are restrictive provisions in any current regulation on the settlement of foreign exchange receipts under the capital account of domestic institutions, the provisions shall prevail.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) ([2007] No.63 Order of the President) promulgated on March 16, 2007 and became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018 and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) ([2007] No.512 Order of the State Council) promulgated on December 6, 2007 and became effective from January 1, 2008 and amended on April 23, 2019, enterprises are classified as either "resident enterprises" or "non-resident enterprises". "Resident enterprises" refers to enterprises that are set up in the PRC under the PRC laws, or that are set up in accordance with the law of the foreign country (region) whose actual administration institution is in PRC, and shall pay enterprise income tax at a rate of 25%. "Non-resident enterprises" refers to enterprises established under the law of the foreign country (region) with "de facto management bodies" outside the PRC, but have set up institutions or establishments in PRC or, without institutions or establishments set up in the PRC, have income originating from PRC, shall pay enterprise income tax on its passive income derived from the PRC at a reduced rate of 10%.

Income Tax in Relation to Dividend Distribution

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated on August 21, 2006, last amended on December 31, 2019 and newly applicable to income derived in any year of assessment commencing on or after January 1, 2020 in Mainland China and to any year commencing on or after April 1, 2020 in Hong Kong, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds 25% or more of equity interest in each of such PRC subsidiary at the time of the distribution, or a rate of 10% if it holds less than 25% equity interest in that subsidiary.

According to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Agreements (《非居民納稅人享受協定待遇管理辦法》) promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers shall judge by themselves that they meet the conditions for entitlement to treaty benefits. Non-resident taxpayers may obtain such entitlement themselves at the time of making tax declarations, or at the time of making withholding declarations via withholding agents. At the same time, they shall collect, gather and retain relevant materials for future reference, and shall accept the follow-up administration of tax authorities.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (Order No. 134 of the State Council), which was promulgated on December 13, 1993, came into effect on January 1, 1994, and was amended on November 5, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) (No. 50 Order of the Ministry of Finance), which were promulgated and came into effect on December 25, 1993 and revised on December 15, 2008 and October 28, 2011, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People's Republic of China are taxpayers of value-added tax ("VAT"), and shall pay VAT. The tax rate for taxpayers engaging in sale of services and intangible assets shall be 6% unless otherwise stipulated.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36), which was promulgated on March 23, 2016, came into effect on May 1, 2016, and was partially invalidated by subsequent regulations, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 1, 2016, and all business tax payers engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

LABOR AND SOCIAL INSURANCE-RELATED LAWS AND REGULATIONS

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018, employers shall establish and improve their rules and regulations in accordance with the law so as to ensure that workers enjoy labor rights and perform their labor obligations. Labor contracts shall be concluded if labor relationships are to be established.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), (promulgated on June 29, 2007, came into effect on January 1, 2008 and was amended on December 28, 2012 and came into effect on July 1, 2013) and the Regulation on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (promulgated and came into effect on September 18, 2008), labor contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignment. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with legal conditions, an employer may terminate a labor contract and dismiss its employees in accordance with law. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, came into effect on July 1, 2011, and was amended on December 29, 2018, the state shall establish a social insurance system including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injuries, unemployment and childbirth. Employers and individuals shall pay social insurance premiums in accordance with law. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of five-ten thousandths of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

According to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated and came into effect on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, an entity shall undergo the formalities for registration of housing provident fund contribution with the housing provident fund management center, and undergo the formalities for opening housing provident fund accounts for its employees. An entity shall timely and fully deposit housing accumulation fund, and shall not deposit it by exceeding the time limit, or deposit less than it should. Where an entity fails to make deposit registration of the housing accumulation fund or failing to open a housing accumulation fund account for its employees, it shall be ordered by the housing accumulation fund management center to make up the procedures within a time limit; if it fails to make up the procedures within the time limit, it shall be given a fine of RMB10,000 to RMB50,000. Where an entity fails to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management center to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people's court for enforcement.

According to Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated on January 24, 2014, and became effective on March 1, 2014,employers shall strictly control the number of dispatched laborers which shall not exceed 10% of the total number of its workers. Where an employer violates the above provisions, the labor administrative department shall order rectification within a specified period of time; if the situation is not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person shall be imposed.

INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Trademark Law

According to the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No.10 of the SCNPC) (promulgated by the SCNPC on August 23, 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (Order No. 358 of the State Council) (promulgated on August 3, 2002 and came into effect on September 15, 2002 and amended on April 29, 2014), the period of validity of a registered trademark shall be ten years. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities. The period of validity of each renewal is ten years. If the renewal formalities are not undergone within the period, the registration of the trademark shall be canceled. Where two or more trademark registration applicants apply for registration of identical or similar trademarks to be used on identical or similar goods, the trademark, the registration of which is applied for first, shall be preliminarily approved and published; or if the applications are filed on the same day, the trademark which is used first shall be preliminarily approved and published, while the applications of the others shall be rejected without publication. No application for trademark registration may infringe upon the existing prior rights of others, and bad-faith registration by illicit means of a trademark with a certain reputation already used by another party shall be prohibited.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) (No.43 Order of the Ministry of Industry and Information Technology), which was promulgated on August 24, 2017 and came into effect on November 1, 2017, the Ministry of Industry and Information Technology is responsible for managing Internet network domain names of China. The ".CN" and the ".Zhongguo (in Chinese character)" shall be China's national top-level domains. Where a domain name root server or a domain name root server operating institution, domain name registry or domain name registrar is to be established within the territory of China, the corresponding permit issued by the Ministry of Industry and Information Technology or the communications administration of the province, autonomous region or municipality directly under the Central Government shall be obtained in accordance with these Measures. The principle of "first-to-file" is adopted for domain name services. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the registration purpose.

OUR HISTORY AND DEVELOPMENT

History

Our history can be traced back to 2004, when we commenced to provide residential property management services for properties developed by KWG Group. KWG Holdings, a large-scale real estate developer in China, is our controlling shareholder before completion of the Spin-off. In 2006, we expanded our service scope to provide commercial property management and operational services for properties developed by KWG Group. Benefiting from the mutual beneficial and complementary relationship between KWG Group and us, we have become one of the leading property management service providers in China with strong footprint in the Greater Bay Area and expanded our geographic presence to 37 cities or autonomous county including major cities such as Beijing, Shanghai, Chengdu and Suzhou as of December 31, 2019. We also began to provide residential property management and commercial property management and operational services for properties developed by third-party property developers in 2019. According to CIA, we were ranked 18th and 17th among the Top 100 Property Management Companies (中國物業服務百強企業) in terms of comprehensive strength in 2019 and 2020, respectively. As of December 31, 2019, we were contracted to provide residential property management and commercial property management and operational services to a total of 191 projects across 37 cities or autonomous county in China with an aggregate contracted GFA of approximately 33.8 million sq.m..

Business development milestones

The following table sets out a summary of our Group's major business development milestones:

Year	Milestone
2004	We commenced to provide residential property management services focusing on Guangzhou area
2006	We expanded our service scope to provide commercial property management and operational services
2009—2011	We started to expand to other areas in the PRC outside Guangzhou, including Beijing, Chengdu and Suzhou
2017	We were honored as one of the Top 100 Property Management Companies in China (中國物業服務百強企業) by CIA for three consecutive years commencing from 2017
2018	We were honored as the Leading Property Management Companies in terms of Characteristic Service (中國特色物業服務領先企業) by CIA for two consecutive years commencing from 2018

Year	Milestone
2019	We commenced to provide property agency services to property developer with respect to newly developed residential properties with the establishment of Guanli Property
	We were honored as Outstanding Enterprise in Application of Smart Technology (2019 年度智能化應用優秀企業) by Guangzhou Property Management Industry Association (廣州市物業管理行業協會)
2020	We were awarded 2019 High Growth Commercial Property Enterprise of the Year (2019年度高成長商業地產企業) by Linkshop.com (聯商網)

OUR CORPORATE DEVELOPMENT

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on September 11, 2019, and became the holding company and [REDACTED] vehicle of our Group upon completion of the Reorganization. See the paragraph headed "Reorganization" below for details.

Our operating subsidiaries in the PRC

During the Track Record Period and as of the Latest Practicable Date, our business operations had been carried out by our operating subsidiaries established or acquired by our Group in the PRC. Set out below are the major corporate developments including major changes in the equity interests in our operating subsidiaries in the PRC during the Track Record Period:

Ningjun Property

Ningjun Property is principally engaged in the provision of residential property management services and commercial property management services. Ningjun Property was established in the PRC with limited liability on May 13, 2004 with an initial registered capital of RMB0.8 million, fully paid up by cash, and was owned as to 90% by Guangzhou Tianjian Real Estate Development Co., Ltd.* (廣州市天建房地產開發有限公司) ("**Tianjian Real Estate**") and 10% by Guangzhou Fuhui Property Development Co., Ltd.* (廣州市富暉物業發展有限公司) ("**Fuhui Property**") as of the date of its establishment. Each of Tianjian Real Estate and Fuhui Property was beneficially owned as to 100% by Mr. Kong Jianmin at the time of establishment of Ningjun Property.

On May 9, 2005, Tianjian Real Estate transferred 90% of the equity interest in Ningjun Property to Guangzhou Tianjian Holdings Co., Ltd.* (廣州市天建控股有限公司) ("**Tianjian Holdings**") at a consideration of RMB720,000, which was determined after arm's length negotiation with reference to the registered capital of Ningjun Property at the time of such transfer. Tianjian Holdings was beneficially owned as to 100% by Mr. Kong Jianmin at the time of such transfer. On July 12, 2006, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan acquired 76.5%, 15% and 8.5% of the equity interest in Ningjun Property from Tianjian Holdings and Fuhui Property for a consideration of RMB612,000, RMB120,000 and RMB68,000, respectively. The consideration was determined after arm's length negotiation with reference to the registered capital of Ningjun Property at the time of such acquisition.

Pursuant to the reorganization of KWG Holdings in 2006 in preparation for the [REDACTED] of its shares on the Stock Exchange, on July 24, 2006, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan transferred this respective 76.5%, 15% and 8.5% of the equity interest in Ningjun Property to Fast Choice, an indirect wholly-owned subsidiary of KWG Holdings, at a total consideration of US$80,000, which was determined after arm's length negotiation between the parties. Upon completion of such transfers, Ningjun Property became a wholly-owned subsidiary of Fast Choice.

On July 26, 2007, the registered capital of Ningjun Property was increased to RMB7 million through a capital injection in the amount of RMB6.2 million by Fast Choice. On January 31, 2008, for the purpose of internal reorganization, Fast Choice transferred the entire equity interest in Ningjun Property to Total Super, an indirect wholly-owned subsidiary of KWG Holdings, at a consideration of RMB7 million, which was determined after arm's length negotiation with reference to the registered capital of Ningjun Property at the time of such transfer. Upon completion of such transfer, Ningjun Property became a wholly-owned subsidiary of Total Super.

As part of the Reorganization, Hejing Youhuo injected RMB63 million as additional registered capital of Ningjun Property, representing 90% of the enlarged registered capital of Ningjun Property on March 5, 2020 and acquired the remaining 10% of the equity interest in Ningjun Property from Total Super at a consideration of RMB34.55 million on March 24, 2020. See the paragraph headed "Reorganization" below for details. Upon completion of such capital injection and the equity transfer, Ningjun Property became wholly-owned by Hejing Youhuo. As of the Latest Practicable Date, Ningjun Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Liheng Commercial

Liheng Commercial is principally engaged in the provision of commercial property management and operational services. It was established in the PRC with limited liability on June 20, 2019 with an initial registered capital of RMB100 million, to be fully paid up in accordance with its articles of association, and was wholly-owned by Ningjun Property as of the date of its establishment.

As part of the Reorganization, on January 7, 2020, Ningjun Property transferred its entire equity interest in Liheng Commercial to Hejing Youhuo. See the paragraph headed "Reorganization" below for details. Upon completion of such transfer and as of the Latest Practicable Date, Liheng Commercial was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Guanli Property

Guanli Property is principally engaged in the provision of property agency services. It was established in the PRC with limited liability on March 7, 2019 with an initial registered capital of RMB1 million, to be fully paid up in accordance with its articles of association, and was wholly-owned by Ningjun Property as of the date of its establishment.

As part of the Reorganization, on January 10, 2020, Ningjun Property transferred its entire equity interest in Guanli Property to Hejing Youhuo. See the paragraph headed "Reorganization" below for details. Upon completion of such transfer and as of the Latest Practicable Date, Guanli Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Jiangtianyue Property

Jiangtianyue Property is principally engaged in the provision of residential property management services. It was established in the PRC with limited liability on October 17, 2019 with an initial registered capital of RMB5 million, to be fully paid up in accordance with its articles of association, and has been wholly-owned by Ningjun Property since its establishment.

Fuxin Property

Fuxin Property is principally engaged in the provision of residential property management services. It was established in the PRC with limited liability on June 23, 2003 with an initial registered capital of RMB0.8 million, fully paid up by cash, and was owned as to 70% by Ms. Mo Yibin (莫亦斌) and 30% by Ms. Liang Caicha (梁彩茶) as of the date of its establishment. Ms. Mo Yibin is the spouse of Mr. Kong Jiannan and Ms. Liang Caicha is the mother-in-law of Mr. Kong Jiannan. Each of Ms. Mo Yibin and Ms. Liang Caicha held the equity interest in Fuxin Property on trust for Mr. Kong Jianmin at the time of its establishment for administrative convenience.

Subsequent to a series of equity transfers and as part of the reorganization of KWG Holdings in 2006 in preparation for the listing of its shares on the Stock Exchange, on July 12, 2006, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan acquired 76.5%, 15% and 8.5% of the equity interest in Fuxin Property from Mr. Liang Bing and Ms. Wang Shaomei at a consideration of RMB612,000, RMB120,000 and RMB68,000, respectively. The consideration was determined after arm's length negotiation with reference to the registered capital of Fuxin Property at the time of such transfer. Pursuant to such reorganization, on July 24, 2006, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan transferred 76.5%, 15% and 8.5% of the equity interest in Fuxin Property to Able Talent International Limited ("**Able Talent**"), a wholly-owned subsidiary of KWG Holdings, at a total consideration of US$120,000, which was determined after arm's length negotiation between the parties.

On July 26, 2007, the registered capital of Fuxin Property was increased to RMB7 million through a capital injection in the amount of RMB6.2 million by Able Talent. On January 24, 2008, for the purpose of internal reorganization, Able Talent transferred the entire equity interest in Fuxin Property to Profit Spring Investments Limited ("**Profit Spring**"), a wholly-owned subsidiary of KWG Holdings, at a consideration of RMB7 million, which was determined after arm's length negotiation with reference to the registered capital of Fuxin Property at the time of such transfer. On April 29, 2016, for the purpose of internal reorganization, Profit Spring transferred the entire equity interest in Fuxin Property to Ningjun Property at a consideration of RMB7 million, which was determined after arm's length negotiation with reference to the registered capital of Fuxin Property at the time of such transfer. Upon completion of the transfer and as of the Latest Practicable Date, Fuxin Property was wholly-owned by Ningjun Property and was an indirect wholly-owned subsidiary of our Company.

Yijia Chuangsheng

Yijia Chuangsheng is principally engaged in the provision of residential property management services and commercial property management services. It was established in the PRC with limited liability on July 13, 2000 with an initial registered capital of RMB1 million, fully paid up by cash, and was owned as to 70% by Mr. Zhu Kening (朱克寧), 25% by Mr. Zhong Huansheng (鍾環聲) and 5% by Mr. Chen Xu (陳旭) as of the date of its establishment. Each of Mr. Zhu Kening, Mr. Zhong Huansheng and Mr. Chen Xu was an Independent Third Party at the relevant time.

Subsequent to a series of equity transfers and capital injection between December 2001 and January 2016, Yijia Chuangsheng became owned as to 99% by Mr. Zhang Guozhu (章國柱) and 1% by Mr. Che Qiangmou (車強謀), both Independent Third Parties, with a registered capital of RMB20 million. On January 28, 2019, Mr. Zhang Guozhu and Mr. Che Qiangmou transferred 99% and 1% of the equity interest in Yijia Chuangsheng to Gangyu Enterprise at a consideration of RMB19.8 million and RMB0.2 million, respectively, which were determined with reference to the registered capital of Yijia Chuangsheng at the time of the transfer. Upon completion of such transfers and as of the Latest Practicable Date, Yijia Chuangsheng was wholly-owned by Gangyu Enterprise and was an indirect wholly-owned subsidiary of our Company.

Xingyu Property

Xingyu Property is principally engaged in the provision of residential property management services. It was established in the PRC with limited liability on December 3, 2008 with an initial registered capital of RMB0.5 million, fully paid up by cash, and was owned as to 40% by Ms. Zhang Jinping (張金萍), 30% by Mr. Ye Hancong (葉漢聰), 15% by Mr. Zhong Xiaoping (鍾小平) and 15% by Mr. Chen Weirong (陳偉榮) as of the date of its establishment. Each of Ms. Zhang Jinping, Mr. Ye Hancong, Mr. Zhong Xiaoping and Mr. Chen Weirong was an Independent Third Party at the relevant time.

Immediately before we acquired Gangyu Enterprise, Xingyu Property was owned as to 60% by Yijia Chuangsheng and 40% by Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司), an Independent Third Party (save for its interest in Xingyu Property). For details of the acquisition of Gangyu Enterprise, please see "Acquisitions during the Track Record Period" in this section. Upon completion of the acquisition of Gangyu Enterprise and up to the Latest Practicable Date, Xingyu Property was an indirect non-wholly-owned subsidiary of our Company.

ACQUISITIONS DURING THE TRACK RECORD PERIOD

Acquisition of the entire equity interest in Ever Thriving and Gangyu Enterprise

Gangyu Enterprise is an investment holding company. Since January 28, 2019, it has been holding the entire equity interest in Yijia Chuangsheng, which in turn holds 60% of the equity interest in Xingyu Property. Before we acquired Gangyu Enterprise, it was owned as to 10% by Shanghai Jingzhao Enterprise Management Partnership Corporation (Limited Partnership)* (上海勁兆企業管理合夥企業(有限合夥)) ("**Shanghai Jingzhao**"), 20% by Shanghai Weishen Commercial Consultancy Partnership Corporation (Limited Partnership)* (上海偉神商務諮詢合夥企業(有限合夥)) ("**Shanghai Weishen**"), 20% by Shanghai Jingyi Commercial Consultancy Partnership Corporation (Limited Partnership)* (上海勁毅商務諮詢合夥企業(有限合夥)) ("**Shanghai Jingyi**") and 50% by Gorgeous Chance. Each of Shanghai Jingzhao, Shanghai Weishen and Shanghai Jingyi was an Independent Third Party at the relevant time. Gorgeous Chance was an investment holding company wholly-owned by Ever Thriving, which in turn was an investment holding company wholly-owned by Ms. Zhang Liqin (章麗勤), an Independent Third Party at the relevant time.

Immediately before we acquired Gangyu Enterprise, Yijia Chuangsheng and Xingyu Property were principally engaged in the provision of residential property management services and commercial property management services and had certain projects under their management which were unrelated to KWG Group. In order to expand our project portfolio and reduce reliance on KWG Group, we acquired the entire equity interest in Gangyu Enterprise, thereby indirectly acquiring the entire equity interest in Yijia Chuangsheng and 60% of the equity interest in Xingyu Property, by way of the following transactions.

On January 31, 2019, Rising Wave acquired the entire issued share capital of Ever Thriving from Ms. Zhang Liqin at a consideration of RMB97,465,943, which was determined after arm's length negotiation with reference to the valuation of Gangyu Enterprise and its subsidiaries for the year ended December 31, 2018 as assessed by an independent valuer and fully settled on the same date.

On February 2, 2019, Fuyu Property acquired 10%, 20% and 20% of the equity interest in Gangyu Enterprise from Shanghai Jingzhao, Shanghai Weishen and Shanghai Jingyi at a consideration of RMB20 million, RMB40 million and RMB40 million, respectively, which was determined after arm's length negotiation with reference to the valuation of Gangyu Enterprise and its subsidiaries for the year ended December 31, 2018 as assessed by an independent valuer and fully settled in January 2020.

As part of the Reorganization, Rising Wave transferred the entire issued share capital of Ever Thriving to Robust Profit on December 23, 2019, and Total Super transferred the entire equity interest in Fuyu Property to Hejing Youhuo on March 6, 2020. See the paragraph headed "Reorganization" below for details. Upon completion of such transfers, both Ever Thriving and Gangyu Enterprise became indirectly wholly-owned by our Company.

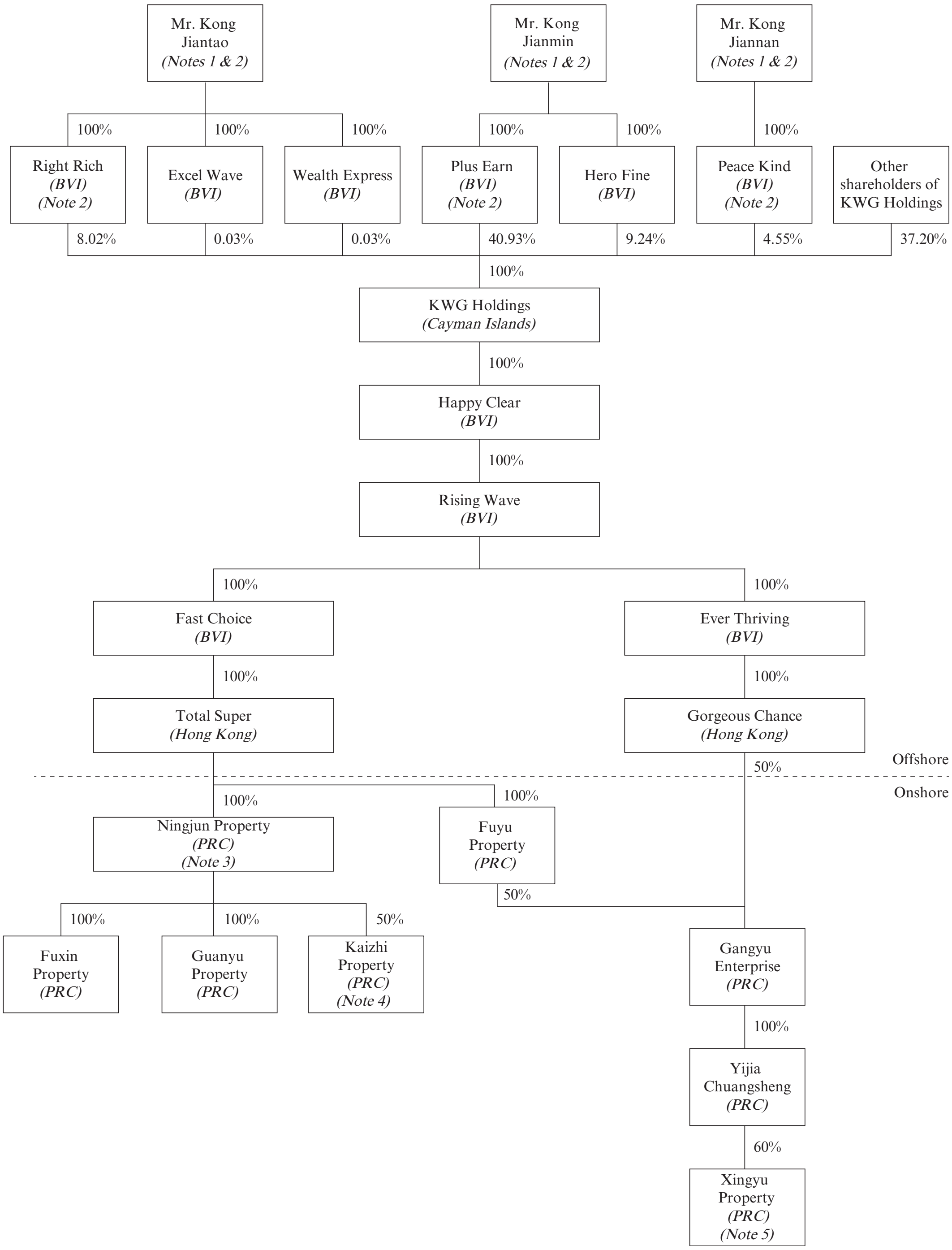
Our Directors have confirmed that none of the applicable percentage ratios as stipulated under the Listing Rules of the abovementioned acquisition of Ever Thriving and Gangyu Enterprise in aggregate exceeds 25%. Accordingly, the relevant pre-acquisition financial information of Ever Thriving and Gangyu Enterprise is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

In preparation for the [REDACTED], we underwent the Reorganization pursuant to which our Company became the holding company and [REDACTED] vehicle of our Group and our PRC operations were transferred to our Company.

The following chart sets forth our shareholding structure immediately before the Reorganization:



Notes:

1. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are brothers.

2. On December 30, 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement to regulate their dealings in KWG Shares. As such, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to such shareholders' agreement under Section 317(1)(a) of the SFO. Thus, immediately before the Reorganization, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan were deemed to be interested in approximately 62.74%, 53.56% and 53.50% of the issued share capital of KWG Holdings, respectively.

3. Ningjun Property operates certain branch companies.

4. The remaining 50% of the equity interest in Kaizhi Property was owned by Zhejiang Caigen Information Technology Co., Ltd.* (浙江菜根信息科技有限公司), an Independent Third Party.

5. The remaining 40% of the equity interest in Xingyu Property is owned by Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司), an Independent Third Party (save for its interest in Xingyu Property).

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 11, 2019 to act as the holding company and [REDACTED] vehicle of our Group. As of the date of its incorporation, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of its incorporation, one fully-paid share of our Company was issued and allotted at par to an initial subscriber, an Independent Third Party, and such share was transferred to Happy Harmony at par on the same date.

Incorporation of Robust Profit

Robust Profit was incorporated in the BVI with limited liability on July 2, 2019 as our intermediate holding company of our Group in the BVI. As of the date of its incorporation, Robust Profit was authorized to issue a maximum of 50,000 shares of US$1 each. On October 14, 2019, one fully-paid share of Robust Profit was issued and allotted to our Company at par and Robust Profit then became wholly-owned by our Company.

Incorporation of Forever Fame

Forever Fame was incorporated in the BVI with limited liability on July 30, 2019 as our intermediate holding company of our Group in the BVI. As of the date of its incorporation, Forever Fame was authorized to issue a maximum of 50,000 shares of US$1 each. On October 14, 2019, one fully-paid share of Forever Fame was issued and allotted to Robust Profit at par and Forever Fame then became wholly-owned by Robust Profit.

Incorporation of KWG Living (HK)

KWG Living (HK) was incorporated in Hong Kong with limited liability on September 12, 2019 as our intermediate holding company of our Group in Hong Kong. On the date of its incorporation, one share of KWG Living (HK) was issued and allotted to an initial subscriber, an Independent Third Party, at a subscription price of HK$1. On October 14, 2019, such share was transferred to Forever Fame at a consideration of HK$1 and KWG Living (HK) then became wholly-owned by Forever Fame.

Establishment of Hejing Youhuo

Hejing Youhuo was established in the PRC with limited liability on October 17, 2019 as our intermediate holding company in the PRC. As of the date of its establishment, it had an initial registered capital of RMB50 million, to be fully paid up according to its articles of association, and was wholly-owned by Total Super. As part of the Reorganization, on March 4, 2020, Total Super transferred its entire equity interest in Hejing Youhuo to KWG Living (HK). See the paragraph headed "Acquisition of PRC subsidiaries" below for details.

Establishment of PRC operating subsidiaries

To better organize our corporate structure and our business in different segments, as part of the Reorganization, the following PRC operating subsidiaries were established.

Liheng Commercial

Liheng Commercial was established in the PRC with limited liability on June 20, 2019 as our operating subsidiary principally responsible for providing commercial property management and operational services. See the paragraph headed "Our operating subsidiaries in the PRC" above for details.

Guanli Property

Guanli Property was established in the PRC with limited liability on March 7, 2019 as our operating subsidiary principally responsible for providing property agency services. See the paragraph headed "Our operating subsidiaries in the PRC" above for details.

Acquisition of PRC subsidiaries

We acquired the following PRC subsidiaries as part of the Reorganization.

Hejing Youhuo

On March 4, 2020, Total Super transferred its entire equity interest in Hejing Youhuo to KWG Living (HK) at nil consideration as the registered capital of Hejing Youhuo had yet to be paid up at the time of such transfer. Upon completion of such transfer and as of the Latest Practicable Date, Hejing Youhuo was wholly-owned by KWG Living (HK) and was an indirect wholly-owned subsidiary of our Company.

Ningjun Property

On March 5, 2020, Hejing Youhuo injected RMB63 million as an additional registered capital of Ningjun Property, representing 90% of the enlarged registered capital of Ningjun Property, which was fully paid on March 19, 2020. Upon completion of such capital injection, Ningjun Property became owned as to 90% by Hejing Youhuo and 10% by Total Super. On March 24, 2020, Total Super transferred the remaining 10% of the equity interest in Ningjun Property to Hejing Youhuo at a consideration of RMB34.55 million, which was determined with reference to 10% of the net asset value of Ningjun Property as of March 20, 2020 and fully settled in May 2020. Upon completion of such transactions and as of the Latest Practicable Date, Ningjun Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Liheng Commercial

On January 7, 2020, Ningjun Property transferred its entire equity interest in Liheng Commercial to Hejing Youhuo at nil consideration as the registered capital of Liheng Commercial had yet to be paid up at the time of such transfer. Upon completion of such transfer and as of the Latest Practicable Date, Liheng Commercial was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Guanli Property

On January 10, 2020, Ningjun Property transferred its entire equity interest in Guanli Property to Hejing Youhuo at nil consideration as the registered capital of Guanli Property had yet to be paid up at the time of such transfer. Upon completion of such transfer and as of the Latest Practicable Date, Guanli Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Lijun Property

On January 7, 2020, Ningjun Property transferred its entire equity interest in Lijun Property to Hejing Youhuo at nil consideration as the registered capital of Lijun Property had yet to be paid up at the time of such transfer. Upon completion of such transfer and as of the Latest Practicable Date, Lijun Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Fuyu Property

On March 6, 2020, Total Super transferred its entire equity interest in Fuyu Property to Hejing Youhuo at nil consideration as the registered capital of Fuyu Property had yet to be paid up at the time of such transfer. Upon completion of such transfer and as of the Latest Practicable Date, Fuyu Property was wholly-owned by Hejing Youhuo and was an indirect wholly-owned subsidiary of our Company.

Disposal and deregistration of inactive PRC companies

To streamline our corporate structure, the following companies were disposed of or deregistered as part of the Reorganization.

Guanyu Property

Guanyu Property was inactive and had not commenced any business since its establishment. On December 25, 2019, Ningjun Property disposed of its entire equity interest in Guanyu Property to Guangzhou Junzhao Property Operation Co., Ltd.* (廣州市君兆物業經營有限公司), a wholly-owned subsidiary of KWG Group, at nil consideration as the registered capital of Guanyu Property had yet to be paid up at the time of such transfer. As confirmed by our PRC Legal Advisor, neither did Guanyu Property have any material non-compliance with any applicable PRC laws and regulations, nor was it subject to any material claims, litigations or legal proceedings that could have a material adverse affect on our Group's business operations from January 1, 2017, being the commencement date of the Track Record Period, to the completion date of such disposal.

Kaizhi Property

Kaizhi Property was inactive and had not commenced any business since its establishment. On May 11, 2020, it was deregistered. As confirmed by our PRC Legal Advisor, neither did Kaizhi Property have any material non-compliance with any applicable PRC laws and regulations, nor was it subject to any material claims, litigations or legal proceedings that could have a material adverse affect on our Group's business operations from January 1, 2017, being the commencement date of the Track Record Period, to the completion date of its deregistration.

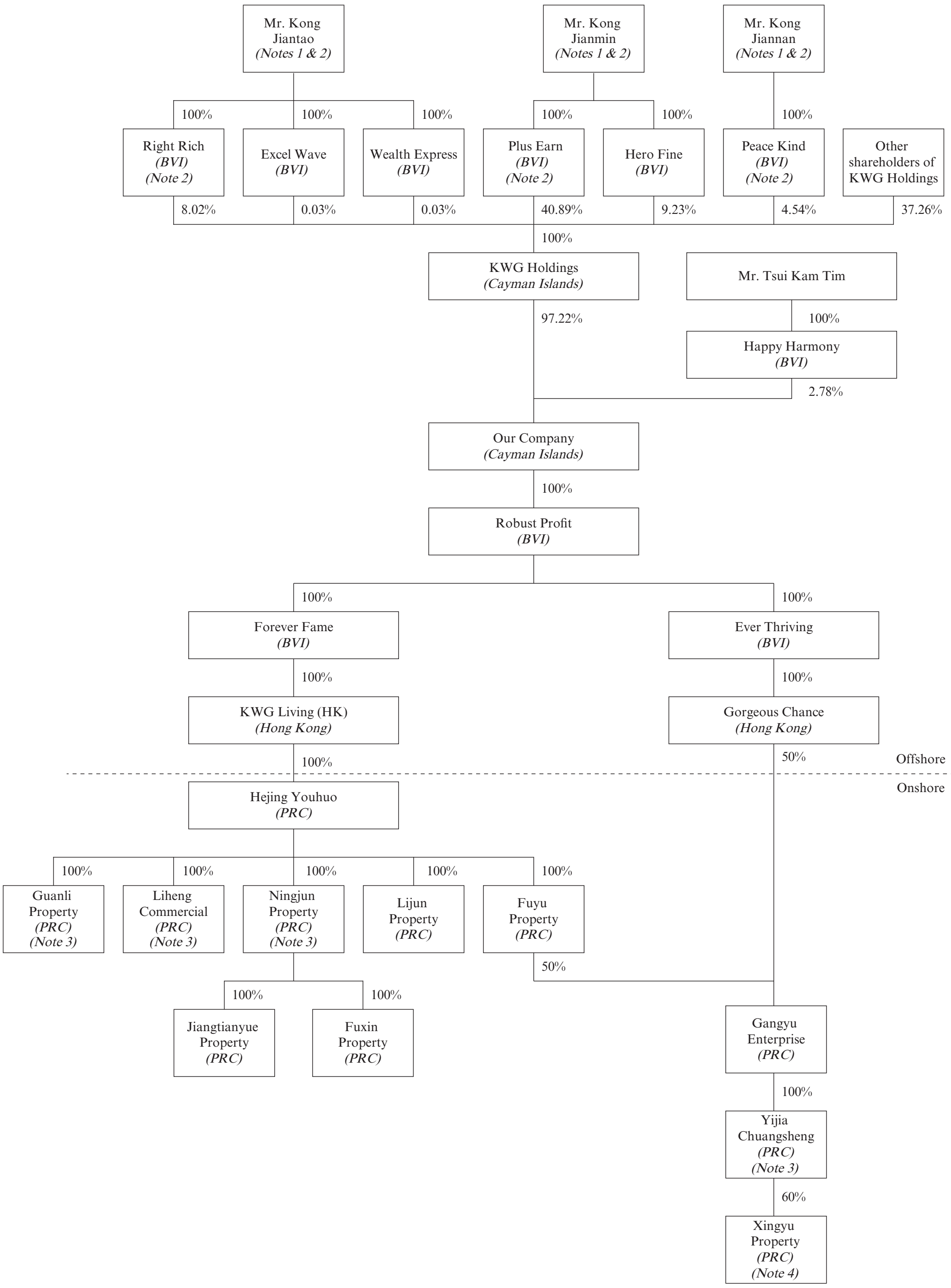
SHARE INCENTIVE TO OUR EMPLOYEE

As part of the employee share incentive arrangement, on June 24, 2020, KWG Holdings subscribed 35 Shares of our Company at par. Upon completion of such subscription, our Company became owned as to approximately 97.22% by KWG Holdings and 2.78% by Happy Harmony.

Immediately after completion of the above subscription, on June 24, 2020, in order to award Mr. Tsui Kam Tim ("**Mr. Tsui**"), our general manager of the investment department and senior consultant of our Group, for his contribution to our Group and to increase his morale and his loyalty to our Group, the board of directors of KWG Holdings, the then sole shareholder of Happy Harmony, which in turn holds one Share of our Company, approved the transfer of the entire issued share capital of Happy Harmony to Mr. Tsui at a consideration of US$6,075,000, which was determined with reference to the fair value of the Share held by Happy Harmony as of May 31, 2020 and taking into account the contribution by Mr. Tsui to our Group. The share transfer was completed and the consideration was fully settled on June 24, 2020 and has been funded by a loan from Mr. Kong Jianmin, one of our Controlling Shareholders. Upon completion of such share transfer, our Company became owned as to approximately 97.22% by KWG Holdings and 2.78% by Mr. Tsui through Happy Harmony. The Shares indirectly held by Mr. Tsui will represent approximately [REDACTED]% of the issued Shares of our Company immediately upon completion of the Spin-off and the [REDACTED] and will not be counted toward the public float of our Company after [REDACTED].

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANIZATION

The following chart sets forth our corporate and shareholding structure immediately after the completion of the Reorganization, but before the completion of the [REDACTED] and the [REDACTED]:



Notes:

1. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are brothers.

2. On December 30, 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement to regulate their dealings in the KWG Shares. As such, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to such shareholders' agreement under Section 317(1)(a) of the SFO. Thus, immediately after the completion of the Reorganization but before the completion of the [REDACTED] and the [REDACTED], Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan were deemed to be interested in approximately 62.68%, 53.51% and 53.45% of the issued share capital of KWG Holdings, respectively.

3. Each of Ningjun Property, Liheng Commercial, Guanli Property and Yijia Chuangsheng operates certain branch companies.

4. The remaining 40% of the equity interest in Xingyu Property is owned by Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司), an Independent Third Party (save for its interest in Xingyu Property).

INCREASE OF AUTHORIZED SHARE CAPITAL

On [•], 2020, our authorized share capital was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$[10,000,000,000] divided into [100,000,000] Shares of HK$0.01 each by the creation of [9,962,000,000] additional Shares.

[REDACTED]

Pursuant to the written resolutions of our Shareholders passed on [•], 2020, conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorized to [REDACTED] an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be issued and allotted) to their then existing respective shareholding in our Company.

THE SPIN-OFF AND [REDACTED]

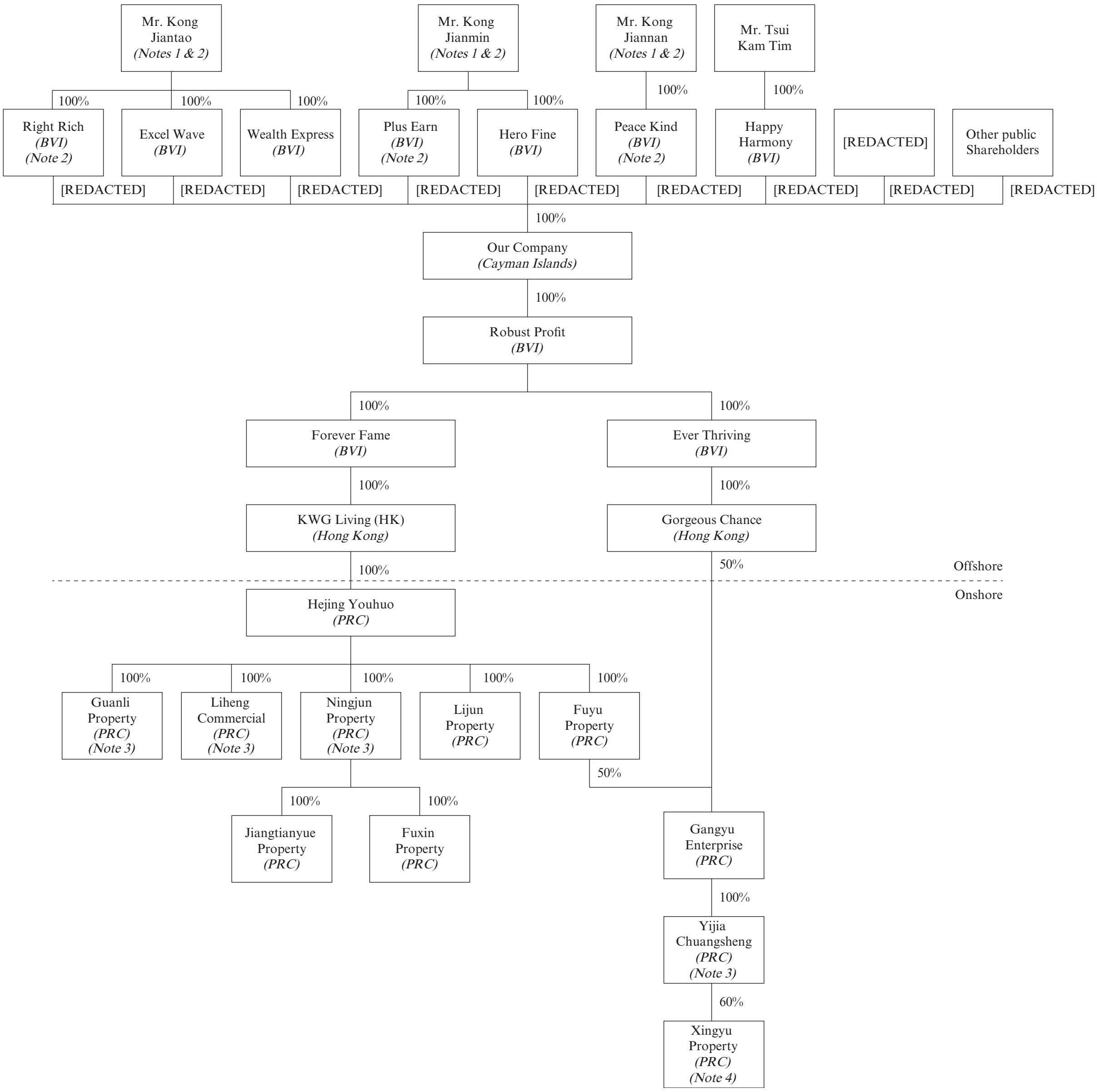
Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the [REDACTED] of our Company will constitute a spin-off from KWG Holdings, which will be effected by way of the [REDACTED] and the [REDACTED]. See the section headed "The Spin-off and [REDACTED]" in this document for details.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED], THE [REDACTED] AND THE [REDACTED]

Based on their shareholdings in KWG Holdings as of the Latest Practicable Date, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind will be entitled to [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] Shares under the [REDACTED] and will be entitled to apply for [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] under the [REDACTED], respectively, which in aggregate will represent approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively of the issued share capital of our Company immediately after completion of the [REDACTED], the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and that the [REDACTED] is not exercised).

As Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED] and thus connected persons of our Company, they are not considered as public under the Listing Rules. Excluding their shareholding interests in our Company as a result of the [REDACTED] and any [REDACTED] which they may apply for, it is expected that our Company will have a public float of approximately [REDACTED]% of the Shares upon [REDACTED] (assuming that the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and that the [REDACTED] is not exercised) which complies with the public float requirement under Rule 8.08 of the Listing Rules.

The following chart sets forth our corporate and shareholding structure immediately after completion of the [REDACTED], the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and that the [REDACTED] is not exercised):



Notes:

1. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are brothers.

2. On [•], 2020, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of our Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to such shareholders' agreement under Section 317(1)(a) of the SFO. Thus, immediately after the completion of the [REDACTED], the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and that the [REDACTED] is not exercised), Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be deemed to be interested in approximately [REDACTED]%, [REDACTED]% and [REDACTED]% of the issued share capital of our Company, respectively.

3. Each of Ningjun Property, Liheng Commercial, Guanli Property and Yijia Chuangsheng operates certain branch companies.

4. The remaining 40% of the equity interest in Xingyu Property is owned by Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司), an Independent Third Party (save for its interest in Xingyu Property).

PRC REGULATORY REQUIREMENTS

According to the M&A Rules, "merger and acquisition of domestic enterprises by foreign investors" referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise ("**domestic company**") or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise; or, a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or, a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign invested enterprise and operates the assets. The merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or individual in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise or individual shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

As confirmed by our Directors, the Ultimate Controlling Shareholders are not domestic individuals in the PRC. As such, as advised by our PRC Legal Advisor, they are not subject to the approval requirements under the M&A Rules.

Our PRC Legal Advisor has confirmed that all the equity transfers and subscription of additional registered capital in respect of the PRC companies in our Group as described above have obtained all necessary government approvals and permits and the government procedures involved are in accordance with the applicable PRC laws and regulations. Our PRC Legal Advisor has also confirmed that we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Reorganization.

You should read this document in its entirety before you decide to invest in the [REDACTED], and not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from "Appendix I — Accountants' Report". All market statistics quoted in this document, unless otherwise specified, are from an industry report issued by JLL. For the qualifications of JLL as well as details of the industry report, see "Industry Overview".

OVERVIEW

We are a leading comprehensive property management service provider in China. Among the property management companies with commercial operational services, we were ranked seventh in China and fifth in the Greater Bay Area in terms of total GFA under management, according to JLL. CIA has ranked us No. 17 among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of the overall strength, based on data from the previous year on key factors such as scale of operations, financial performance, service quality, growth potential and social responsibility.

We provide comprehensive property management services for both residential properties and commercial properties. In 2019, the revenue we generated from our residential property management service segment and commercial property management and operational service segment amounted to RMB759.2 million and RMB365.6 million, respectively. We believe that our comprehensive property management services enable us to diversify our revenue sources and reduce our exposure to fluctuations in any single segment. Our residential property management service segment comprises (i) pre-sale management services; (ii) property management services; and (iii) community value-added services, including (a) property agency services to property developers and property owners; (b) home-living services to property owners and residents; and (c) common area value-added services. Our commercial property management and operational service segment comprises (i) pre-sale management services; (ii) commercial property management services; (iii) commercial operational services; and (iv) other value-added services, primarily including common area value-added services.

As of December 31, 2019, we managed 106 residential properties with an aggregate GFA under management of 18.3 million sq.m. These residential properties were located in 37 cities or autonomous county in China. As of the same date, we had been contracted to manage 158 residential properties with an aggregate contracted GFA of 29.4 million sq.m.

As of December 31, 2019, we managed 30 commercial properties with an aggregate GFA under management of 3.3 million sq.m. These properties were located in eight cities or autonomous county in China. As of the same date, we had been contracted to manage 33 commercial properties with an aggregate contracted GFA of 4.5 million sq.m.

Historically, the growth of our business significantly benefited from the support of KWG Group, which is a large-scale property developer with a leading position in the Greater Bay Area. As of December 31, 2019, KWG Group had 156 projects in 39 cities across mainland China and Hong Kong with a land bank of approximately 17.0 million sq.m., which we believe will bring us significant growth opportunities. In 2019, 89.0% and 95.9%, of the revenue generated from property management services was derived from the residential and commercial properties developed by KWG Group and its joint ventures, associates or other related parties, respectively. In addition, we have expanded our property management services to cover properties developed by third parties. Revenue contribution for property management services provided to residential properties developed by third-party property developers increased from nil in 2017 to 11.0% in 2019, and revenue contribution for property management services provided to commercial properties developed by third-party property developers increased from nil in 2017 to 4.1% in 2019. We expect to further increase revenue contribution from properties developed by third-party property developers.

We achieved strong financial performance during the Track Record Period. Our revenue increased at a CAGR of 55.8% from RMB463.4 million in 2017 to RMB659.1 million in 2018, and further to RMB1,124.9 million in 2019. Our net profit increased at a CAGR of 104.7% from RMB44.1 million in 2017 to RMB79.7 million in 2018, and further to RMB185.0 million in 2019.

OUR COMPETITIVE STRENGTHS

We believe that our strong market position is mainly attributable to the following competitive strengths:

A leading comprehensive property management service provider in China with a focus on the Greater Bay Area and a rapid growth track record

We are a leading comprehensive property management service provider in China. Among the property management companies with commercial operational service, we were ranked seventh in China and fifth in the Greater Bay Area in terms of total GFA under management, according to JLL. CIA has ranked us No. 17 among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of the overall strength, based on data from the previous year on key factors such as scale of operations, financial performance, service quality, growth potential and social responsibility.

With our strong performance in the Greater Bay Area, we were awarded one of the 2019 leading enterprises in the property management market of the Greater Bay Area (2019粵港澳大灣區物業服務市場地位領先企業), one of the 2019 excellent property management operators in China — property management enterprises in the Greater Bay Area with outstanding development potential (2019中國物業服務優秀運營企業 — 粵港澳大灣區物業服務發展潛力領先企業), one of the top 10 leading companies in terms of service quality among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強服務質量領先企業十強) and one of the 2020 leading property management companies specialized in providing diversified and comprehensive services (2020中國特色物業領先企業 — 多元業態綜合服務商) by CIA. Our strong performance has enabled us to secure engagements to serve high-end properties. For example, many of the commercial properties under our management are located in central business districts in first- and second-tier cities, including Class A office buildings, such as Guangzhou KWG International Finance Plaza (廣州合景國際金融廣場) and Shanghai Jiayu International Place (上海嘉譽國際廣場), and a number of high-end shopping malls.

We provide comprehensive property management service for both residential properties and commercial properties. As of December 31, 2019, the aggregate GFA under management of our managed residential properties and commercial properties amounted to 18.3 million sq.m. and 3.3 million sq.m., respectively. In 2019, the revenue we generated from our residential property management service segment and commercial property management and operational service segment amounted to RMB759.2 million and RMB365.6 million, respectively. We believe that our comprehensive property management services enable us to diversify our revenue sources and reduce our exposures to fluctuations in any single segment.

During the Track Record Period, we experienced a rapid growth. Our contracted GFA (including residential and commercial properties) increased from 17.8 million sq.m. as of December 31, 2017 to 33.8 million sq.m. as of December 31, 2019, representing a CAGR of 37.8% throughout the Track Record Period. As of December 31, 2019, we had been contracted to manage 191 projects (including residential and commercial properties).

Well-recognized reputation and premium brought by our quality services

The quality of our property management services has won us a well-recognized reputation in the market. We were awarded one of the top 10 leading companies in terms of service quality among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強服務質量領先企業十強) by CIA. With respect to residential property management services, our Hangzhou Tianjun (杭州•天峻) and Hainan Tinglan Haian (海南•汀瀾海岸) projects were recognized as one of the communities with five-star property management services in 2018 (2018中國五星級物業服務小區) by CIA, and Guangzhou Tianhufengjing (廣州•天湖峰境) project was recognized as one of the showcase bases in the property management service industry in 2018 (2018中國物業服務行業示範基地) by CIA. With respect to commercial property management and operational services, we, together with the KWG Group, were awarded 2020 Top 100 Commercial Property Companies in China (2020中國商業地產百強企業) (ranked No. 8) in 2020 by CIA. In addition, we were recognized as one of the excellent commercial property operators in 2019 (2019年度商業地產優秀運營商) by winshang.com, one of the excellent shopping mall management companies in 2019 (2019年度購物中心行業優秀管理公司獎) by mallchina.org and a 2019 high growth commercial property enterprise (2019年度高成長商業地產企業) by linkshop.com (聯商網).

According to a survey conducted by Beijing FG Consulting Co., Ltd. (北京賽惟諮詢有限公司), an independent survey agency, among the customers of Guangzhou KWG International Finance Place (廣州合景國際金融廣場), Guangzhou Metropolitan Plaza (廣州環球都會廣場), Guangzhou International Commerce Place (North Tower) (廣州環匯商業廣場(北塔)) and Shanghai Jiayu International Place (上海嘉譽國際廣場), the satisfaction level for our commercial property management and operational services reached 100.0% in 2019.

We believe that our well-recognized market reputation will enhance our customer stickiness, help us secure high-profile property management projects and enable us to further grow our business. In addition, we believe that our customers are generally willing to pay a premium for our quality services. In 2019, we were ranked first in terms of revenue per sq.m. among the top 10 leading property management companies in the Greater Bay Area (ranked by CIA), according to JLL.

Diversified services catering to different demands of our customers

We provide diversified property management services with respect to both residential and commercial properties. We also provide commercial operational services. Before a commercial property commences operation, we provide preliminary planning and consultancy services to its property developer, including market research and analysis, feasibility studies, financial projection, marketing and positioning strategy formulation and preparing the commercial property for operation. We also help property developers and property owners to identify and solicit target tenants. After a commercial property commences operation, we help manage tenants and hold marketing and promotion activities.

To meet our customers' evolving demands and further diversify our revenue sources, we offer a series of value-added services:

- *residential properties*. For residential properties under our management, we offer second-hand property agency services. After the properties are sold or leased out, we offer decoration, turnkey and move-in furnishing services. We also offer home cleaning, improvement, renovation and remodeling services. Our vacation home property management services help property owners decorate, furnish and rent out their vacation homes, which are typically situated in locations different from their primary residence. For elderly residents, we remodel apartments to enhance safety, convenience and comfort of use. We organize weekend and holiday outings for our residents.

- *commercial properties*. For commercial properties under our management, we assist property owners and tenants with decoration and remodeling before they move in. After they move in, we provide them with office cleaning and facility repair and maintenance services. We also help them move out. In addition, we assist in managing common spaces, such as leasing of advertising spaces in commercial properties under our management.

We believe that the portfolio of services we have been offering has provided us with diversified sources of revenue and helped us enhance our financial performance and increase the loyalty of our customers.

Steady expansion of commercial property management and operational business

We have been providing commercial property management and operational services since 2006. According to JLL, compared with the residential property management market, the commercial property management and operational market in China is still at the early development stage with few competitors, leaving ample room for market players within such market to grow. The aggregate market share of the top five companies in the commercial property management and operational market was approximately 13.9% in 2019, according to JLL. Furthermore, management and operation of commercial properties typically yield higher service fees and profit margin in general, as compared to residential properties, given the different customer base, according to JLL. Therefore, we have placed an emphasis on commercial property management and operational business, with an expectation that it will enhance our financial performance and contribute to our profitability.

Our commercial property management and operational business targets mid- to high-end commercial properties, including office buildings and shopping malls:

- *office buildings*. We typically manage and operate Class A office buildings, such as Guangzhou KWG International Finance Plaza (廣州合景國際金融廣場) and Shanghai Jiayu International Place (上海嘉譽國際廣場). We target high-end customers for our management and operation of office buildings. During the Track Record Period, we served a number of Fortune 500 Companies in the office buildings under our management.

- *shopping malls*. We currently manage and operate six shopping malls developed by KWG Group. Through our preliminary planning and consultancy services, we advise KWG Group on market positioning of the shopping malls based on a number of factors, including their location and consumer demographics. We also secure anchor tenants and develop a tenant mix to support the market positioning. We have helped KWG Group to develop the six shopping malls under our management into two brands: the "U-fun" (悠

方) brand, which targets mid-class families for shopping and leisure, and the "M • CUBE" (摩方) brand, which provides stylish shopping experience for young generations. Our services have significantly contributed to the successful performance of these shopping malls. As of December 31, 2019, occupancy rates of Suzhou U-fun, Chengdu U-fun, Beijing M • CUBE and Guangzhou Yushan U-fun were all above 80%.

Support from KWG Group bringing us significant growth opportunities

KWG Group is a large-scale property developer with a leading position in the Greater Bay Area. In the past few years, it has further penetrated the Greater Bay Area and Yangtze River Delta Area, with a strong focus on first- and second-tier cities. According to the 2019 annual report of KWG Group, as of December 31, 2019, KWG Group had 156 projects in 39 cities, including Guangzhou, Beijing, Shanghai and Hong Kong, with a total GFA attributable to it of 17.0 million sq.m., including 6.7 million sq.m. in the Greater Bay Area. It has been awarded one of the 2020 China mainland Top 10 real estate companies listed in Hong Kong by comprehensive strength (2020中國大陸在港上市房地產公司綜合實力Top10) and one of the 2020 real estate companies worth focusing by capital market (2020值得資本市場關注的房地產公司) by China Real Estate Top 10 Research (中國房地產Top10研究組).

In 2019, 91.8% of our revenue from property management services was generated from management of properties developed by KWG Group and its joint ventures, associates or other related parties. We believe that the land reserves of KWG Group and its continuous expansion will bring about steady support to our business.

KWG Group has been growing its commercial property development business in recent years. As of December 31, 2019, it had 15 solely or jointly developed shopping malls and office buildings, all of which are currently under our management. Among these 15 shopping malls and office buildings, KWG Group owned 11 of them, all of which are currently being operated by us. We believe that the continuous expansion of the commercial property portfolio to be developed by KWG Group provides us with a sound foundation to expand our commercial property management and operational business.

Advanced technologies to enhance our operational efficiency and customer experience

The property management service industry is traditionally labor-intensive. With a number of advanced technologies that we have applied to our operations, we have been able to enhance our operational efficiency and thus reduce our labor costs. The technologies we have adopted have also enhanced our customer experience. Such technologies include:

- *business management systems*. We use a leading enterprise resource planning ("ERP") system in China which is specifically designed for property management companies. The ERP system collects the payment information of our customers in real time when they complete payment through the CoKWG app, WeChat official account or other payment channels, and automatically synchronize such information to the SAP system, with which we manage our financial bookkeeping.

- *facility management system*. To enhance our efficiency in facility inspection and maintenance, we use the facility management system to monitor the execution of maintenance plans. In some of the residential properties, we use a facility remote monitoring and operation management system to automatically inspect the operations of the facilities under our management in real time to save our labor costs for inspection.

- *CoKWG (一合) app*. To provide our residents with better customer experience and save our labor costs, we provide certain services online through CoKWG (一合) app, including entry control, repair and maintenance requests. The app also allows our customers to pay property management fees online. The online payments reduce human errors in collecting property management fees.

- *smart communities*. We have installed various facilities to develop smart communities in the residential properties under our management. For example, our residents may access the residential communities they live in with QR codes embedded in their CoKWG app. In addition, some of the residential properties under our management use a facial recognition system to grant access to their residents. These technologies have also saved our labor costs for entry control and enhanced our customer experience.

Experienced management team and capable workforce

We have a stable management team. Their extensive experience and strong management capabilities are key to our success. Mr. Kong Jiannan, our executive Director and chief executive officer, has been responsible for our overall management and operation since 2004. We believe that his insight into and knowledge of our industry, business operations and history have guided and will continue to guide us toward success. Ms. Kuang Xiaoling, our senior management and the general manager of human resources and administration center, has been responsible for the management of human resources and administrative matters of our Group since 2007. In addition, we also newly hired certain professional management team members to help us compete more effectively.

Our business is also supported by a capable workforce. We provide our employees with comprehensive trainings. In 2019, we organized approximately 7,116 training sessions for more than 71,571 employees. Our employees can also access the virtual courses we offer through our internal online learning platform "KWG Business School" (合景商學院) even during the outbreak of COVID-19.

We have established a talent pool management system and execute our leadership succession planning through "Leader Program" (領袖計劃), "Pilot Program" (領航計劃), "Excellence Program" (領英計劃) and "New Force Program" (新力量計劃) to develop the skills and abilities of our employees, and prepare them for advancement into more challenging roles.

OUR STRATEGIES

Further penetrate and solidify our leading position in the Greater Bay Area, and continue to increase our presence and market share in the Yangtze River Delta Area, Midwest China and Hainan and Bohai Economic Rim

We endeavor to further penetrate the Greater Bay Area and solidity our leading position in the region. In the meanwhile, we seek increasing our presence and market share in first- and second-tier cities in the Yangtze River Delta Area, Midwest China, Hainan and Bohai Economic Rim.

We will develop our business along with the expansion of KWG Group. As of December 31, 2019, KWG Group had established its business in the Greater Bay Area and expanded into East China, Southwest China, North China and Central China. We aim to leverage its wide presence to grow our business in these areas.

In particular, we will continue to expand our commercial property management and operational business along with the effort of KWG Group to develop commercial properties. With the increase in the commercial properties delivered by KWG Group, we expect to continue to grow our commercial property management and operational business. We strategically target middle- to high-end commercial properties, with the belief that they will generate desirable profit margin for our continuous growth.

After we have established our business in a city, we will seek opportunities to expand into its neighboring areas independently. To achieve this goal, we have established a market development department to seek engagements from third parties. We consider a series of factors in selecting our target cities for expansion, including their size, population, disposable income per capita, competitive landscape and average property management fees.

Continue to grow through acquisitions and strategic investments

During the Track Record Period, we had expanded our business through a successful acquisition. For example, we acquired Gangyu Enterprise in 2019 which in turn controlled Yijia Chuangsheng and Xingyu Property, two companies engaging in provision of residential property management services and commercial property management services. See "History, Reorganization and Corporate Structure — Acquisitions During the Track Record Period" for details. Such acquisition was successful to us, as we have integrated these companies into our operations and the projects they managed fit our strategic plan in terms of property types and scales. Through the acquisition of Gangyu Enterprise, we achieved growth with respect to GFA under management and revenue and also strengthened our ability to expand our business outward.

We intend to continue to expand our business through acquisitions of and strategic investments in third party property management companies, with a focus on the Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei metropolitan clusters, major cities along the Yangtze River and cities that benefit from the Go-West Campaign (西部大開發) in China. We target the companies which have (i) a competent management team with extensive experience in property management business; (ii) a total GFA of more than one million sq.m. under management; (ii) a sound track record, including profitability and legal compliance; and (iv) presence in cities with high potential and promising business lines. We may also seek to diversify the types of properties under our management through acquisition of other property management companies. For example, we may acquire property management companies which are experienced in managing public facilities such as schools, hospitals and government buildings. In addition, we also target third party service providers to enhance our operational efficiency. For example, we may acquire information technology service companies to improve our intelligent system infrastructure.

We plan to use [REDACTED] of the net proceeds from the [REDACTED] in acquisitions and strategic investments.

Further diversify our value-added services

We are dedicated to providing further diversified value-added services to our customers, including:

- *residential properties*. To better serve our residents, we intend to organize study trips for young students and their families during school holidays, after-school playgroups, overseas group tours, car group buying and car maintenance. We will also cooperate with companies that provide complementary community products and services. In addition, we intend to further develop our first-hand residential property agency services, which we started to provide in 2019.

- *commercial properties*. We intend to provide tenants of the office buildings we manage with conference catering services, business event planning services and business reception services, based on their individual needs.

We have a designated team to develop new services to enrich our service offering. For residential properties, we analyze the demographics of our residents, and intend to recommend different value-added services to the residents according to the demographics in a residential community. For example, in a community with a significant number of families with children or teenagers, we will recommend family trip packages or study trip packages to the residents in the community.

We plan to use [REDACTED] of the net proceeds from the [REDACTED] in further diversifying our value-added services.

Upgrade our intelligent systems to further enhance our operational efficiency and customer experience

We intend to upgrade our intelligent systems to further enhance our operational efficiency and enhance customer experience. We plan to complete the following upgrades in the near future:

- *"Traffic Management Cloud" (車管雲)*. We plan to apply "Traffic Management Cloud" (車管雲), a cloud-technology based smart traffic management system, to all of the residential communities under our management in the near future. It will automatically allow our residents to drive into the communities where they live without having to going through manual entry control, which saves our labor costs for traffic management and enhances our residents' customer experience. It also monitors parking fee collections to ensure our collection rate.

- *"Jun" surveillance (駿天眼) system*. The cloud-technology based "Jun" surveillance (駿天眼) system monitors key locations in the residential communities remotely and sends alerts to our ERP system automatically when they detect irregularities. Thus, it saves our labor costs for security patrolling.

- *facility remote monitoring and operation management system*. We intend to apply the facility remote monitoring and operation management system in more residential properties to further save our labor costs for facility inspection and maintenance.

We plan to use [REDACTED] of the net proceeds from the [REDACTED] to develop our intelligent systems.

Continue to attract, train and retain talent to propel our growth

We will continue to attract talent through competitive remuneration packages and promotion opportunities. We intend to motivate our employees and increase their loyalty and level of satisfaction through a set of evaluation and incentive measures.

We plan to further enhance our training system to help our employees with their career development. We will continue to improve the courses we offer through our internal online learning platform "KWG Business School" (合景商學院).

We intend to recruit additional innovative and competitive personnel to join our management team. We also aim to recruit personnel with advanced levels of education to grow our workforce.

OUR BUSINESS MODEL

During the Track Record Period, we generated revenue primarily from two business segments.

Residential Property Management Services

We provide residential property management services, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. We charge a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. We collect property management fees for such services. During the Track Record Period, substantially all of our property management fees were charged on a lump sum basis, with only a small portion charged on a commission basis; and

- community value-added services such as (i) property agency services to property developers and property owners; (ii) home-living services to property owners and residents; and (iii) common area value-added services. We typically charge a commission-based fee or a fixed fee depending on the nature of services rendered.

Commercial Property Management and Operational Services

We manage and operate a diversified portfolio of commercial properties including office buildings and shopping malls, and to a lesser extent, industrial parks. We provide:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. We charge a fixed service fee for such services;

- commercial property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. We collect property management fees for such services. During the Track Record Period, substantially all of our property management fees were charged on a lump sum basis, with only a small portion charged on a commission basis;

- commercial operational services such as preliminary planning and consultancy services, tenant sourcing services, tenant management services and marketing and promotion services to property owners and property developers. We typically charge (i) a commission-based fee with respect to operation of shopping malls; (ii) a profit mark-up on top of our costs with respect to operation of office buildings; and (iii) a fixed service fee on a per sq.m. basis for our preliminary planning and consultancy services and tenant sourcing services; and

- other value-added services primarily including common area value-added services. We typically charge a commission-based fee or a fixed fee depending on the nature of services rendered.

The table below sets forth the breakdown of our total revenue by business segment and type of customer for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Residential property management services	345,169	74.5	428,107	64.9	759,234	67.5
KWG Group and its joint ventures, associates or other related parties	98,748	21.3	157,435	23.9	341,424	30.4
Independent Third Parties	246,421	53.2	270,672	41.0	417,810	37.1
Commercial property management and operational services	118,212	25.5	231,029	35.1	365,644	32.5
KWG Group and its joint ventures, associates or other related parties	47,697	10.3	116,510	17.7	186,735	16.6
Independent Third Parties	70,515	15.2	114,519	17.4	178,909	15.9
Total	463,381	100.0	659,136	100.0	1,124,878	100.0

RESIDENTIAL PROPERTY MANAGEMENT SERVICES

Overview

During the Track Record Period, all of the residential properties solely developed by KWG Group were under our management. We also managed residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, we started to manage residential properties developed by third-party property developers in 2019. We achieved a steady growth in our revenue from the residential property management service segment during the Track Record Period. In 2017, 2018 and 2019, revenue generated from the residential property management service segment amounted to RMB345.2 million, RMB428.1 million and RMB759.2 million, representing 74.5%, 64.9% and 67.5% of our total revenue, respectively.

The table below sets forth a breakdown of our revenue from residential property management service segment by service line for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Pre-sale management services	75,944	22.0	123,588	28.9	221,810	29.2
Property management services	253,709	73.5	287,034	67.0	382,047	50.3
Community value-added services	15,516	4.5	17,485	4.1	155,377	20.5
Total	345,169	100.0	428,107	100.0	759,234	100.0

The table below sets forth a breakdown of the number of residential properties under our management and aggregate GFA under management with respect to residential properties as of the dates indicated, and revenue generated from property management services under residential property management service segment for the periods indicated, by type of property developer:

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number	GFA	Revenue		Number	GFA	Revenue		Number	GFA	Revenue	
		sq.m.	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)											
KWG Group and its joint ventures, associates or other related parties	63	10,871	253,709	100.0	66	11,773	287,034	100.0	83	14,471	340,049	89.0
Third-party property developers	—	—	—	—	—	—	—	—	23	3,875	41,998	11.0
Total	63	10,871	253,709	100.0	66	11,773	287,034	100.0	106	18,346	382,047	100.0

As of December 31, 2017, 2018 and 2019, our aggregate GFA under management with respect to residential properties was approximately 10.9 million sq.m., 11.8 million sq.m. and 18.3 million sq.m., respectively. As of the same dates, our aggregate contracted GFA of residential properties was approximately 15.3 million sq.m., 21.2 million sq.m. and 29.4 million sq.m., respectively. In 2017, 2018 and 2019, revenue generated from property management services provided to residential properties developed by KWG Group and its joint ventures, associates or other related parties amounted to RMB253.7 million, RMB287.0 million and RMB340.0 million, respectively, accounting for 100.0%, 100.0% and 89.0%, respectively, of our revenue generated from property management services under residential property management service segment for those same periods.

We managed to grow the percentage of GFA under management with respect to residential properties developed by third-party property developers from nil as of December 31, 2017 to approximately 21.1% as of December 31, 2019. The number of residential properties under our management which were developed by third-party property developers increased from nil as of December 31, 2017 to 23 as of December 31, 2019. The property management service revenue we generated from managing residential properties developed by third-party property developers increased from nil in 2017 to RMB42.0 million in 2019. We attribute this growth to (i) our ability to search for and capture market opportunities independent from our affiliation with KWG Group; and (ii) the acquisition of Gangyu Enterprise where its subsidiaries managed properties developed by third-party property developers. See "History, Reorganization and Corporate Structure — Acquisition During the Track Record Period" for details of the acquisition. In 2018, we set up a market development department which is responsible for exploring potential business opportunities for properties developed by third-party property developers via participating in marketing events with industry associations and market participants in the real estate and property management industry and identifying new projects open for public tender. We will continue our efforts in exploring opportunities to cooperate with third-party property developers and property owners to spur our market expansion.

Scope of Services

Our residential property management services comprise:

- Pre-sale management services — We provide property management services to property developers for their pre-sale activities, such as cleaning, security and maintenance of pre-sale display units and sales offices.

- Property management services — We provide property management services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered, including:

  Cleaning — We provide general cleaning and hygiene maintenance services to the communal areas of residential properties primarily through sub-contractors. Such communal areas include, among others, staircases, lobbies, rooftops, railings, hallways and basements.

  Security — We seek to ensure that the residential properties we manage are safe and in good order. The security services we provide include, among others, traffic management, parking management, patrolling, video surveillance, car park security, emergency response, entry control and fire safety. We provide our security services primarily through our own staff or sub-contractors and technological solutions such as surveillance cameras.

  Gardening — Our gardening services include pruning, fertilizing and pest control and are provided primarily through sub-contractors. We seek to maintain the growth and beauty of greenery throughout our managed properties.

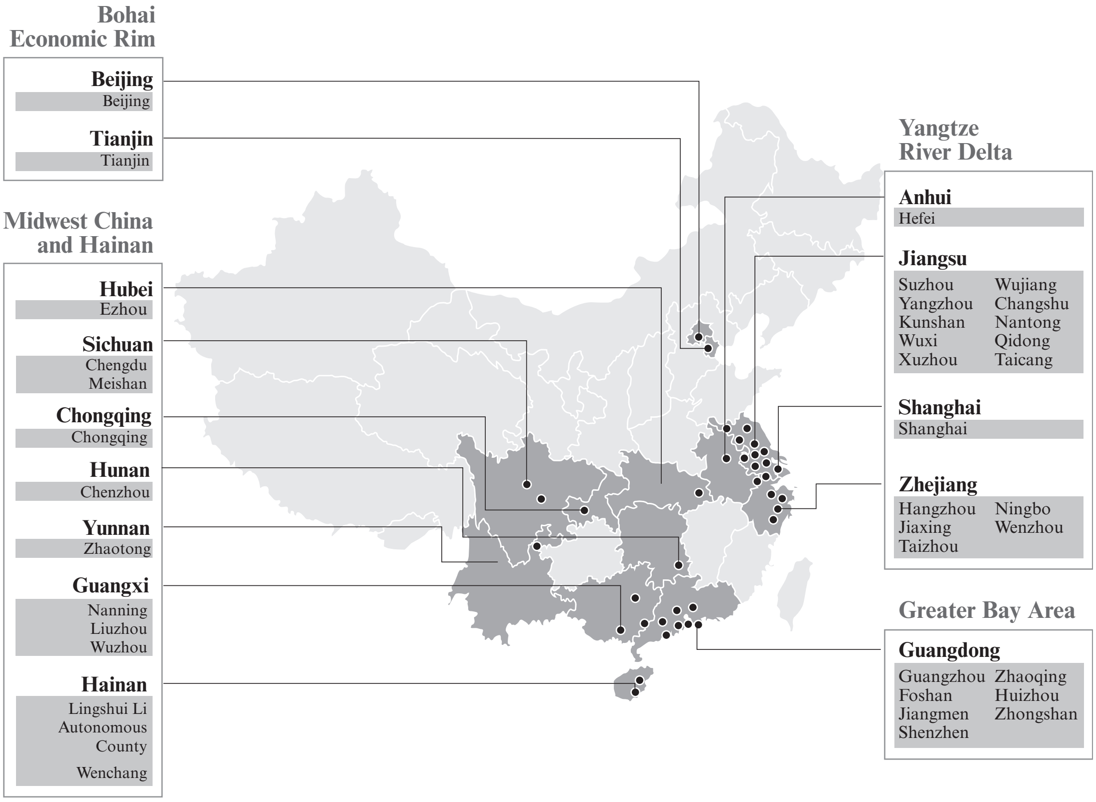
Repair and maintenance — We are generally responsible for ensuring that elevator systems, power supply and distribution systems, water supply and drainage systems, fire extinguishing systems and other facilities and equipment located in communal areas are in good working order. We generally provide repair and maintenance services through our own employees. For elevator and fire extinguishing systems, we provide repair and maintenance services through sub-contractors.

- Community value-added services — We provide value-added services which primarily comprise (i) property agency services to property developers and property owners; (ii) home-living services to property owners and residents; and (iii) common area value-added services.

Our Geographic Presence

Since the inception of our residential property management services in 2004, we had established strong footprint in the Greater Bay Area and expanded our geographic presence to 37 cities or autonomous county in China as of December 31, 2019. As of December 31, 2019, we managed a total of 106 residential properties and had been contracted to manage 158 residential properties.

The map below illustrates the cities in which the residential properties we managed were located as of December 31, 2019:



The table below sets forth a breakdown of our total GFA under management with respect to residential properties as of the dates indicated, and total revenue generated from residential property management services for the periods indicated by geographic region:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	Sq.m.	*RMB*	*%*	*Sq.m.*	*RMB*	*%*	*Sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Greater Bay Area	4,235	126,728	36.7	4,826	155,609	36.3	9,741	324,726	42.8
Yangtze River Delta[(1)]	3,222	99,448	28.8	3,366	130,418	30.5	4,583	201,782	26.6
Midwest China and Hainan[(2)]	2,442	82,358	23.9	2,609	97,353	22.7	2,995	158,020	20.8
Bohai Economic Rim[(3)]	972	36,635	10.6	972	44,727	10.5	1,027	74,706	9.8
Total	10,871	345,169	100.0	11,773	428,107	100.0	18,346	759,234	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Guangxi Zhuang Autonomous Region, Hainan Province and Chongqing Municipality.

(3) Include Beijing Municipality and Tianjin Municipality.

Growth of Our Residential Property Management Services Portfolio

We had been expanding our residential property management service business during the Track Record Period primarily through obtaining new service engagements from property developers or property owners' associations and acquiring Gangyu Enterprise. In future, we also plan to expand our coverage by acquiring local property management companies with complementary business profile and industry experience. The table below indicates the movement of our (i) contracted GFA and (ii) GFA under management during the Track Record Period:

	Year ended December 31,					
	2017		2018		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	(sq.m. in thousands)					
As of the beginning of the period	13,020	9,726	15,320	10,871	21,205	11,773
New engagements[(1)]	2,300	1,145	5,885	902	4,091	2,498
Acquisitions[(2)]	—	—	—	—	4,075	4,075
Terminations	—	—	—	—	—	—
As of the end of the period	15,320	10,871	21,205	11,773	29,371	18,346

Notes:

(1) In relation to residential communities we manage, new engagements primarily include preliminary property management service contracts for new properties developed by property developers and property management service contracts for residential communities replacing contracts with their previous property management service providers.

(2) These refer to new engagements obtained through acquisition of Gangyu Enterprise in 2019.

Residential Property Management Service Fees

Service Fees Charged for Property Management Services Provided to Residential Properties

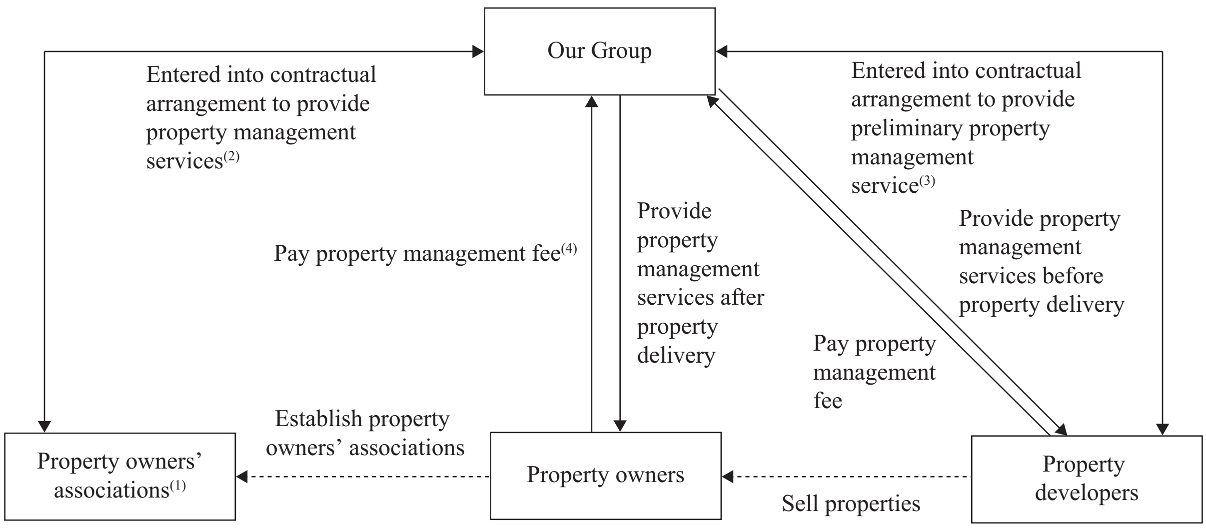
During the Track Record Period, substantially all of our property management fees were charged on a lump sum basis, with the remainder charged on a commission basis. In 2017, 2018 and 2019, 98.2%, 97.8% and 97.4% of our revenue generated from property management services provided to residential properties was charged on a lump sum basis, respectively, while 1.8%, 2.2% and 2.6% of our revenue generated from property management services provided to residential properties was charged on a commission basis for those same periods, respectively. In 2017, 2018 and 2019, approximately 86.0%, 83.0% and 82.1% of our total GFA under management with respect to residential properties was managed on a lump sum basis, respectively, while approximately 14.0%, 17.0% and 17.9% of our total GFA under management with respect to residential properties was managed on a commission basis, respectively.

The following table sets forth a breakdown of our total GFA under management with respect to residential properties as of the dates and revenue generated from property management services under residential property management service segment for the periods indicated by revenue model:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Lump sum basis	9,346	249,100	98.2	9,771	280,856	97.8	15,068	372,092	97.4
Commission basis	1,525	4,609	1.8	2,002	6,178	2.2	3,278	9,955	2.6
Total	10,871	253,709	100.0	11,773	287,034	100.0	18,346	382,047	100.0

We take into account a number of factors in determining whether to charge fees on a lump sum or commission basis, including local regulations, personalized requirements specified by property developers or property owners' associations, local market conditions and the nature and characteristics of individual properties, among others. We assess prospective customers by evaluating key factors such as estimated costs involved with property management, historical fee collection rates, projected profitability as well as whether the property was previously managed on a lump sum or commission basis. Such assessment helps us determine whether to manage a property under a lump sum basis or a commission basis.

The diagram below illustrates our relationships with various parties under our property management service contracts.



Notes:

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

(2) A property management service contract entered into between a property owners' association and us is legally binding on all property owners in accordance with PRC laws.

(3) A preliminary property management service contract entered into between a property developer and us before the properties are delivered to property owners is legally binding on the future property owners in accordance with PRC laws.

(4) Under the lump sum basis: all fees collected are recognized as revenue and expenses are borne by our Group. Under the commission basis: we recognize as revenue a pre-determined percentage or amount of property management service fees, and the rest are used to pay for the expenses stipulated in the property management service contract. The property owners bear the balances or shortfalls.

Property Management Fees Charged on a Lump Sum Basis

Under the lump sum basis revenue model, we charge a fixed and all-inclusive fee for our property management services monthly or quarterly, which we provide through our own employees and sub-contractors. We are entitled to recognize 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 JLL, the lump sum basis revenue model is the dominant method of collecting property management fees in China, especially in relation to residential properties. For more information, see "Industry Overview — The Residential Property Management Market — Business and Revenue Model."

Prior to negotiating and entering into our property management service contracts, we seek to form, as accurately as possible, an estimate as to our cost of sales. Our cost of sales include expenses associated with, among others, labor and sub-contracting costs, purchasing supplies and equipment, repair and maintenance of communal areas, management and operation of our office facilities, cleaning and garbage disposal and security. As we bear such expenses ourselves, our profit margins are affected by our ability to reduce our cost of sales. In the event that our cost of sales are higher than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins. During the Track Record Period, we incurred loss with respect to certain residential properties managed under lump sum basis. We incurred loss in an aggregate amount of RMB7.5 million, RMB7.1 million and RMB6.4 million, respectively, with respect to 16, 11 and 11 residential property management projects, respectively, which were managed under lump sum basis for 2017, 2018 and 2019. The losses were primarily due to (i) increase in our cost of sales as a result of increase in price level; (ii) price controls imposed by local government over residential property management service fees; and (iii) costs incurred at the early stages of our residential property management projects. Our total revenue generated from such loss-making residential properties amounted to RMB66.7 million, RMB50.6 million and RMB34.5 million in 2017, 2018 and 2019, respectively, accounting for 19.3%, 11.8% and 4.5%, respectively, of our total revenue generated from residential property management service segment for the same periods. For more information, see "Risk Factors — Risks Relating to our Business and Industry — We generated revenue from property management services primarily on a lump sum basis. We may be subject to losses if we fail to estimate or control our costs in performing our property management services." We have implemented various measures including (i) diversifying our revenue source by expanding the type of community value-added services we offered; and (ii) implementing various technological initiatives, and standardized procedures to reduce costs and prevent or reduce such shortfall. For more information, see "— Our Technology Initiatives." In addition to the above, we also plan to apply to the government for increase in the level of property management service fees in the future to improve our profitability to a reasonable level.

In the event that we experience unexpected increases in our cost of sales, we may propose raising our residential property management fees with property owners' associations or property developers while negotiating to renew our residential property management service contracts.

Property Management Fees Charged on a Commission Basis

During the Track Record Period, we derived revenue from a small number of property management service contracts on a commission basis. Our revenue generated from residential property management service contracts on a commission basis represented 1.8%, 2.2% and 2.6%, respectively, of the total revenue from property management services under residential property management service segment in 2017, 2018 and 2019. On a commission basis, we recognize revenue based on a predetermined property management commission fee generally representing 4% to 10% of the property management fees payable by property owners, residents and property developers, while the remainder of such management fees are used as working capital to cover the property management expenses the community incurred.

When we charge property management fees on a commission basis, we essentially act as an agent to the property owners and residents. For residential communities, they have no separate bank accounts, and all transactions related to these communities are settled through our treasury function. As of the end of a reporting period, if the working capital of a community accumulated in our treasury function is insufficient to cover the expenses that the community has incurred and paid through our treasury function to arrange for property management services at the relevant community, the shortfall is recognized as other receivables subject to impairment. For more information, see "Risk Factors — Risks Relating to Our Business and Industry — We may fail to recover all payments on behalf of property owners of the properties managed on a commission basis."

Under the commission basis model, we are not entitled to any excess of the property management fees paid by property owners, residents or property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property. Therefore, we do not recognize any direct cost under property management service contracts charged on a commission basis in general. Such costs are borne by the property owners, residents and property developers.

Service Fees Charged for Pre-sale Management Services

We typically charged the pre-sale management service fees with property developers quarterly based on actual level of service completed for our pre-sale management services during the Track Record Period.

Service Fees Charged for Community Value-added Services

We typically charged a commission-based fee or a fixed fee depending on the nature of community value-added services rendered.

Pricing Policy

We generally price our pre-sale management services and property management services by taking into account factors such as characteristics and locations of the residential communities, local pricing regulations, management fees charged in nearby and comparable communities, our budget, target profit margins, property owner and resident profiles and the scope of our services. We regularly evaluate our financial information to assess whether we are collecting sufficient property management fees to sustain our profit margins. During renewal negotiations for our property management service contracts, we may raise our property management fee rates as a condition precedent for continuing our services.

The price administration and construction administration departments of the State Council are jointly responsible for supervision over and administration of fees charged for property management and related services, and we are also subject to pricing controls implemented by the PRC Government. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions of Relaxing Price Controls in Certain Services (國家發展改革委關於放開部分服務價格意見的通知) (the "**Circular**"), which required provincial-level price administration authorities to abolish all price control or guidance policies on residential properties, with certain exceptions. For more information, see "Regulatory Overview — Laws and Regulations Relating to Property Management Services — Charging of Property Management Enterprises." We expect that pricing controls on residential properties will relax over time as relevant local authorities pass regulations to implement the Circular. For more information, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to the regulatory environment and various factors affecting our industry and general economic conditions."

In 2017, 2018 and 2019, our average property management fee rates for residential properties were RMB2.6 per sq.m. per month, RMB2.8 per sq.m. per month and RMB2.9 per sq.m. per month, respectively.

For community value-added services, we generally price our service fee with reference to market standard and the rate charged by our competitors within the same area.

Payment and Credit Terms

We may charge property management fees on a monthly or quarterly, depending on the terms of our property management service contracts. Property owners or residents are generally required to make the payment on or before the fifth day of each month. We send reminders and notifications to property owners through various channels, such as via written notice, phone calls, SMS or in person. We issue the first demand letter to property owners whose property management fees are overdue for three month. If the overdue property management fee has not been paid after six months, we will instruct our lawyer to send a formal letter. We may also resolve the payment dispute in court if necessary. To the extent permitted under applicable PRC laws, we charge property owners for utility fees in relation to water and electricity consumed by communal areas, in proportion to the total GFA under management that they occupy and in addition to agreed-upon property management fees.

We typically receive payment for our property management services within 30 days after the issuance of the first demand letter reminder to property owners.

Our customers can pay the amount payable to us in cash, through online or offline transfer, auto-pay, debit or credit card or third-party mobile payment platforms such as WeChat Pay and Alipay.

In, 2017, 2018 and 2019, our collection rate for property management fees with respect to residential properties, calculated as a percentage of the property management fees cumulatively collected by the end of the relevant period of the corresponding total property management fees receivable for the same period, was 76.1%, 80.8% and 80.6%, respectively. Our collection rate for property management fees due from Independent Third Parties with respect to residential properties, calculated as a percentage of the property management fees cumulatively collected from Independent Third Parties by the end of the relevant period of the corresponding total property management fees receivable from Independent Third Parties for the same period, was 82.3%, 83.8% and 84.2%, respectively, during the same periods. Property owners and residents tend to settle outstanding property management fee balances in the second half of the year, especially toward the end of the year. See "Risk Factors — Risks Relating to Our Business and Industry — The collection of our trade receivables is subject to seasonal fluctuations" in this document.

For per-sale management services, we generally settle the service fee with property developers quarterly.

For community value-added services, our credit terms vary based on the nature of the services rendered.

Contracts Under Our Residential Property Management Services

Pre-sale Management Service Contracts

Key Terms of Pre-sale Management Service Contracts

Our pre-sale management service contracts typically include the following key terms:

- *Scope of services*. Our contracts set forth the scope of pre-sale management services to be provided by us, which normally includes daily operations and maintenance of the sales office.

- *Performance scope and standards*. The pre-sale management service contract would set forth the scope and expected standards for our property management services, including the areas to which our services relate, as well as the frequency of performance of services such as cleaning communal areas and inspecting facilities such as power supply and distribution systems, water supply and drainage systems and fire extinguishing systems.

- *Pre-sale management service fees*. The pre-sale management fee is fixed and is typically payable quarterly.

- *Property developer's rights and obligations*. Property developers may supervise our work based on the performance standards set forth in the contracts. In addition, the property developers are primarily responsible for, among other things, providing us with office supplies and other support necessary for carrying out our contractual obligations.

- *Term of service*. The term of the contracts generally ranges from two months to one year. Actual term of our contracts depends on the length of pre-sale period set by the property developers. A 30 to 60-day notice period is typically required if the property developer wishes to extend or early terminate the contract. A separate written agreement will be entered into in this regard.

- *Dispute resolution*. Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to litigation.

Residential Property Management Service Contracts

We generally enter into preliminary property management service contracts with property developers. A preliminary property management service contract is a type of property management service contract that we enter into at the construction and pre-delivery stage of property development projects. In relation to residential properties that have already been delivered where property owners' associations are established, we enter into property management service contracts with property owners' associations which act on behalf of property owners.

The table below sets forth a breakdown of our GFA under management with respect to residential properties as of the dates indicated and revenue generated from property management services provided to residential properties for the periods indicated by counterparty of our property management service contracts.

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Property developers[1]	10,518	245,937	96.9	11,420	278,824	97.1	17,312	363,830	95.2
Property owners' associations	353	7,772	3.1	353	8,210	2.9	1,034	18,217	4.8
Total	10,871	253,709	100.0	11,773	287,034	100.0	18,346	382,047	100.0

Note:

(1) Include (i) property management projects where we continued to provide services after property owners' associations were established pursuant to the terms of preliminary property management service contracts originally signed with property developers. After the delivery of properties, we charge property management fees from property owners and residents for property management services pursuant to the terms of preliminary property management service contracts originally signed with property developers; and (ii) two contracts signed with Beijing Public Housing Center.

We enter into property management service contracts with or without fixed terms with property developers and property owners' associations. During the Track Record Period, a majority of our residential property management service contracts did not have fixed terms, while in general the rest with fixed terms ranging from one to five years.

The table below sets forth the expiration schedule of our property management service contracts for residential properties we were contracted to manage as of December 31, 2019:

	Contracted GFA	Number of property management service contracts
	(in thousands, sq.m.)	
Property management service contracts without fixed terms[1]	28,480	150
Property management service contracts with fixed terms expiring in		
Year ending December 31, 2020	458	3
Year ending December 31, 2021	112	2
Year ending December 31, 2022	26	1
Year ending December 31, 2023 and beyond	295	2
Subtotal	891	8
Total	29,371	158

Note:

(1) Property management service contracts without fixed terms are generally preliminary property management service contracts entered into with property developers. They will usually terminate when property owners' associations are established and a new property management service contract is entered into and becomes effective. In addition, during the Track Record Period, our Group had continued to provide services to property developers, owners and residents pursuant to certain fixed-term agreements after the expiration of such terms. As advised by our PRC Legal Advisor, these agreements would have become agreements without fixed terms at expiration, terminable by (i) us, (ii) the property owners' association, or (iii) the majority of property owners, provided that they also own more than 50% of the aggregate GFA of the relevant community at issue, at any time.

Key Terms of Preliminary Property Management Service Contracts

Our preliminary property management service contracts typically include the following key terms:

- *Scope of services*. Typically, we agree to provide property management services to communal areas and facilities, including cleaning, security, gardening and repair and maintenance. We may also agree to provide services in relation to managing and leasing car parks.

- *Performance scope and standards*. The property management service contract would set forth the scope and expected standards for our property management services, including the areas to which our services relate, as well as the frequency of performance of services such as cleaning communal areas and inspecting facilities such as power supply and distribution systems, water supply and drainage systems and fire extinguishing systems.

- *Property management fees*. The property management service contract would set forth the amount of property management fees payable monthly or quarterly, either on a lump sum or commission basis. The property developer is responsible for paying the property management fees for units that remain unsold. For overdue property management fees, property developers pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount. If we have agreed to manage and lease car parks, the property management service contract will also specify the fees payable for such services.

- *Property developer's obligations*. The property developer is primarily responsible for, among others, ensuring that its buyers understand and commit to their obligations in relation to the payment of property management fees, providing us with office facilities and other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services.

- *Term of service*. Our preliminary property management service contracts generally do not have fixed terms and terminate only when a property owners' association is established and a new property management service contract is entered into to replace the existing contracts with property developer. Preliminary property management service contracts with fixed terms will typically specify that if they expire and no property owners' association has been established, then we will continue to provide our services under the original preliminary property management service contract as if such contract is automatically renewed. Such contract will terminate once a property owners' association is established and a new property management service contract is entered into. Preliminary property management service contracts without fixed terms will terminate once a property owners' association is established and a new property management service contract is entered into.

- *Dispute resolution*. Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

After property developers deliver properties to property owners, property owners may form and operate a property owners' association to represent them in matters related to the properties under certain conditions. The Property Law of the People's Republic of China (《中華人民共和國物權法》), the Regulations on Property Management (《物業管理條例》), and the Guidance Rules of the Owners' Meeting and the Property Owners' Association (《業主大會和業主委員會指導規則》) stipulate that property owners that own more than half of the GFA of the property and more than half of the total number of the property owners in the property may vote to establish a property owners' association at a property owners' meeting.

As of December 31, 2019, 15 residential properties under our management established property owners' associations, accounting for approximately 14.0% of the total number of residential properties under our management. The property owners' associations are independent from us. We need to secure our engagement by the property owners' meeting based on reasonable prices, quality services and scientific management methods and other competitive advantages. In the event that a property owners' association is formed, pursuant to applicable PRC laws and regulations, a general meeting of the property owners can engage or dismiss a property management service provider with affirmative votes of property owners who own more than half of the total GFA of the property and who account for more than half of the total number of the property owners. The general meeting can select a new property management service provider by way of a public tender or entering into contract with a specific property management service provider directly, based on certain selection criteria. See "Regulatory Overview — Laws and Regulations Relating to Property Management Services — Appointment of Property Management Enterprises" in this document.

As advised by our PRC Legal Advisor, in cases where we have signed preliminary management contracts without fixed terms and no property owners' association is formed after delivery of the properties, property owners are also legally obligated to pay property management fees directly to us for the services we continue to render. Property owners will be our customers of property management services after the delivery of properties. The preliminary property management service contract will be terminated when the property owners' association is formed and a new property management service contract is entered into and become effective.

Key Terms of Contract with Property Owners' Associations

Our property management service contracts with property owners' associations typically include the following key terms:

- *Scope of services*. Typically, we agree to provide general property management services including cleaning, security, gardening and repair and maintenance. Property owners or residents may request value-added services by paying additional service fees in addition to property management fee. We may outsource certain services to qualified sub-contractors.

- *Performance scope and standards*. The property management service contract would set forth the scope and expected standards for our property management services, including the areas to which our services relate, as well as the frequency of performance of services such as cleaning communal areas and inspecting facilities such as power supply and distribution systems, water supply and drainage systems and fire extinguishing systems.

- *Property management fees*. The property management fee would be payable on either a lump sum or a commission basis by property owners and residents. When payable on a lump sum basis, our property management fees are generally charged by area. For overdue property management fees, property owners and residents pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount.

- *Our rights and obligations*. We are responsible for providing property management services with the scope and standards set forth in the agreement provided by us to our clients, such as property and equipment maintenance, security, cleaning and gardening services. We are generally allowed to engage sub-contractors to perform the services under our service scope.

- *Rights and obligations of property owners' association*. The property owners' association is primarily responsible for, among others, ensuring that property owners and residents understand and commit to their obligations in relation to the payment of property management fees, providing us with office facilities and other support necessary for carrying out our contractual obligations and reviewing plans and budgets that we may draw up in relation to our services. The property owners' association has the right to be informed of and supervise the use of public funds and the management of common areas and public facilities and review the annual budget and property management plan prepared by us.

- *Terms of service*. Such contracts typically have a duration of two to five years. Certain of these contracts provide that, if no new contract had been executed between the relevant property owners' association and other property management company upon the expiration of an existing contract, the term of the contract at issue shall be extended until the new property management contract between the relevant property owners' association and the newly engaged property management company becomes effective. During the Track Record Period and up to the Latest Practicable Date, neither we nor any property owners' association had unilaterally terminated any property management service contract before the end of their terms.

- *Dispute resolution*. Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to litigation.

According to relevant PRC laws and regulations, the property owners' association is elected by property owners, and represents their interest in matters concerning property management. The property owners' association's decisions are binding on all property owners. As advised by our PRC Legal Advisor, contracts between property owners' associations and property management companies, including the legal rights and obligations of property owners under such contracts, are valid and legally binding on property owners, whom their respective property owners' associations represent, even if the property owners are not parties to such contracts. As a result, we have legal claims against property owners for accrued and outstanding property management fees. Property owners and residents have the right to be informed of and supervise the use of public funds and the management of common areas and public facilities.

The Tender Process

During the Track Record Period, we procured our preliminary property management service contracts from property developers mainly through tender and bidding procedures regulated by applicable PRC laws. According to the Regulations on Property Management (《物業管理條例》) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》), the property developer of residential properties and commercial properties in the same property management area shall engage qualified property management enterprises through a tender and bidding process. If there are fewer than three bidders or for small-scale properties, the developer can select and hire qualified property management enterprises by directly entering into an agreement with the approval of the real estate administrative department of the district or county government of the place where the property is located.

During the Track Record Period, we procured a majority of our preliminary management contracts from property developers through (i) tender procedures regulated by applicable PRC laws or (ii) commercial negotiation pursuant to approvals obtained from relevant local authorities or otherwise not compulsorily required by the relevant local authorities. Apart from these, we had entered into 32 preliminary management contracts in respect of residential properties with property developers which did not go through the tender process which is required by PRC laws and regulations and the compulsory requirement of relevant local authorities (the "**Relevant Property Management Projects**"). The total contracted GFA of the Relevant Property Management Projects accounted for approximately 15.8% of our total contracted GFA as of December 31, 2019. Revenue generated from the Relevant Property Management Projects amounted to RMB104.8 million, RMB127.2 million and RMB203.2 million in 2017, 2018 and 2019, respectively, representing 22.6%, 19.3% and 18.1% of our total revenue during the same periods.

As confirmed by our Directors, the lack of a tender process for the selection of property management service providers for the Relevant Property Management Projects was not caused by us but the relevant property developers. According to the relevant PRC laws and regulations, the property developers shall engage the property management service providers to provide preliminary property management services by going through the tender process. According to such laws and regulations, a residential property developer may be required to take rectification measures within a prescribed period and pay fines up to RMB100,000 if it fails to comply with such tender and bidding requirement. See "Regulatory Overview — Laws and Regulations Relating to Property Management Services — Appointment of Property Management Enterprises" for details. As advised by our PRC Legal Advisor, there are no specific laws and regulations in the PRC which set out administrative penalties upon property management companies for failing to entering into preliminary management contracts through a tender process. As further advised by our PRC Legal Advisor, the lack of tender process for entering into the preliminary management contracts of the Relevant Property Management Projects shall not affect the validity of these contracts as stipulated under the PRC Contract Law notwithstanding the fact that the local government may require the relevant property developer to rectify within a prescribed period. Our Directors also confirm that, based on the opinion given by our PRC Legal Advisor, the fact that the Relevant Property Management Projects did not go through the required tender process will not have any material and adverse impact on our business, financial position or results of operations. Please see "Risk Factors — Risks Relating to Our Business and Industry — Some of our residential property management services contracts may have been obtained without going through the required tender and bidding process" for details.

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

As advised by our PRC Legal Advisor, we are not required under the relevant PRC laws and regulations to undergo the tender process when we negotiate with the property owners' associations directly for renewal of existing contracts.

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

Receiving invitations to tender or notice of such opportunities

↓

Establishing project management team responsible for making the bid

↓

Preparation and submission of documents required for pre-qualification

↓

Researching the characteristics of the property(ies) involved and calculating relevant costs

↓

Preparation and submission of tender bids outlining, among others, our plans, costs and qualifications

↓

Tender evaluation

↓

Award of contract

↓

Contract signing and filing with relevant local authority, or analysis of reasons behind rejection

A typical tender process usually lasts for 90 days. In 2017, 2018 and 2019, our retention rates (the aggregate number of properties under management during the period minus the number of properties we ceased to manage during the same period, then divided by the aggregate number of properties under management during the period) for residential property management service contracts were 100%, 100% and 100%, respectively. In 2017, 2018 and 2019, our renewal rates (the number of renewed property management service contracts in the year divided by the number of property management service contracts which expire in the same year) for residential property management service contracts were 100%, 100% and 100%, respectively.

For both residential properties developed by KWG Group and residential properties developed by third-party property developers, we go through a standard tender process before being awarded property management service contracts to the extent required by PRC laws and regulations. In 2017, 2018 and 2019, our bid win rates for properties developed by KWG Group were 100%, 100% and 100%, respectively. Our high bid win rates for properties developed by KWG Group was primarily because of our long-term cooperation with KWG Group, our ability to provide quality property management services and the fact that we share the similar philosophy in providing products and services to customers with KWG Group so that we are able to better understand and fulfill their needs and requirements. For the same periods, our bid win rates for properties developed by third-party property developers were nil, nil and 75%, respectively, as we started to provide residential property management services to third-party property developers in 2019.

Community Value-added Services

Overview

With an aim of enhancing the level of convenience and meeting the needs of property developers, property owners and residents of our managed properties, we provide community value-added services through our daily contact and interactions with our customers during the process of providing residential property management services. Our community value-added services mainly include (i) property agency services; (ii) home-living services; and (iii) common area value-added services.

Property Agency Services

We commenced our property agency services with respect to (i) second-hand residential properties owned by property owners in 2017; and (ii) residential properties newly developed by property developers in 2019. Our residential property agency team comprises a number of members experienced in the real estate industry and property agency business, offering marketing planning, sales consultancy, and channel development services. We act as an agent for property developers and property owners, sourcing potential property buyers and assisting them in entering into property sale and purchase agreements with buyers. We reach out to potential residential property buyers through our network of property management offices located at the properties we manage across China. Leveraging close relationships with the residents that we have nurtured through our property management operations, we have access to potential residential property buyers with proven purchasing power. Upon the consummation of a property sale transaction, we charge sellers a commission calculated at a fixed percentage of the contracted purchase price which typically ranges from 0.8% to 1.0%. Moreover, we offer brokerage services for property leasing transactions, which primarily include property listing as well as assistance in the negotiation and documentation of leases. Upon the closing of a successful property leasing transaction, we typically charge the landlord a certain percentage of the first-year average monthly rent as commission.

Home-living Services

Our home-living services mainly include the following:

Butler services

Our butlers maintain frequent communications with property owners and residents to listen to and understand their problems and needs so as to better anticipate and timely respond to their requests from time to time and to build trusting and cordial customer relationships. The property owners and residents seek assistance from our butlers whenever needed and almost all of the home-living services in our managed residential communities are reported to the butlers who would in turn assess the situation and allocate and coordinate appropriate on-site resources to respond to customer requests and address such issues.

Decoration, turnkey and move-in furnishing services

We offer design and purchasing services with turnkey furnishing packages to create a move-in ready residence. Leveraging our integrated supplier resources, we assist the owners and residents of our managed properties in decorating and furnishing the units and purchasing furniture, home appliances and accessories, saving them time and effort.

Group purchase services

We coordinate group purchases of products such as groceries and tour packages among, and in accordance with the requirements of, property owners or residents. By organizing group purchases, we are taking initiative in maximizing the benefits of living in a residential community, as it is generally possible to secure better discounts when negotiating and purchasing as part of a group. At times, we organize group purchases of tour packages. We believe our group purchase services can greatly improve the convenience and living quality of the property owners.

Home maintenance and improvement services

We provide home maintenance cleaning, improvement, renovation and remodeling services through our sub-contractors or subsidiaries.

Event organization services

We are dedicated to organizing various community activities to build warm and harmonious communities. We organized various community events such as "Harmony Cultural Festival" (合睦文化節), "Let's Running For Fun" (社區樂跑賽), "Luminal Art Festival" (燈光藝術節) and various community outing events. We also plan to organize weekend outings for our residents and invite financial institutions to offer wealth management lectures and seminars to our residents.

Common Area Value-added Services

We assist property owners or property developers in leasing common spaces such as unsold parking spaces, lift advertising spaces, basements and outer wall advertising spaces. We may also rent out empty floor space for small businesses to use as temporary shops.

COMMERCIAL PROPERTY MANAGEMENT AND OPERATIONAL SERVICES

Overview

In addition to managing residential properties, during the Track Record Period, we also provided property management and operational services to commercial properties, including office buildings and shopping malls, and to a lesser extent, industrial parks. As of December 31, 2019, KWG Group had 15 solely or jointly developed shopping malls and office buildings, all of which are currently under our management. Among these 15 shopping malls and office buildings, KWG Group owned 11 of them, all of which are currently being operated by us. We also managed commercial properties developed by KWG Group's joint ventures, associates or other related parties. In addition, we started to manage commercial properties developed by third-party property developers in 2019. We achieved a steady growth in our revenue from the commercial property management and operational service segment during the Track Record Period. In 2017, 2018 and 2019, revenue generated from the commercial property management and operational service segment amounted to RMB118.2 million, RMB231.0 million and RMB365.6 million, representing 25.5%, 35.1% and 32.5% of our total revenue, respectively.

The table below sets forth a breakdown of our revenue from commercial property management and operational service segment by service line for the periods indicated:

	Year ended December 31,					
	2017		2018		2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Pre-sale management services	13,339	11.3	12,930	5.6	21,342	5.9
Commercial property management services	66,803	56.5	150,730	65.2	259,766	71.0
Commercial operational services	28,392	24.0	44,707	19.4	42,570	11.6
Other value-added services	9,678	8.2	22,662	9.8	41,966	11.5
Total	118,212	100.0	231,029	100.0	365,644	100.0

The table below sets forth a breakdown of the number of commercial properties under our management and aggregate GFA under management with respect to commercial properties as of the dates indicated, and revenue generated from commercial property management services under commercial property management and operational service segment for the periods indicated, by type of property developer:

	As of or for the year ended December 31,											
	2017				2018				2019			
	Number	GFA	Revenue		Number	GFA	Revenue		Number	GFA	Revenue	
		sq.m.	*RMB*	*%*		*sq.m.*	*RMB*	*%*		*sq.m.*	*RMB*	*%*
	(in thousands, except for numbers and percentages)											
KWG Group and its joint ventures, associates or other related parties	12	1,341	66,803	100.0	18	2,031	150,730	100.0	22	2,398	249,025	95.9
Third-party property developers	—	—	—	—	—	—	—	—	8	870	10,741	4.1
Total	12	1,341	66,803	100.0	18	2,031	150,730	100.0	30	3,268	259,766	100.0

As of December 31, 2017, 2018 and 2019, our aggregate GFA under management with respect to commercial properties was approximately 1.3 million sq.m., 2.0 million sq.m. and 3.3 million sq.m., respectively. As of the same dates, our aggregate contracted GFA of commercial properties was approximately 2.4 million sq.m., 3.5 million sq.m. and 4.5 million sq.m., respectively. In 2017, 2018 and 2019, revenue generated from property management services provided to commercial properties developed by KWG Group and its joint ventures, associates or other related parties amounted to RMB66.8 million, RMB150.7 million and RMB249.0 million, respectively, accounting for 100.0%, 100.0% and 95.9%, respectively, of our revenue generated from commercial property management services under commercial property management and operational service segment for those same periods.

We managed to grow our percentage of GFA under management with respect to commercial properties developed by third-party property developers from nil as of December 31, 2017 to 26.6% as of December 31, 2019. The number of commercial properties under our management which were developed by third-party property developers increased from nil as of December 31, 2017 to eight as of December 31, 2019. The commercial property management service revenue we generated from managing commercial properties developed by third-party property developers increased from nil in 2017 to RMB10.7 million in 2019. The reasons for such growth were similar to those for residential properties. See "— Residential Property Management Services — Overview" for details.

Scope of Services

Our commercial property management and operational services comprise:

- Pre-sale management services — We provide property management services to property developers for their pre-sale activities, such as cleaning, security and maintenance of pre-sale display units and sales offices.

- Commercial property management services — We provide commercial property management services to property owners or tenants of the commercial properties, including:

  File management — We provide file management services to property developers to ensure the records and files of the properties under our management are safe and in good order.

  Cleaning — We provide general cleaning and hygiene maintenance services to the communal areas of commercial properties primarily through sub-contractors. Such communal areas include, among others, staircases, lobbies, rooftops, railings, hallways and basements.

Security — We seek to ensure that the commercial properties we manage are safe and in good order. The security services we provide include, among others, traffic management, parking management, patrolling, video surveillance, car park security, emergency response, entry control and fire safety. We provide our security services primarily through our own staff or sub-contractors and technological solutions such as surveillance cameras.

Gardening — Our gardening services include pruning, fertilizing and pest control and are provided primarily through sub-contractors. We seek to maintain the growth and beauty of greenery throughout our managed properties.

Repair and maintenance — We are generally responsible for ensuring that elevator systems, power supply and distribution systems, water supply and drainage systems, fire extinguishing systems and other facilities and equipment located in communal areas are in good working order. We generally provide repair and maintenance services through our own employees. For elevator and fire extinguishing systems, we provide repair and maintenance services through sub-contractors.

- Commercial operational services

We provide commercial operational services to property owners and property developers of certain commercial properties under our management. The services we provide include:

Preparation Stage

Preliminary planning and consultancy services — Our preliminary planning and consultancy services include market research and analysis, feasibility studies, financial projection and marketing and positioning strategy formulation for the commercial properties.

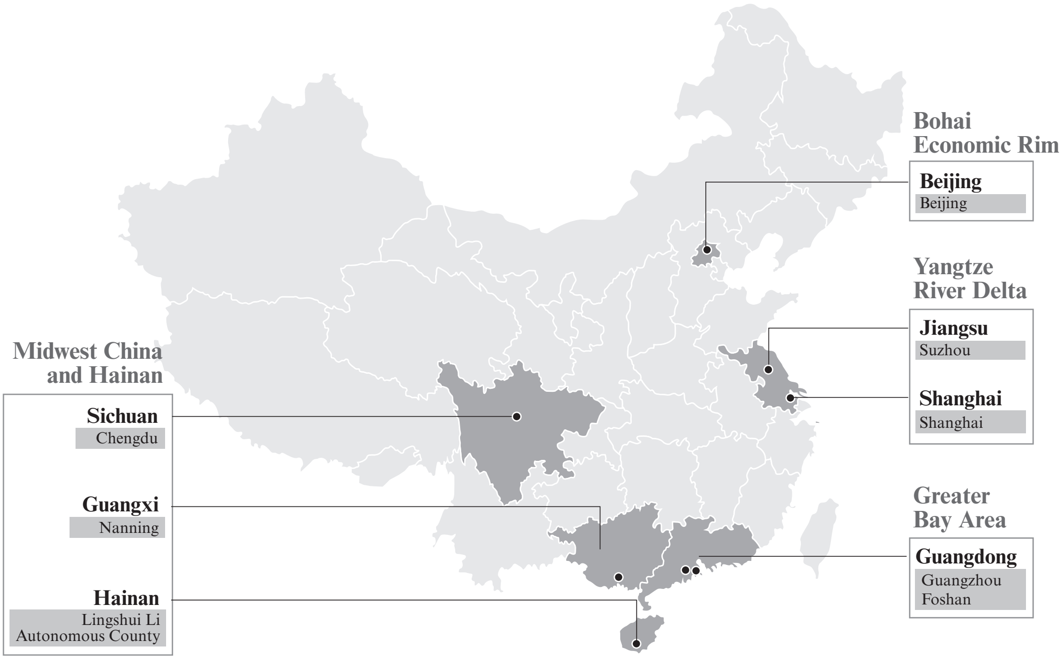
Tenant sourcing services — We help property developers and property owners identify and solicit target tenants and arrange the signing of tenancy agreements. With respect to the shopping malls, we help select suitable tenants with an aim to optimize brand mix.

	Operation Stage *Tenant management services* — We provide tenant management and rent collection services to property owners and property developers, including, among others, handling tenant enquiries and complaints, processing rent payments, ensuring timely payment of rents by tenants, and assisting the property owners and property developers in adjusting and optimizing tenant mix. *Marketing and promotion services* — We hold various promotional activities including holiday sales, public relation and promotion events, aiming to attract traffic to the commercial properties under our management and increase tenants' sales.
• Other value-added services	We provide other value-added services to property owners, tenants and property developers, primarily including common area value-added services such as leasing common areas or advertising spaces.

Our Geographic Presence

Since the inception of our commercial property management and operational services in 2006, we had established strong footprint in the Greater Bay Area and expanded our geographic presence to eight cities or autonomous county including major cities such as Beijing, Shanghai, Chengdu, and Suzhou as of December 31, 2019. As of December 31, 2019, we managed a total of 30 commercial properties and had been contracted to manage 33 commercial properties.

The map below illustrates the cities or autonomous county in which the commercial properties we managed were located as of December 31, 2019:



We have plans to expand along with the strategic development of KWG Group. Leveraging the strong brand reputation we have established through strategic cooperation with KWG Group, we have expanded to several regions outside the Greater Bay Area.

The table below sets forth a breakdown of our total GFA under management with respect to commercial properties as of the dates indicated, and total revenue generated from commercial property management and operational services for the periods indicated by geographic region:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Greater Bay Area	889	84,460	71.4	893	97,254	42.1	1,820	123,944	33.9
Yangtze River Delta(1)	281	8,733	7.4	526	64,890	28.1	625	106,143	29.0
Midwest China and Hainan(2)	171	25,019	21.2	573	55,735	24.1	784	106,651	29.2
Bohai Economic Rim(3)	—	—	—	39	13,150	5.7	39	28,906	7.9
Total	1,341	118,212	100.0	2,031	231,029	100.0	3,268	365,644	100.0

Notes:

(1) Include Shanghai Municipality and Jiangsu Province.

(2) Include Sichuan Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality.

Portfolio of Commercial Properties under Our Commercial Operational Services

We provide commercial operational services to certain commercial properties including shopping malls and office buildings under our management. Details of which are set out below:

Shopping Malls

In Operation

The table below set forth certain information of each of the shopping malls to which we provided commercial operational services and was in operation as of December 31, 2019 by brand name:

Project(1)	Opening date(2)	Location	Occupancy rate(3) As of December 31 2019	GFA(4)
			%	sq.m.
U-fun (悠方)				
1. Yushan (譽山)	October 2018	Guangzhou	81%	20,358
2. Longjing (瀧景)	December 2019	Foshan	75%	13,545
3. Suzhou (蘇州)	April 2018	Suzhou	89%	179,930
4. Chengdu (成都)	May 2018	Chengdu	96%	229,531
M • CUBE (摩方)				
1. Beijing (北京)	October 2018	Beijing	86%	44,195
Total				487,559

Notes:

(1) Yushan U-fun, Suzhou U-fun, Chengdu U-fun and Beijing M • CUBE projects were solely developed and owned by KWG Group. Longjing U-fun was jointly developed by KWG Group and an Independent Third Party.

(2) We typically start to provide preparation stage services such as preliminary planning and consultancy services and tenant sourcing services before the opening of a shopping mall.

(3) Occupancy rate is calculated as actual leased area divided by available lease area of a retail commercial property as of the end of each relevant period based on our internal record.

(4) Represent the GFA to which we provided commercial operational services.

Not Yet in Operation

The table below sets forth certain information of the shopping mall for which we had been engaged to provide commercial operational services as of December 31, 2019. This commercial property project had not commenced operation as of December 31, 2019:

Project	Expected Opening date[(1)]	Location	GFA[(2)]
			sq.m.
1. Chengdu M • CUBE (成都摩方)[(3)]	October 2020	Chengdu	67,291

Notes:

(1) Expected opening date represents the date on which a shopping mall is expected to open pursuant to the confirmation from the property developer. The actual opening date of a shopping mall may change subject to various factors, including but not limited to construction process, tenant sourcing progress and other unforeseen circumstances.

(2) Represent the GFA to which we provided commercial operational services.

(3) Chengdu M • CUBE was solely developed by KWG Group.

Office Buildings

In Operation

The table below set forth certain information of each of the office buildings to which we provided commercial operational services and was in operation as of December 31, 2019:

Project[(1)]	Opening date	Location	GFA[(2)]
			sq.m.
1. Guangzhou Hejing International Finance Place (廣州合景國際金融廣場)	October 2007	Guangzhou	102,400
2. Guangzhou International Metropolitan Plaza (廣州環球都會廣場)	May 2016	Guangzhou	33,333
3. International Commerce Place (環匯商業廣場)	October 2016	Guangzhou	73,697
4. Shanghia International Metropolitan Plaza (上海環球都會廣場)	June 2018	Shanghai	149,292
5. Chengdu International Commerce Place (成都環匯商業廣場)	August 2016	Chengdu	270,000
6. Suzhou Leader Plaza (蘇州領匯廣場)	December 2015	Suzhou	104,913

Project[1]	Opening date	Location	GFA[2]
			sq.m.
7. Guangxi Hejing International Finance Place (廣西合景國際金融廣場)	December 2018	Nanning	134,000
Total			867,635

Notes:

(1) Except for Guangzhou International Metropolitan Plaza, which was jointly developed by KWG Group and other Independent Third Parties, the rest of the office buildings operated by us were solely developed and owned by KWG Group.

(2) Represents the GFA to which we provided commercial operational services.

Our Shopping Mall Brands

We provide commercial operational services to shopping malls under two brands, namely, U-fun (悠方) and M • CUBE (摩方). Each carries a unique positioning, with which we seek to evoke certain themes or impressions of our services.

"U-fun (悠方)"

Our U-fun brand targets all age groups and focuses on fostering a fashionable, healthy and refined LOHAS lifestyle that embodies the enjoyment and passion for life. In addition, we offer quality brands across dining, apparel and other major areas to accommodate the needs of the visitors.

Chengdu U-fun (成都悠方)

As of December 31, 2019, we had four shopping malls under U-fun brand in operation, namely, Yushan U-fun (譽山悠方), Longjing U-fun (瀧景悠方), Suzhou U-fun (蘇州悠方) and Chengdu U-fun (成都悠方). Chengdu U-fun (成都悠方) is a representative project for this brand. Opened in May 2018, it is located at the intersection of two main traffic arteries, Jiaozi Avenue and Yizhou Avenue, with a total GFA of 229,531 sq.m. as of December 31, 2019. Chengdu U-fun was designed by an internationally renowned architectural firm and positioned as a benchmark for a creative retail environment in Chengdu. Several customer friendly facilities were built into the design, including kids and family orientated washrooms, rest areas, concierge storage and a friendly signage system. It integrates leisure, shopping, catering and entertainment functions and aims to provide visitors with an ideal space for living in the city. We also held various marketing events at Chengdu U-fun from time to time with an aim of attracting consumer traffic.

Chengdu U-fun was granted "2019 Fashion and Innovative Commercial Project" (2019年度時尚創新力商業體) award by Chengdu International Fashion Federation (成都市國際時尚聯合會) in 2020.

"M • CUBE (摩方)"

Our M • CUBE brand targets young customers and provides a venue where the young and fashionable get a definitive taste of latest trends and fashions. We aim to provide shoppers who visit M • CUBE with a wide range of outlets from trendy fashions, lifestyle facilities to stylish dining places.

Beijing M • CUBE (北京摩方)

As of December 31, 2019, we had one shopping mall under M • CUBE brand in operation, namely, Beijing M • CUBE. Opened in October 2018, it is located in an busy area of Dongcheng district in Beijing with a total GFA of 44,195 sq.m. as of December 31, 2019. We endeavor to create a fashionable and artistic ambience for shoppers who visit Beijing M • CUBE. Beijing M • CUBE was designed by an internationally renowned architectural firm. The building is wrapped in a pearlescent ceramic façade that appears either gray or colorful at different times, creating a subtle façade that does not need large LED screens to stand out and catch the attention of the passers-by. Such features demonstrate our dedication of setting the fashion trend and providing the visitors with the best shopping experience. To further promote Beijing M • CUBE, we held various marketing events such as organizing parties where we invited many fashion brand vendors and bands to the shopping mall with an aim of increasing the popularity.

Beijing M • CUBE was granted "Popular Commercial Project of the Year" award (年度人氣商業體) in 2019 by Beijing Trendy Life (北京潮生活).

Growth of Our Commercial Property Management Services Portfolio

We had been expanding our commercial property management service business during the Track Record Period primarily through obtaining new service engagements from property developers and acquiring Gangyu Enterprise. In future, we also plan to expand our coverage by acquiring local property management companies with complementary business profile and industry experience. The table below indicates the movement of our (i) contracted GFA and (ii) GFA under management during the Track Record Period:

	Year ended December 31,					
	2017		2018		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	(sq.m. in thousands)					
As of the beginning of the period	2,016	1,199	2,448	1,341	3,509	2,031
New engagements(1)	432	142	1,221	848	230	522
Acquisitions(2)	—	—	—	—	715	715
Adjustments(3)	—	—	(160)	(158)	—	—
As of the end of the period	2,448	1,341	3,509	2,031	4,454	3,268

Notes:

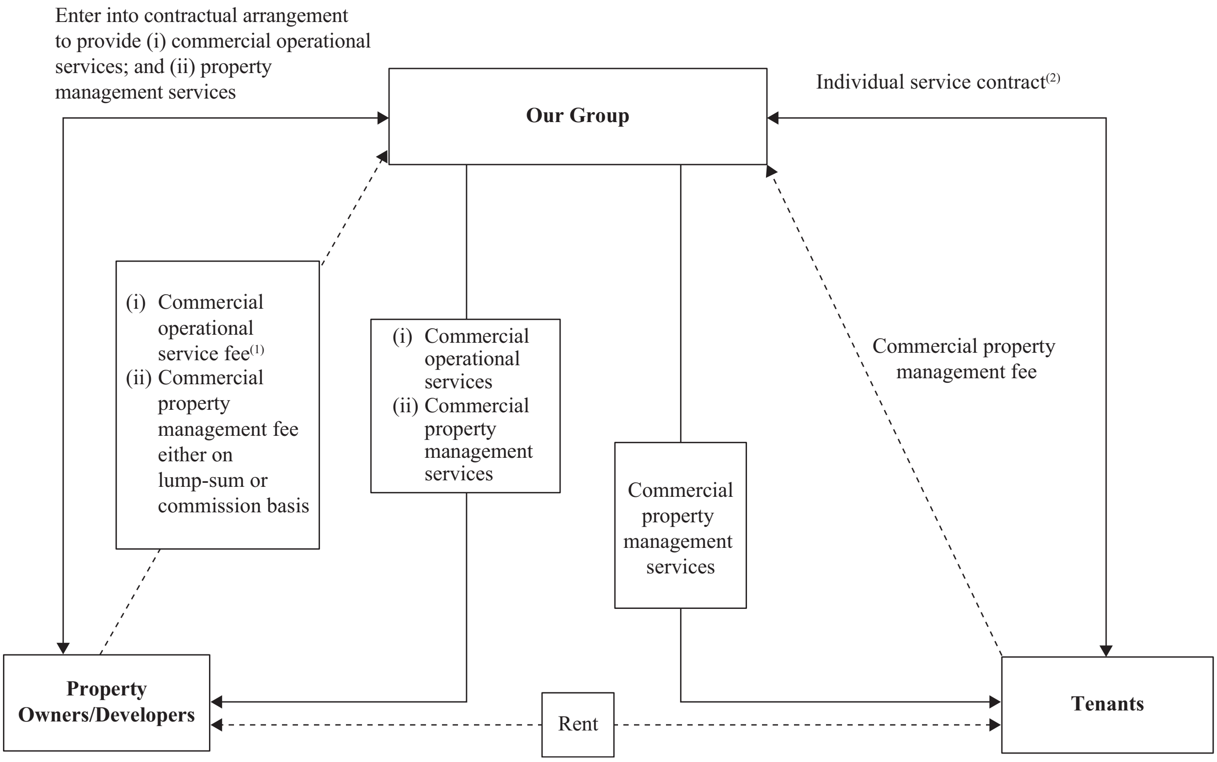
(1) In relation to commercial properties we manage, new engagements primarily include preliminary property management service contracts for new properties developed by property developers and property management service contracts for commercial properties replacing their previous property management service providers.

(2) These refer to new engagements obtained through acquisition of Gangyu Enterprise in 2019.

(3) In October 2018, one of the commercial property projects (the "**Project**") solely developed and owned by KWG Holdings was sold to an Independent Third Party (the "**New Owner**"). Prior to such sale, we provided commercial property management services to the Project through Ningjun Property. After such sale, a joint venture was formed between the New Owner (owned 51% equity interest) and Ningjun Property (owned 49% equity interest) to replace Ningjun Property as the property management service provider of the Project. Hence, we considered that the Project was no longer managed by our Group.

Commercial Property Management and Operational Service Fees

The diagram below illustrates our relationships with various parties under our commercial property management and operational service segment during the Track Record Period:



Notes:

(1) For commercial operational services, we typically charge (i) a commission-based service fee which is calculated as a certain percentage of the rent collected by the property owners or property developers with respect to the operation of shopping malls; (ii) a profit mark-up on top of our cost with respect to the operation of office building; and (iii) a fixed service fee on a per sq.m. basis for our preliminary planning and consultancy services and tenant sourcing services.

(2) In the event that a unit in a commercial property is rented out to a tenant by the property owner/developer with which we enter into a preliminary property management service contract, pursuant to the lease agreement, we typically will enter into a separate individual service contract with such tenant to set out certain rights and obligations, and such tenant will undertake the obligation to pay the fee.

Service Fees Charged for Property Management Services Provided to Commercial Properties

During the Track Record Period, substantially all of our commercial property management fees were charged on a lump sum basis, with the remainder charged on a commission basis. In 2017, 2018 and 2019, 87.9%, 92.9% and 91.9% of our revenue generated from property management services provided to commercial properties was charged on a lump sum basis, respectively, while 12.1%, 7.1% and 8.1% of our revenue generated from property management services provided to commercial properties was charged on a commission basis for those same periods, respectively. In 2017, 2018 and 2019, 65.7%, 75.5% and 72.1% of our total GFA under management with respect to commercial properties was managed on a lump sum basis, respectively, while 34.3%, 24.5% and 27.9% of our total GFA under management with respect to commercial properties was managed on a commission basis, respectively.

The following table sets forth a breakdown of our total GFA under management with respect to commercial properties as of the dates indicated and revenue generated from property management services provided to commercial properties for the periods indicated by revenue model:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Lump sum basis	881	58,751	87.9	1,533	140,062	92.9	2,357	238,682	91.9
Commission basis	460	8,052	12.1	498	10,668	7.1	911	21,084	8.1
Total	1,341	66,803	100.0	2,031	150,730	100.0	3,268	259,766	100.0

Similar to our residential property projects, we take into account a number of factors in determining whether to charge fees on a lump sum or commission basis for our commercial property projects. See "— Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Property Management Services Provided to Residential Properties" for details.

Property Management Fees Charged on a Lump Sum Basis

Under the lump sum basis revenue model, we charge a monthly, fixed and all-inclusive fee for our commercial property management services, which we provide through our own employees and sub-contractors. We are entitled to recognize the full amount of property management fees collected from property developers, property owners and tenants as revenue and bear the costs incurred in providing our property management services.

Prior to negotiating and entering into our commercial property management service contracts, we seek to form, as accurately as possible, an estimate as to our cost of sales. Our cost of sales include expenses associated with, among others, labor and sub-contracting costs, purchasing supplies and equipment, repair and maintenance of communal areas, management and operation of our office facilities, cleaning and garbage disposal and security. As we bear such expenses ourselves, our profit margins are affected by our ability to reduce our cost of sales. In the event that our cost of sales are higher than anticipated, we would not be able to collect additional amounts from our customers to sustain our profit margins. During the Track Record Period, we incurred loss with respect to certain commercial properties managed under lump sum basis. We incurred loss in an aggregate amount of RMB2.5 million, RMB1.5 million and RMB1.4 million, respectively, with respect to one, two and three commercial property management projects, respectively, which were managed under lump sum basis for 2017, 2018 and 2019. The losses were primarily due to costs incurred at the early stages of our commercial property management projects. Our total revenue generated from such loss-making commercial properties amounted to RMB2.6 million, RMB4.6 million and RMB11.0 million in 2017, 2018 and 2019, respectively, accounting for 2.2%, 2.0% and 3.0%, respectively, of our total revenue for the same periods. For more information, see "Risk Factors — Risks Relating to our Business and Industry — We generated revenue from property management services primarily on a lump sum basis. We may be subject to losses if we fail to estimate or control our costs in performing our property management services." We have implemented various technological initiatives, internal control policies and standardized procedures to reduce costs and prevent or reduce such shortfall. For more information, see "— Our Technology Initiatives".

In the event that we experience unexpected increases in our cost of sales, we may propose raising our commercial property management fees with property owners or property developers while negotiating to renew our commercial property management service contracts according to relevant laws and regulations. With respect to commercial property that is owned entirely by one property owner, we may negotiate directly with such property owner and raise our commercial property management fees after consent by such property owner.

Property Management Fees Charged on a Commission Basis

During the Track Record Period, we derived a small number of revenue from commercial property management services on a commission basis. Our revenue generated from commercial property management services on a commission basis represented 12.1%, 7.1% and 8.1%, respectively, of the total revenue from commercial property management services in 2017, 2018 and 2019. On a commission basis, we recognize as revenue a predetermined property management commission fee generally representing 5% to 12% of the property management fees payable by property owners, tenants or property developers, while the remainder of such management fees are used as working capital to cover the property management expenses the community incurred.

Under the commission basis model, we are not entitled to any excess of the property management fees paid by property owners, tenants or property developers (after deducting the fees receivable by us as the property manager) over the costs and expenses associated with the provision of services to the property. Therefore, we do not recognize any direct cost for commercial property management services charged on a commission basis in general. Such costs are borne by the property owners, tenants or property developers.

Service Fees Charged for Pre-sale Management Services, Commercial Operational Services and Other Value-added Services

We typically charge the pre-sale management service fees with respect to commercial properties the same way as residential properties. See "— Residential Property Management Services — Residential Property Management Service Fees — Service Fees Charged for Pre-sale Management Services" for details.

For commercial operational services, we typically charged (i) a commission-based service fee which was calculated as a certain percentage of the rent collected by the property owners or property developers with respect to operation of shopping malls; (ii) a profit mark-up on top of our cost with respect to operation of office building; and (iii) a fixed service fee on per sq.m. basis for our preliminary planning and consultancy services and tenant sourcing services.

For other value-added services, we typically charged a commission-based fee or a fixed fee depending on the nature of services rendered during the Track Record Period.

Pricing Policy

We generally price our commercial property management services by taking into account factors including (i) the requirements of scope and quality of our services; (ii) management fees charged in nearby and comparable communities; (iii) quality, facilities and software system implemented in the property; and (iv) our estimated costs and profit margin target. We regularly evaluate our financial condition to ensure that we are collecting sufficient property management fees to sustain our profitability. During negotiation for renewal of our property management service agreements, we may propose to raise our property management fee in order to maintain or improve our profitability. As advised by our PRC Legal Advisor, unlike residential properties, commercial properties are not subject to the pricing regulations imposed by the PRC government.

In 2017, 2018 and 2019, our average property management fee rates for commercial properties were RMB10.9 per sq.m. per month, RMB15.2 per sq.m. per month and RMB19.7 per sq.m. per month, respectively, which were higher than those for residential properties, which is in line with the industry, according to JLL.

For our commercial operational services, we generally price our service fee with reference to among others, (i) brand, size and location of a commercial property; (ii) availability of utilities; (iii) the complication in tenant sourcing; (iv) rate charged by competitors; and (v) the service period.

For other value-added services, we generally price our service fee with reference to market standard and the rate charged by our competitors within the same area.

Payment and Credit Terms

We generally charge property management fees with respect to commercial properties the similar way as residential properties, see "— Residential Property Management Services — Residential Property Management Service Fees — Payment and Credit Terms" for details.

In 2017, 2018 and 2019, our collection rate for property management fees with respect to commercial properties, calculated as a percentage of the property management fees cumulatively collected by the end of the relevant period of the corresponding total property management fees receivable for the same period, was 94.5%, 77.3% and 73.1%, respectively. In addition, our collection rate for property management fees due from Independent Third Parties, calculated as a percentage of the property management fees cumulatively collected from Independent Third Parties by the end of the relevant period of the corresponding total property management fees receivable from Independent Third Parties for the same period, was 96.8%, 95.8% and 98.1%, respectively, during the same periods. Property owners and tenants tend to settle outstanding property management fee balances in the second half of the year, especially toward the end of the year. See "Risk Factors — Risks Relating to Our Business and Industry — The collection of our trade receivables is subject to seasonal fluctuations" in this document.

For commercial operational services, we generally settle the service fees with the property owners and property developers once a year.

For other value-added services, our credit terms vary based on the nature of the services rendered.

Contracts Under Our Commercial Property Management and Operational Services

Pre-sale Management Service Contract

The terms of the pre-sale management service contracts with respect to commercial properties are generally the same as those for residential properties. See "— Residential Property Management Services — Contracts Under Our Residential Property Management Services — Pre-sale Management Service Contracts" for details.

Commercial Property Management Service Contracts

During the Track Record Period, we entered into preliminary property management service contracts only with property developers with respect to commercial properties. Our GFA under management under these contracts amounted to approximately 1.3 million sq.m., 2.0 million sq.m. and 3.3 million sq.m. in 2017, 2018 and 2019, respectively. The revenue generated from property management services provided to commercial properties amounted to RMB66.8 million, RMB150.7 million and RMB259.8 million, respectively, for the same periods.

We enter into preliminary property management service contracts with or without fixed terms with property developers. During the Track Record Period, a majority of our GFA under management under our preliminary property management service contracts did not have fixed terms, while in general the rest with fixed terms ranging from one to six years. As of December 31, 2019, no commercial property under our management had established property owners' association.

The table below sets forth the expiration schedule of our preliminary property management service contract as of December 31, 2019:

	Contracted GFA	Number of property management service contracts
	(in thousands, sq.m.)	
Preliminary property management service contracts without fixed terms[(1)]	3,318	21
Preliminary property management service contracts with fixed terms expiring in		
Year ending December 31, 2020	329	3
Year ending December 31, 2021	—	—
Year ending December 31, 2022	251	5
Year ending December 31, 2023 and beyond	556	4
Subtotal	1,136	12
Total	4,454	33

Note:

(1) During the Track Record Period, our Group had continued to provide services to property developers, owners and tenants pursuant to certain fixed-term agreements after the expiration of such terms. As advised by our PRC Legal Advisor, these agreements would have become agreements without fixed terms at expiration, terminable by (i) us, (ii) the property owners' association (if applicable), or (iii) the majority of property owners, provided that they also own more than 50% of the aggregate GFA of the relevant community at issue, at any time.

Key Terms of Preliminary Property Management Service Contracts

The key terms of property management service contracts for commercial properties are generally the same as those for residential properties except that we provide property management services to commercial properties instead of residential properties, see "— Residential Property Management Services — Contracts Under Our Residential Property Management Services — Residential Property Management Service Contracts — Key Terms of Preliminary Property Management Service Contracts" for details.

Key Terms of Contracts with Tenants

Our individual service contracts with tenants typically include the following key terms:

- *Scope of services*. A typical contract sets forth the scope of property management services to be provided by us, which normally includes security, gardening, cleaning, repair and maintenance and car park management services.

- *Service fees*. The contract sets forth, among others, the amount of property management fees, security deposits, and utility fees. For overdue service fees, the tenant shall pay a penalty equal to a daily-accumulating surcharge at a certain percentage of the overdue amount

- *Tenant's obligations*. The tenant is primarily responsible for, among other things, ensuring that the facilities in its unit and common area on its floor are in good condition, following our directives with respect to any decoration work to be carried out in its unit. In addition, the tenant is responsible for all loss resulting from theft, fire and other natural disasters, as well as personal injuries and property damage in its unit.

- *Term of service*. The term of such contracts typically equals to the term of the lease agreement entered into between the tenant and the property owner/developer.

- *Dispute resolution*. Both parties are typically required to resolve any contractual disputes through negotiations first before resorting to arbitration.

- *Termination*. Both parties may terminate the contract with mutual consensus. In the event that the lease agreement between the tenant and the property owner/developer is terminated, the individual service contract will also terminate. If the lease agreement is terminated due to reasons attributable to the tenant, then we have right to forfeit relevant security deposits and any pre-paid fees.

The Tender Process

As advised by our PRC Legal Advisor, under applicable PRC laws and regulations, unlike residential properties, for commercial properties, it is not required for property developers to go through tender process in engaging commercial property management and operational service providers. Nevertheless, we undergo similar tender process as that for residential properties in procuring the property management service contract from property developers with respect to a majority of our commercial properties. See "— Residential Property Management Services — Contracts Under Our Residential Property Management Services — The Tender Process" for details.

In 2017, 2018 and 2019, our retention rates (the aggregate number of properties under management during the period minus the number of properties we ceased to manage during the same period, then divided by the aggregate number of properties under management during the period) for commercial property management service contracts were 100%, 100% and 100%, respectively. In 2017, 2018 and 2019, our renewal rates (the number of renewed property management service contracts in the year divided by the number of property management service contracts which expire in the same year) for commercial property management service contracts were n/a (no expired contracts), 100% and 100%, respectively.

For a majority of commercial properties developed by KWG Group and commercial properties developed by third-party property developers, we go through a tender process before being awarded commercial property management service contracts. In 2017, 2018 and 2019, our bid win rates for commercial properties developed by KWG Group were 100%, 100% and 100%, respectively. Our high bid win rates for commercial properties developed by KWG Group was primarily because of our long-term cooperation with KWG Group, our ability to provide quality property management services and the fact that we share the similar philosophy in providing products and services to customers with KWG Group so that we are able to better understand and fulfill their needs and requirements. For the same periods, our bid win rates for commercial properties developed by third-party property developers were 100%, 100% and nil (we only submitted one bid in 2019 and was unsuccessful), respectively.

EFFECTS OF THE COVID-19 OUTBREAK

Effects of the COVID-19 Outbreak on Our Business Operations

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19), which may have first appeared in late 2019, continues to spread across the PRC and globally and the death toll and number of infected cases continue to rise. With an aim to contain the COVID-19 outbreak, the PRC government has imposed certain measures across the PRC including, but not limited to, the complete lock-down of Wuhan city since January 23, 2020, partial lock-down measures across various cities in the PRC, the extended shutdown of business operations, and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

As of December 31, 2019, we managed one residential property, Yue Hu Si Ji* (悅湖四季) in Ezhou, Hubei province with a GFA under management of approximately 63,227 sq.m., representing approximately 0.3% of our total GFA under management (including both residential and commercial properties). During the Track Record Period, revenue from the provision of property management services for Yue Hu Si Ji* (悅湖四季) accounted for nil, nil, and 0.1% of our total revenue generated from residential property management services, respectively. In short, our exposure in Hubei province in terms of total revenue contribution was nil, nil, and 0.1% during the Track Record Period, respectively. Going forward, we anticipate that the extent of our operations in Hubei province will continue to be limited, in terms of our expected GFA under management.

There were certain confirmed cases of COVID-19 at our managed residential properties. In response to those incidents, we have tightened the sanitary and monitoring measures. To the best of our Directors' knowledge, as of the Latest Practicable Date, none of our staff was subject to the mandatory quarantine requirements who subsequently failed to report to duties. Since the outbreak of COVID-19 in late 2019 and up to the Latest Practicable Date, we had not encountered any material disruption to the services provided by our subcontractors and utilities service providers and the supply of materials from our suppliers. Our Directors consider that while the supply chains in all industries will be disrupted to a certain extent by the outbreak of COVID-19, particularly due to the prolonged suspension of business operations in the PRC and the instability of workforce arising from the mandatory quarantine requirements, in view of the nature of our business, our Directors do not expect that our Group will encounter any material disruptions of our supply chain given that we do not rely on any particular service subcontractors or material suppliers and there are other readily available subcontractors and suppliers in the market as backup. In view of the foregoing, our Directors are confident that our Group can continue to provide our services and discharge our obligations under existing contracts.

The COVID-19 is more likely to affect our provision of certain value-added services and pre-sale management services. For example, in terms of value-added services, we may collect smaller amounts in temporary parking fees and common area leasing fees. In terms of pre-sale management services, we may be required to close property sales offices in order to comply with quarantine or social distancing measures.

We constantly monitor the status of the COVID-19 outbreak, as well as the various regulatory and administrative measures adopted by local governments to prevent and control the pandemic. Once the situation deteriorates, we will continue to evaluate the impact of this outbreak on us and may enhance our control measures to mitigate adverse effects on our business operations, results of operations and financial position.

Taking into account that (i) our operations in Hubei province do not constitute a significant portion of our overall business, (ii) we did not experience any labor or supplier shortages caused by the COVID-19, (iii) we expect to have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document, (iv) we did not experience, nor do we expect to experience, any material difficulties in collecting property management fees, and (v) our Directors are of the view that the risk of our Group having to suspend our operations is remote, we do not expect that the outbreak of the COVID-19 would have any material adverse impact on our business and results of operations for the year ending December 31, 2020.

Our Contingency Plan and Response towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan to minimize the disruptions that may be caused to our business operations, including identification of and discussions with various suitable service subcontractors and material suppliers which meet our demands and requirements to ensure the stability and consistency of our services, sourcing of additional quantities of materials needed for our operations to reduce any disruptions that may cause, and implementation of the flexible rotation arrangements for our staff across the PRC with an aim to control and minimize possible community transmission of COVID-19 to ensure a stable workforce available. Further, we have also adopted enhanced hygiene and precautionary measures across the properties under our management since late January 2020. These measures include (i) regularly cleaning and disinfecting the common areas in our managed properties; (ii) monitoring the medical symptoms of the visitors at our managed properties by measuring their body temperatures; (iii) requiring our staff to wear suitable protective gear such as gloves and face masks; and (iv) promoting personal hygiene among our employees as well as property owners, tenants and residents of the properties we manage. The additional costs for implementing these enhanced measures, after taking into account the medical and cleaning supplies distributed by local governments, to be approximately RMB4.1 million for the four months ended April 30, 2020. This mainly represents the material costs for masks, ethanol hand wash, disinfectants, infrared thermometers, etc. Our Directors confirm that the additional costs associated with the enhanced measures would have no significant impact on our Group's financial position for the year ending December 31, 2020. Nonetheless, the estimate was based on the widely-accepted assumption that the COVID-19 outbreak had been effectively contained in the PRC, and the actual impact caused by the COVID-19 pandemic on our business operations will depend on its subsequent development. Thus, with the risks being remote, it remains a possibility that the impact of COVID-19 pandemic on our results of operations and financial position might eventually evolve to be beyond our estimation and control. See "Risk Factors — Risks Relating to Doing Business in China — Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economics in the PRC" for details.

Effects of the COVID-19 Outbreak on Our Business Strategies

Headquartered in Guangzhou and deeply rooted in the Greater Bay Area, we plan to further solidify our existing market leading position in the Greater Bay Area. While the property market in the PRC may experience certain extent of impact as a result of the COVID-19 outbreak, there are reasons to believe that the market of residential property management service as well as commercial property management and operational service are able to remain stable and resilient, especially in areas with high population density and consumption power, such as Guangzhou, Shenzhen, Shanghai and Beijing. According to JLL, the revenue stream of residential properties management market remained stable during the outbreak of the COVID-19 outbreak. Meanwhile, the income of commercial property management and operational service market has been affected in the short term, as some developers, owners and the property management companies decided to slashed rent and property management service fee for their tenants. However, with the ease of pandemic and supporting policies issued by local government, the PRC's commercial real estate market as well as the commercial property management and operational service market are able to remain resilient in the middle and long term. Moreover, as the pandemic raises the demand for professional property management service, the market is able to remain resilient, especially in the cities of Guangzhou, Shenzhen, Shanghai and Beijing. We therefore believe that our expansion plan is feasible, and it is unlikely that we would change the use of the net proceeds from the [REDACTED] as disclosed in the "Future Plans and Use of Proceeds" in this document as a result of the COVID-19 outbreak.

OUR TECHNOLOGY INITIATIVES

In order to reduce our reliance on manual labor and improve our overall competitiveness, we strive to employ technological solutions and automate our key business operations as much as possible. We aim to build smart communities by integrating various technological solutions in respect of "Smart Office Management (智慧辦公)" and "Smart Community (智慧社區)". Details of which are set forth below:

- *Smart Office Management (智慧辦公)* — We manage our financial bookkeeping through the SAP system, a business resource planning system widely adopted by top enterprises in the world. The data we collect through providing services to our customers and managing our business are processed by a business intelligence data center and uploaded to our ERP system for further analysis and management which facilitates our management in making business decisions. In addition, we have an office automation system and staff-use mobile application in place to support the daily work of our employees.

- *Smart Community (智慧社區)* — Through (i) "Traffic Management Cloud" (車管雲) which provides centralized management of parking system in our selected projects with various features such as fee payment management and car plate recognition; and (ii) cloud-technology based "Jun" surveillance (駿天眼) system, contactless elevator (感應式電梯), facial recognition and QR code entry control system, three-dimensional security system, we collect data received and manage and analyze such data at our business intelligence data center in order to improve our services. Moreover, to improve our management quality and efficiency, our facility management system essentially centralized the management of all of our facilities and equipment. Facility management system generates maintenance plans for the facilities under our management, and monitor the execution of such maintenance plans. Such system has enabled us to enhance our operational efficiency in facility inspection and maintenance. When our technicians have completed a scheduled inspection or maintenance, they will use their mobile application to report and upload results to the facility management system. In some of the residential properties, we use the facility remote monitoring and operation management system to monitor the operations of the facilities under our management in real time.

These technological solutions allow us to minimize human error and perform consistently with our procedures and quality standards. We also utilize our technology initiatives to evaluate our financial information to balance the pressures of ever-rising labor and sub-contracting costs with the need to provide quality and efficient services. These include, among others, creating detailed cost-control plans tailored to each project, optimizing our staffing structure and schedules to ensure the greatest possible efficiency, purchasing supplies and equipment in bulk as much as possible to reduce costs and embracing energy-saving measures.

The purchases we made in connection with the development of our information technology systems and operation automation during the Track Record Period consisted of purchase of software, which amounted to nil, RMB2.7 million and nil, respectively, in 2017, 2018 and 2019.

Mobile Applications

We provide certain services online through "CoKWG (一合)" app operated by KWG Group, to provide our residents with better customer experience and save our labor costs. Such services include:

(i)	*Entry control*	Residents may access the residential communities they live in with QR codes embedded in their CoKWG app.
(ii)	*Visitors authorization*	Residents can send an invitation code to their visitors, which the visitors will be authenticated and permitted to enter the community.
(iii)	*Payment of property management service fee*	Residents or property owners can pay the property management services fees or check the details of payment history online.
(iv)	*Requests for repair and maintenance services or butler services*	Residents could request repair and maintenance services or butler services for their occupied units or common area. Our staff will receive the service requests on the staff-used app. Residents may monitor the status of the service request on the mobile app and rate the service quality.

Users of the CoKWG app are primarily property owners and residents of our managed properties. To register user accounts with comprehensive functions, property owners and residents must provide genuine identity information, including names, addresses and telephone numbers, and our staff will corroborate the information submitted against our records. Only verified registration applications will be granted member accounts with comprehensive functions.

According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法) which was issued by the State Council on September 25, 2000 and came into effect on the same day and was revised on January 8, 2011, Internet information services refer to the provision of information to web users through the Internet, which can be divided into commercial Internet information services and non-commercial Internet services. Commercial Internet information services refer to paid services of providing information to or creating web pages for web users through the Internet. Non-commercial Internet services refer to free services of providing public, commonly-shared information to web users through the Internet. Whether a certain Internet information service is regarded as commercial or non-commercial, depends on whether the provision of Internet information is free or not. Given that (i) the functions of the mobile application we use mainly include entry control, payment of property management fees, and submission of repair and maintenance request which bring convenience to the property owners or residents; (ii) we do not charge the users any fee for using the mobile application; and (iii) the mobile application is not developed or operated by us, our PRC Legal Advisor is of the view that (i) our online services as mentioned above are regarded as "non-commercial Internet information services"; and (ii) a license for value-added telecommunication services is not necessary for us to provide non-commercial Internet information services.

Customer's Data Protection

We have implemented the following internal control measures to enhance information security:

- we have installed anti-virus software in our system. We upgrade such software from time to time and carry out inspections to detect virus intrusion on a regular basis. We also scan all incoming data to ensure that it is free from virus;

- we have adopted procedures such as regular system check, password policy, user authorization and approval, data backup and data recovery test to safeguard our customer data;

- we have designated our information technology department to conduct frequent review of our digital platforms and systems to ensure that our collection, storage and use of customer data comply with our internal policies and applicable laws and regulations. Our information technology department is responsible for restricting our employees' access right to customer data; and

- we have provided training to our employees to ensure that they are aware of our internal policies in relation to customer data protection.

SALES AND MARKETING

Our sales and marketing team is primarily responsible for planning and developing our overall marketing strategy, conducting market research, coordinating our sales and marketing activities to acquire new customers and maintain and strengthen our relationships with existing customers. Our headquarters manage our overall sales and marketing strategies, while our regional subsidiaries and branches oversee the implementation of our sales and marketing activities within their respective regions. In addition to maintaining long-term relationships with our major customers, we also endeavor to expand our cooperation with third-party property developers by providing customized, diversified and quality services. Furthermore, we implement various incentive measures to encourage our employees to obtain property management service contracts developed by third-party developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise. In addition, we utilize various communication channels, such as WeChat public account and mini app, Weibo account and our website, to explore more opportunities to provide our services. Moreover, we provide customized products and services, tailored to the specific localities to bring convenience to local property owners and residents. We also continually seek business cooperation opportunities with third-party merchants to enhance the width and depth of our services.

CUSTOMERS

Overview

We have a large, growing and loyal customer base primarily consisting of property developers, property owners, property owners' associations, tenants and residents. We have established stable business relationships with most of our major customers for approximately 16 years. The table below sets forth the types of our major customers for each of our two business lines.

Business Line	Major Customers
Residential property management services	Property developers, property owners, property owners' associations and residents
Commercial property management and operational services	Property developers, property owners and tenants

In 2017, 2018 and 2019, revenue generated from sales to our five largest customers amounted to RMB116.0 million, RMB232.2 million and RMB451.1 million, respectively, accounting for 25.0%, 35.2% and 40.1% of our total revenue, respectively. In 2017, 2018 and 2019, revenue generated from services provided to our largest customer, KWG Group, amounted to RMB94.8 million, RMB197.5 million and RMB404.9 million, respectively, accounting for 20.5%, 30.0% and 36.0% of our total revenue, respectively. The transactions with KWG Group and its associates constituted connected transactions.

Our five largest customers during the Track Record Period were mainly KWG Group and its associates (as defined under the Listing Rules), while one of our five largest customers in each of 2018 and 2019 was an Independent Third Party. As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers during the Track Record Period. As of the Latest Practicable Date, none of our Directors, Shareholders, members of senior management, the close associates of the aforementioned or any other member of our Group who owned more than 5% of our issued share capital held any interest in any of our five largest customers other than KWG Group and its associates. For more information, see "Connected Transactions", "Relationship with Controlling Shareholders" and "Risk Factors — Risks Relating to our Business and Industry — A substantial portion of our revenue is generated from property management services we provide in relation to KWG Group's property development projects." During the Track Record Period, other than KWG Group, none of our major customers was also our supplier.

Our Top Five Customers

The following table sets forth details of our top five customers in 2017.

Rank	Customer	Background and principal business	Service provided by us	Commencement of business relationship	Payment terms	Payment Method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	KWG Group	A major real estate developer in China	Residential and commercial property management services, commercial operational services	2004	By quarter/ month	Bank transfer	94,829	20.5
2	Customer A[1]	A local property developer based in Hangzhou	Residential property management services	2016	By year	Bank transfer	8,958	1.8
3	Customer B[2]	A local property developer based in Foshan	Residential property management services	2010	By month	Bank transfer	5,359	1.2
4	Customer C[3]	A local property developer based in Shanghai	Residential and commercial property management services	2005	By month	Bank transfer	3,620	0.8
5	Customer D[4]	A local property developer based in Chengdu	Residential and commercial property management services	2010	By quarter	Bank transfer	3,273	0.7
Total							116,039	25.0

Notes:

(1) KWG Group held a 51% interest in Customer A. Pursuant to the articles of association, KWG Group and Customer A's independent third-party shareholder exercise joint control over Customer A, and Customer A is accounted for as a joint venture of KWG Group.

(2) KWG Group held a 50% interest in Customer B. Pursuant to the articles of association, KWG Group and Customer B's independent third-party shareholder exercise joint control over Customer B, and Customer B is accounted for as a joint venture of KWG Group.

(3) KWG Group held a 15% interest in Customer C. Pursuant to the articles of association, KWG Group and two Customer C's independent third-party shareholders exercise joint control over Customer C, and Customer C is accounted for as a joint venture of KWG Group.

(4) KWG Group held a 30% interest in Customer D. Pursuant to the articles of association, KWG Group and Customer D's independent third-party shareholder exercise joint control over Customer D, and Customer D is accounted for as a joint venture of KWG Group.

The following table sets forth details of our top five customers in 2018.

Rank	Customer	Background and principal business	Service provided by us	Commencement of business relationship	Payment terms	Payment Method	Revenue	Percentage of total revenue %
							(RMB'000)	*(%)*
1	KWG Group	A major real estate developer in China	Residential and commercial property management services, commercial operational services	2004	By quarter/ month	Bank transfer	197,491	30.0
2	Customer E	A local wholesaler based in Shanghai	Commercial property management services	2018	By month	Bank transfer	13,282	2.0
3	Customer A[(1)]	A local property developer based in Hangzhou	Residential property management services	2016	By year	Bank transfer	8,423	1.3
4	Customer C[(2)]	A local property developer based in Shanghai	Residential and commercial property management services	2005	By month	Bank transfer	8,071	1.2
5	Customer F[(3)]	A local property developer based in Guangzhou	Residential property management services	2016	By month	Bank transfer	4,938	0.7
Total							232,205	35.2

Notes:

(1) KWG Group held a 51% interest in Customer A. Pursuant to the articles of association, KWG Group and Customer A's independent third-party shareholder exercise joint control over Customer A, and Customer A is accounted for as a joint venture of KWG Group.

(2) KWG Group held a 15% interest in Customer C. Pursuant to the articles of association, KWG Group and two Customer C's independent third-party shareholders exercise joint control over Customer C, and Customer C is accounted for as a joint venture of KWG Group.

(3) KWG Group held a 50% interest in Customer F. Pursuant to the articles of association, KWG Group and Customer F's independent third-party shareholder exercise joint control over Customer F, and Customer F is accounted for as a joint venture of KWG Group.

The following table sets forth details of our top five customers in 2019.

Rank	Customer	Background and principal business	Service provided by us	Commencement of business relationship	Payment terms	Payment Method	Revenue	Percentage of total revenue%
							(RMB'000)	*(%)*
1	KWG Group	A major real estate developer in China	Residential and commercial property management services, commercial operational services	2004	By quarter/ month	Bank transfer	404,897	36.0
2	Customer G[(1)]	A local property developer based in Guangzhou	Residential property management services, commercial property management services	2014	By month	Bank transfer	14,545	1.2
3	Customer E	A local wholesaler based in Shanghai	Commercial property management services	2018	By month	Bank transfer	13,303	1.2
4	Customer H[(2)]	A local property developer based in Shanghai	Residential property management services	2016	By quarter	Bank transfer	9,775	0.9
5	Customer I[(3)]	A local property developer based in Foshan	Residential property management services	2017	By year	Bank transfer	8,588	0.8
Total							451,108	40.1

Notes:

(1) KWG Group held a 50% interest in Customer G. Pursuant to the articles of association, KWG Group and Customer G's independent third-party shareholder exercise joint control over Customer G, and Customer G is accounted for as a joint venture of KWG Group.

(2) KWG Group held a 100% interest in Customer H. Pursuant to the cooperation agreement entered into between KWG Group and an Independent Third Party, KWG Group and such Independent Third Party exercise joint control over Customer H. Hence, Customer H is accounted for as a joint venture of KWG Group.

(3) KWG Group held a 51% interest in Customer I. Pursuant to the articles of association, KWG Group and Customer I's independent third-party shareholder exercise joint control over Customer I, and Customer I is accounted for as a joint venture of KWG Group.

SUPPLIERS

Overview

We have established stable and long-term business relationships with most of our major suppliers. The table below sets forth the types of our major suppliers for each of our three business lines:

Business Line	Major Suppliers
Residential property management services	Subcontractors providing cleaning, gardening, and repair and maintenance services
Commercial property management and operational services	Subcontractors providing cleaning, gardening, and repair and maintenance services

In 2017, 2018 and 2019, purchases from our five largest suppliers accounted for 14.1%, 12.4% and 14.1%, respectively, of our total cost of sales. For the same periods, cost of sales from our single largest supplier accounted for 3.3%, 3.7% and 3.3%, respectively, of our total cost of sales.

Except for KWG Group, all other suppliers among the five largest suppliers during the Track Record Period were Independent Third Parties. We did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material claims attributable to our suppliers. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers other than KWG Group. We do not have any long-term agreements with our five largest suppliers. We typically enter into agreements up to two years with our suppliers and renew them on an annual basis. During the Track Record Period, other than KWG Group, none of our major suppliers was also our customer.

Our suppliers (other than KWG Group) generally grant us credit terms from 0 to 90 business days and payment to our suppliers is typically settled by bank transfers.

Our Top Five Suppliers

The following table sets forth details of our top five suppliers in 2017.

Rank	Supplier	Background and principal business	Our purchases	Commencement of business relationship	Payment terms	Payment method	Cost of sales	Percentage of total cost of sales
							(RMB'000)	*(%)*
1	Supplier A	Elevator manufacturing and maintenance company based in Guangzhou	Elevator maintenance	2014	By quarter	Bank transfer	11,819	3.3
2	KWG Group	A major real estate developer in China	Carparks leasing	2016	By year	Bank transfer	11,531	3.2
3	Supplier B	Greening, cleaning and environmental service company based in Guangzhou	Cleaning	2010	By month	Bank transfer	11,388	3.2
4	Supplier C	Building cleaning and environmental service company based in Shenzhen	Cleaning	2011	By month	Bank transfer	8,833	2.5
5	Supplier D	Pest control, building cleaning and environmental service company based in Guangzhou	Cleaning	2006	By month	Bank transfer	6,864	1.9
Total							50,435	14.1

The following table sets forth details of our top five suppliers in 2018.

Rank	Supplier	Background and principal business	Our purchases	Commencement of business relationship	Payment terms	Payment method	Cost of sales	Percentage of total cost of sales
							(RMB'000)	*(%)*
1	Supplier B	Greening, cleaning and environmental service company based in Guangzhou	Cleaning	2010	By month	Bank transfer	17,386	3.7
2	KWG Group	A major real estate developer in China	Carparks leasing	2016	By year	Bank transfer	12,393	2.6
3	Supplier A	Elevator manufacturing and maintenance company based in Guangzhou	Elevator maintenance	2014	By quarter	Bank transfer	11,916	2.5
4	Supplier E	Cleaning, pest control service company based in Shenzhen	Cleaning	2011	By month	Bank transfer	9,565	2.0
5	Supplier D	Pest control, building cleaning and environmental service company based in Guangzhou	Cleaning	2006	By month	Bank transfer	7,530	1.6
Total							58,790	12.4

The following table sets forth details of our top five suppliers in 2019.

Rank	Supplier	Background and principal business	Our purchases	Commencement of business relationship	Payment terms	Payment method	Cost of sales	Percentage of total cost of sales
							(RMB'000)	(%)
1	Supplier E	Cleaning, pest control service company based in Shenzhen	Cleaning	2011	By month	Bank transfer	23,074	3.3
2	KWG Group	A major real estate developer in China	Carparks leasing	2016	By year	Bank transfer	20,524	2.9
3	Supplier B	Greening, cleaning and environmental service company based in Guangzhou	Cleaning	2010	By month	Bank transfer	20,461	2.9
4	Supplier A	Elevator manufacturing and maintenance company based in Guangzhou	Elevator maintenance	2014	By quarter	Bank transfer	18,483	2.6
5	Supplier F	Greening, cleaning and environmental service company based in Chengdu	Cleaning	2018	By month	Bank transfer	17,105	2.4
Total							99,647	14.1

SUB-CONTRACTING

We delegate certain labor-intensive services and specialized services, primarily including cleaning, security, gardening, and repair and maintenance services, to sub-contractors, which enables us to reduce our operating costs, improve service quality and dedicate more resources to management and other value-added services. We believe such sub-contracting arrangements allow us to leverage the human resources and technical expertise of the sub-contractors, reduce our labor costs and enhance the overall profitability of our operations. In 2017, 2018 and 2019, our sub-contracting costs amounted to RMB49.3 million, RMB78.6 million and RMB120.6 million, respectively, representing 13.7%, 16.5% and 17.1%, respectively, of our total cost of sales. All of the subcontractors during the Track Record Period were Independent Third Parties. We did not experience any material delay, supply shortages or disruptions in our operations relating to our sub-contractors, or any material claims attributable to our sub-contractors.

Selection and Management of Sub-Contractors

We aim to create and maintain an effective and comprehensive system for subcontractor management. We constantly monitor and evaluate the sub-contractors on their ability to meet our requirements. To ensure the overall quality of our sub-contractors, we maintain a list of qualified sub-contractors, the selection of which are based on factors including, among others, their background, qualifications and past performance in providing sub-contracted services to us.

We select suppliers from the pool of qualified suppliers and send invitations for bids to at least three suppliers for all procurements. We assess the bids by considering a wide range of factors, including price, quality and delivery time of their products or services. After a selected supplier commences to provide the products or services, we regularly review its performance on an annual basis. If a supplier does not meet our standard in a given year, it will be removed from our qualified supplier list and will not be allowed to participate in the selection process in the subsequent year.

Key Terms of Our Sub-Contracting Agreements

Our sub-contracting agreements typically include the following key terms:

- *Term*. Such agreements are typically signed for six-month to two-year term and may be renewed by mutual consent. After expiration of the contract, we will consider re-engaging the sub-contractors based on the quality of their services or undergo our standard selection process to engage new sub-contractors.

- *Service scope and standards*. The sub-contracting agreement would set forth the scope and expected standards of the sub-contractor's services, including the areas to which the sub-contracting services relate. For sub-contracting agreements in relation to services such as repair and maintenance of elevators and fire extinguishing systems, we may specify our expected standards as to their conditions and the types of inspections we require. We also require our sub-contractors to adhere to our internal policies, such as those to do with quality standards, safety, reporting times, uniforms and etiquette guidelines.

- *Our rights and obligations*. Generally, we have the right to supervise and evaluate our sub-contractors. We are also responsible for providing them with the necessary support for the completion of their services. We generally pay sub-contracting fees on a monthly or quarterly basis, depending on what is agreed on in the contract. We are entitled to impose fines or deduct sub-contracting fees if our sub-contractors fail to adhere to our performance scope and standards.

- *Rights and obligations of sub-contractors*. Our sub-contractors are responsible for obtaining all licenses, permits and certificates necessary for conducting their business operations in accordance with applicable laws and regulations. They also undertake to provide their services in accordance with the scope, frequency and standards of quality prescribed in the relevant sub-contracting agreements. In certain circumstances, if the subcontractors need to engage other third parties to perform part of the duties under the subcontracting agreement, they shall seek our written approval before doing so.

- *Risk allocation*. Our sub-contractors manage their own employees, with whom we have no employment relationship. Our sub-contractors are responsible for compensating their own employees who suffer personal injuries or property damage in the course of providing the contracted services. They are also responsible for personal injuries or property damage caused by their employees in the course of providing the contracted services.

- *Subcontracting fees*. Subcontracting fees are typically payable monthly, including costs incurred in connection with the procurement of materials, labor costs, equipment maintenance costs, insurance costs, tax expenses and other miscellaneous costs incurred by the subcontractors.

- *Procurement of raw materials*. Our sub-contractors will generally procure their own tools and other raw materials required for providing their contracted services.

- *Termination*. We monitor and assess the performance of sub-contractors regularly. Generally, we have the right to terminate the contract if our sub-contractors, among others, fail to adhere to their obligations or make repeated mistakes. Proposals to renew the contract are generally made in writing 30 days before the contract expires.

QUALITY CONTROL

We prioritize quality in our services and believe that quality control is crucial to the long-term success of our business. Our technological implementation department is primarily responsible for overseeing our business operations to do with quality control, focusing on maintaining standards of quality, standardizing our internal policies and procedures and monitoring adherence to those standards.

Quality Control over Our Services

We conduct our operations in accordance with the standards represented by our ISO9001:2015 certification, which we first obtained from Zhongjian Certification Co., Ltd. on September 13, 2018. Our current certification is valid from September 13, 2018 through September 12, 2021. We have established a system for monitoring the quality of our services, which includes multiple sets of standardized internal policies and procedures. For example, we require our employees and sub-contractors to complete inspection checklists after each round of scheduled inspections, recording their observations and updates as to the property's conditions. We also have guidance pamphlets on how to conduct certain aspects of our business operations, such as how to organize social events as part of our community value-added services, how to clean areas such as offices, bathrooms, elevators and carpets and how to maintain and operate technical facilities such as elevator systems and fire-extinguishing equipment.

Quality Control over Sub-Contractors

We typically set forth expected standards of quality in our sub-contracting agreements. We regularly evaluate the performance of our sub-contractors and may require that they take appropriate and necessary rectification measures for incidents of substandard performance. We reserve the right to impose fines, deduct sub-contracting fees or even terminate the contract if our sub-contractors fail to perform in accordance with our standards of quality, and decide whether to renew sub-contracting agreements based on the outcome of our evaluations. For more information, see "— Sub-Contracting — Selection and Management of Sub-Contractors" and "— Sub-Contracting — Key Terms of Our Sub-Contracting Agreements."

Feedback and Complaint Management

During the ordinary course of our business, we seek and receive customer feedback and complaints about our services. Customers may provide us with feedback and complaints by dialing our national service hotline or by communicating with employees stationed at our property management projects. Customer feedback and complaints may relate to, for example, substandard services by our sub-contractors and loss or damage to property.

We have established internal policies and procedures for responding to and recording customer feedback and complaints, and following up with our customers for reviews on our responses. These internal policies and procedures are applicable across all of our property management projects. We require our employees to record all customer feedback and complaints into our centralized customer service management system. They are also required to obtain the customer's contact information and follow up on the case promptly. All instances of contact with the customer must be recorded and filed in written and photographic form. Employees responsible for the case must make constructive contact with the customer until it has been resolved.

Our headquarters will follow up with our customers for reviews on our responses the day after conclusion of the case. If our customers express dissatisfaction with how their feedback or complaints were handled, then our headquarters will request our employees to revisit the case. In designing such a feedback and complaint management system, we seek to maintain the trust and confidence of our customers.

INTELLECTUAL PROPERTY

We believe that intellectual property rights are critical to our continued success. We primarily rely on the applicable laws and regulations on trademarks, trade secrets as well as confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we did not own any copyright or patent. We had three registered trademarks in the PRC, four ongoing trademark applications (three in Hong Kong, one in the PRC) and one domain name that we believe are material to our business as of the Latest Practicable Date. For more information about our registered intellectual property and intellectual property applications, see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group."

As of the Latest Practicable Date, we were not aware of (i) any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any of our intellectual property rights; or (ii) any disputes with third parties with respect to intellectual property rights.

AWARDS

The following table sets forth a selection of the notable awards and accreditations we received as of the Latest Practicable Date:

Year of award or recognition	Name of award or recognition	Awarding entity
2017–2020	Top 100 Property Management Company in China (中國物業服務百強企業)	CIA
2017–2020	Top 100 China Leading Property Management Companies in terms of Service Quality (中國物業服務百強服務質量領先企業)	CIA
2018–2020	Leading Property Management Companies in China in terms of Characteristic Service (中國特色物業服務領先企業)	CIA
2019	Outstanding Enterprise in Application of Smart Technology (2019年度智能化應用優秀企業)	Guangzhou Property Management Industry Association (廣州市物業管理行業協會)

Year of award or recognition	Name of award or recognition	Awarding entity
2019	Top 10 Property Management Company in Guangdong Province in terms of Customer Satisfaction (廣東省物業服務滿意度十佳企業)	Guangdong Province Urban Community Building Studies (廣東省城市社區建設研究會) and Guangdong Province Research Team for Customer Satisfaction on Property Management Service (廣東省物業服務滿意度調研組)
2019	Mall China Golden Mall Awards 2019 Excellence Management Company Award (中購聯2019年度購物中心行業優秀管理公司獎)	China Shopping Center Development Association of Mall China (中購聯購物中心發展委員會)
2019	China Experience Commercial Real Estate Pilot Award (2019中國體驗式商業地產「領航獎」)	Winshang.com (贏商網)
2020	2020 Top 100 Commercial Property Companies in China (awarded together with the KWG Group) (2020中國商業地產百強企業) (Ranked 8th)	CIA
2020	2019 High Growth Commercial Property Enterprise of the Year Award (2019年度高成長商業地產企業)	Linkshop.com (聯商網)

COMPETITION

According to JLL, the PRC property management industry is fragmented and competitive, with approximately 130,000 property management service providers in the industry in 2019. Moreover, the increasing market concentration rate indicates a fiercer competition in the industry. According to CIA, the market share of top 100 PRC property management companies has experienced a steady increase from 19.5% in 2014 to 43.61% in 2019. The average GFA managed by the top ten PRC property management companies is about fifth times of the average GFA managed by the top 100 PRC property management, reaching approximately 0.2 billion sq.m.

In the sub-markets for specific property types, the competition is also fierce. Specifically, the residential property management market has around 114,000 participants. As estimated, the market share of the top five PRC property management companies in residential property management service market reached 9.1% in 2019 while their market share of overall property management market was only 7.5%. Meanwhile, the market share of top five PRC property management companies in the commercial property management and operational service market was around

13.9% in 2019. It is partly contributed by the fact that there are fewer participants in the respective sub-sector. In addition, companies may also specialize in managing specific types of properties, and they normally have larger shares in those sub-markets.

ENVIRONMENTAL AND SOCIAL MATTERS

We are subject to PRC laws on labor, safety and environmental protection issues and regularly provide workplace safety training to our employees to enhance their work safety awareness. See "— Employees" in this section. During the Track Record Period, we conducted our operations in accordance with standards represented by ISO 45001:2018 certification, which we first obtained from Zhongjian Certification Co., Ltd. on July 31, 2019. Our current certification is valid from July 31, 2019 through July 30, 2022. During the Track Record Period, we did not experience any material accidents involving personal injury or property damage.

We have adopted policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

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, we were not subject to any material fines or penalties for non-compliance of PRC environmental laws, nor were we subject to any material administrative penalties in relation to violations of PRC environmental laws.

EMPLOYEES

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

As of December 31, 2019, we had a total of 6,476 full-time employees in China. The following table sets forth the number and breakdown of our full-time employees by function:

	Number of employees	% of total
Headquarters	60	0.9
Finance department	126	1.9
Human resources and administration department	125	1.9
Information technology department	21	0.3
Commercial property business department	1,010	15.6
Residential property business department	5,134	79.3
Total	6,476	100.0

The following table sets forth a breakdown of our full-time employees by geographical location as of December 31, 2019:

	Number of employees	% of total
Greater Bay Area	2,802	43.3
Yangtze River Delta	1,600	24.7
Midwest China and Hainan	1,722	26.6
Bohai Economic Rim	352	5.4
Total	6,476	100.0

As of the Latest Practicable Date, our employees at certain of our subsidiaries had formed labor unions. Our employees do not negotiate their terms of employment through the labor unions or by ways of collective bargaining agreements. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material strikes or material labor disputes with our employees, nor did we receive any complaints, notices or orders from relevant government authorities or third parties that may have a material adverse effect on our business, financial position and results of operations.

Dispatched Staff

Pursuant to the Interim Provisions on Labor Dispatch (勞務派遣規定) (the "**Interim Provisions**") which came into effect on March 1, 2014, an employer shall strictly control the number of dispatched staff to make sure that it does not exceed 10% of the total number of its workers. In the event of violation of the Interim Provisions, the relevant labor department would order the violating company to rectify such violation. If the violating company does not rectify within a prescribe period, it will be imposed a fine of RMB5,000 to RMB10,000 for each person over the limit.

As of the Latest Practicable Date, approximately 15.7% of the total number of our workers at one of our subsidiaries were dispatched staff that we hired above the threshold of 10% as required by the Interim Provisions. These dispatched staff were mainly hired for positions with supporting nature.

As advised by our PRC Legal Advisor, if we are requested by the relevant labor department to rectify, and we successfully rectify within the prescribed period, the risk of us being subject to administrative fine is low. To rectify such situation, we are in the process of bringing the number of dispatched staff within the limit allowed by the Interim Provisions by subcontracting the services provided by dispatched staff to third-party service providers. We have also implemented certain internal control measures such as preparing a control list to monitor the proportion of dispatched staff and such list will be submitted to the head of human resource department of the subsidiary each month for review. Based on the above, our Directors are of the opinion that such incident will not have a material adverse impact on our business or results of operations.

Social Insurance and Housing Provident Fund Contributions

During the Track Record Period, we did not register for and/or make full contributions to social insurance and housing provident funds for certain employees primarily because some of our employees declined to make their social insurance and housing provident fund contributions of their own accord.

Under the Regulations on Administration of Housing Fund (住房公積金管理條例), (i) for housing provident fund registrations that we fail to complete before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch and (ii) for housing provident fund contributions that we fail to pay within the prescribed deadlines, we may be subject to any order by the relevant people's court to make such payments. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, we may be subject to a penalty rate of 0.05% compounded daily from the date the relevant contributions became payable. If payment is not made within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount.

We made provisions in the amounts of RMB2.5 million, RMB5.5 million and RMB6.4 million on our financial statements in respect of such potential liabilities in 2017, 2018 and 2019, respectively, for certain of our PRC subsidiaries. For the most of the PRC subsidiaries and branch offices we have obtained written confirmations from local social insurance and housing provident fund authorities (being the social security department and housing provident fund management center at city or district level), each stating that: (i) the social security and housing fund contributions was made by relevant subsidiary branch office; and (ii) no administrative penalty has been imposed. Our PRC Legal Advisor is of the view that the relevant confirmations were issued by the competent authorities.

Our Directors are of the view that no provision is required to be made in respect of the remaining PRC subsidiaries and branch offices, based on (i) written confirmations from local social insurance and housing provident fund authorities as stated above; (ii) their assessment of various factors including the nature and amount of the non-compliance; (iii) the indemnity from our Controlling Shareholders in favor of our Group in respect of non-compliance; and (iv) as of the Latest Practicable Date, we had not received any notification from relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. As of the Latest Practicable Date, we were also not aware of any complaints from relevant PRC authorities made by our employees or demands from our employees for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding material disputes in this regard. Nevertheless, in the event that we are required by the relevant authorities to make full contributions, we will proceed accordingly.

In addition, we have implemented relevant internal controls to ensure that we will make full contributions in relation to the social insurance and housing provident funds. We have established internal policy about social insurance and housing provident fund under Labor Law of the PRC and related regulations to monitor our compliance with such laws and regulations. We will review the calculation result of social insurance and housing provident funds for all eligible employees and periodically communicate with local human resources, social security bureau and housing fund management center on a regular basis, to ensure we acquire the most updated information about the relevant laws and regulations.

In view of the above, our PRC Legal Advisor is of the view that the risk of us being penalized for our aforementioned failure to register for and/or make full contributions to the social insurance and housing provident funds for our employees is low, while our Directors are of the view that it will not have a material adverse effect on our business operations and nor will such events constitute a material legal obstacle for the [REDACTED].

Recruiting

We adopt a "Talent First" approach to human resource management, meaning that we are committed to attracting the best and brightest to our talent pool. As part of our efforts to recruit the best of our industry, we have established detailed sets of internal policies and procedures to guide each stage of our efforts. For example, we have guidelines on who are the appropriate interviewers for particular positions, how to conduct our interviews, standardized interview procedures and interview questions.

We also evaluate our recruitment procedures and job descriptions regularly. While we have determined the qualifications and traits desirable in ideal candidates for various management levels and positions, we strive to recruit candidates that are compatible with us in terms of work ethic and corporate culture as well. Our recruitment process primarily includes the following stages:

- *Issue job posting*. Departments in need will apply to recruit for their vacancies. Our recruitment personnel in the human resources department will then issue job postings with descriptions of our required qualifications on various internal and external platforms. Such platforms may include online and offline channels such as our internal talent acquisition system, our official WeChat account, posters and online job banks. We also have a program for rewarding employees who have successfully referred candidates to us.

- *Review resumes*. Our human resources department and the department(s) in need will review applications and resumes with reference to our internal guidelines.

- *Interviews*. We will select applicants from the pool of resumes for interviews. We conduct one to two rounds of interviews with candidates.

- *Internal evaluation*. Once we select our candidates, we set their salaries with a view to our budget and their individual qualifications. We also begin internal review and approval procedures by relevant levels of management for hiring new employees. We will conduct background searches for candidates competing for managerial or higher positions.

- *Hiring*. We will issue offer letters and assist candidates who accept with the necessary paperwork and orientation procedure.

Corporate Culture

We have built a corporate culture around the core value of "care (用心)." We strive to treat our customers with care, treat our employees with care, and treat the society with care. We carry out our work based on such core value. For example, we hold various employee activities and welfare events from time to time. We also hold various charity events with an aim to give back to the community.

Training and Development

We perceive our employees as key to our service quality and customer experience. As part of our long-term efforts to retain and motivate talent, we offer our employees career advancement prospects and training in professional skills necessary to our business. We provide our employees with comprehensive trainings. Our employees can also access the virtual courses we offer through our internal online learning platform "KWG Business School" (合景商學院) even during the outbreak of COVID-19.

Additionally, we provide training programs regularly and across management levels, designing them with a view to our business needs and long-term strategies. We draw up course curriculums for our employees covering key areas in our business operations, including but not limited to our corporate culture and policies, technical knowledge required for certain positions, leadership skills, workplace safety training and general knowledge about the nature of our services.

Our Training Programs

We have multiple training programs tailored to different levels of employment. The details of these programs are as follows:

- "*Leader Program*" (領袖計畫). We target our Leader Program toward senior management. We hold internal workshops and symposiums which aim at broadening the perspectives of these senior management personnel and strengthening our overall management quality.

- "*Pilot Program*" (領航計畫). We target our Pilot Program toward mid-level management personnel. We provide advanced courses and hold several training camps in a given year, in addition, we give the participants multiple challenging missions with an aim to train them into project general managers.

- "*Excellence Program*" (領英計畫). We target our Excellence Program toward management trainees. We provide comprehensive professional courses and encourage the participants to interact and communicate with people in the same industry in order to discover and absorb new industry-related information.

- "*New Force Program*" (新力量計畫). We target our New Force Program toward new recruits and entry-level employees with outstanding academic profiles. We offer them with online and offline training lessons, case studies and opportunities to rotate through different departments, which we believe may help the participants to develop all-around skills.

We have woven into our training programs mentorship, assessment, feedback and evaluation procedures for our employees to facilitate their growth and development. We believe that our training programs, combined with on-the-job learning, facilitate advancement of our employees.

OUR CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage our cash inflows and outflows, applicable to all of our subsidiaries and branch offices in their ordinary course of business. Generally, we encourage our subsidiaries and branch offices to settle their transactions through bank transfers to lower the risks in relation to managing cash.

Cash flow transactions	Cash handling policies and internal control measures
Cash inflow in relation to payments of property management fees, deposits, rent or service fees from our customers	We have cashiers or customer service personnel specifically responsible for cash collection. They will verify that the cash collected is the correct amount prior to issuing receipts. We require that all cash collections be recorded and pass such records to the relevant supervisors by end of the week.
Cash outflow in relation to refunding deposits or service fees to our customers	We issue refund bills to customers entitled to refunds. Such customers will present their refund bills to our cashiers or customer service personnel, who will verify their authenticity before issuing the refund. Customers who lose their refund bills may file the loss by completing forms and undergoing identity verification procedures. We allow customers to authorize a representative to collect the refund for them if they cannot do so in person. Authorized representatives are required to undergo identity verification procedures. Prior to processing any refund bills our cashiers and customer service personnel must sign and confirm, and record all reasons for making refunds.
Cash inventory and deposits	For our subsidiaries or branch offices, they are not allowed to keep more than RMB10,000 on hand. We require that excess amounts be deposited into the bank accounts of our subsidiaries and branch offices within the day they are received. Our employees are expected to check cash balances in inventory on a daily basis, and we will assign accounting personnel to check cash balances and relevant records from time to time on ad-hoc basis. Our accounting personnel will report, analyze and resolve discrepancies or other issues they discover and record the results of their findings.

Cash flow transactions	Cash handling policies and internal control measures
Cash transfers to our centralized bank account or the bank accounts of our subsidiaries and branch offices	We receive cash through methods such as cheques, credit or debit card payments or bank transfers. Our employees are required to verify that key payment and other details of cheques received are in good order. They are also required to timely file all proofs of payment.
Cash transfers out of our centralized bank account or the bank accounts of our subsidiaries and branch offices	We make cash payments generally through bank transfers or issuing cheques. We designate specific personnel to keep blank chequebooks and issue cheques for our business. They are required to report any missing chequebooks or single cheques with our banks as soon as possible, and to keep detailed records of issued cheques including details such as issuing times, cheque numbers, amounts and payment reasons. It is also our policy to keep records of unissued cheques, including those on which our personnel have made clerical errors.
Opening of and managing bank accounts of our subsidiaries and branch offices	Our subsidiaries and branch offices must adhere to our internal policies and procedures in relation to the opening of bank accounts. They are required to complete an application form before opening any bank accounts. Our subsidiaries and branch offices are required to reconcile and check bank balances on a monthly basis.

INSURANCE

We believe that our insurance coverage is in line with the industry practice in the PRC. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) liability insurance to cover liabilities for property damages or personal injury suffered by third parties arising out of or related to our business operations, (ii) property insurance for damages to both movable and immovable property owned by us or in our custody; and (iii) group benefit insurance. We require our sub-contractors to purchase accident insurance for their employees who provide services to our Group. And in accordance with our agreements with sub-contractors, the sub-contractors are responsible for all workplace injuries to their employees, except for the injuries directly attributable to us.

We are covered by property and liability insurance policies with coverage features that we believe are customary for similar 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. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not sufficiently cover the risks related to our business" in this document.

CERTIFICATES, LICENSES AND PERMITS

We are required to obtain and maintain various certificates, licenses and permits in relation to our operations. As advised by our PRC Legal Advisor, we had obtained all material certificates, licenses and permits from relevant regulatory authorities for our operations in all material respects, and all of our material certificates, licenses and permits were in force as of the Latest Practicable Date. We are required to renew such certificates, licenses and permits from time to time. As advised by our PRC Legal Advisor, we do not expect any difficulties in such renewals so long as we meet the applicable requirements and conditions set by the relevant government agencies and adhere to procedures set forth in relevant laws and regulations.

PROPERTIES

As of the Latest Practicable Date, we did not own any property in China. As of the Latest Practicable Date, we had entered into ten lease agreements to lease properties primarily for office use with an aggregate GFA of approximately 2,204.9 sq.m. We had not filed the lease agreements for these leased properties with the local housing administration authorities as required under PRC laws and regulations, primarily due to non-cooperation of the relevant landlords and the lack of title certificates. Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. As advised by our PRC Legal Advisor, we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. As such, the estimated maximum amount of penalty for our failure to file these lease agreements is approximately RMB100,000. As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above. As advised by our PRC Legal Advisor, the failure to file the lease agreements would not affect the validity of the lease agreements nor would such non-filing have a material adverse effect on our business operations.

In the event that we are required by the competent authorities to register the lease agreements but the relevant landlords do not cooperate, we intend to find alternative locations nearby and relocate in a relatively short time. Given the nature of our business, we do not believe relocation of any of such leased properties would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors believe that there will not be any material impact on our business, operations or financial position. For related risks, please refer to the section headed "Risk Factors — Risks relating to our business and industry — Some of our lease agreements were not registered with the relevant government authorities and, as a result, we might be subject to administrative fines" in this document.

As of the Latest Practicable Date, 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).

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business. As of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Compliance

As advised by our PRC Legal Advisor, we had not been subject to any material fines or legal actions involving non-compliance with any PRC laws or regulations relating to our business during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For more details, see "Risk Factors". We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our key risk management objectives include: (i) identifying the different risks relevant to our operations; (ii) assessing and prioritizing the identified risks; (iii) developing appropriate risk management strategies for different risks; (iv) monitoring and managing risks and our risk tolerance level; and (v) executing measures to respond to those risks.

Our Board oversees and manages the risks associated with our business. We have established an audit committee to review and supervise our financial reporting process and internal control system. The audit committee consists of three members, namely Ms. Ng Yi Kum, who serves as chairperson of the committee, Mr. Fung Che Wai, Anthony and Ms. Liu Xiaolan. For the qualifications and experience of these committee members, see "Directors and Senior Management."

In order to improve our corporate governance, we have adopted, or expect to adopt before [REDACTED], a series of internal control policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- Our Directors and senior management attended a training session on June 19, 2020 in relation to the relevant requirements of the Listing Rules and duties of directors of companies [REDACTED] in Hong Kong;

- We have appointed Ms. Yang Jingbo as our general manager of the financial management center and Ms. Chan Ching Nga as our company secretary to ensure our compliance with relevant laws and regulations. For their biographical details, see "Directors and Senior Management";

- We have appointed Maxa Capital Limited as our compliance advisor to advise us on compliance with the Listing Rules; and

- We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure.

In preparation for the [REDACTED], we engaged an independent internal control consultant to review our internal control system, based on an agreed scope covering controls and procedures in the following aspects: our provision of services, management of sub-contractors, cash and treasury management, salary payments, finance and accounting, tax payments, management of our informational technology systems, purchase of insurance policies and other general control measures. Our internal control consultant recommended certain rectification and improvement measures in our internal control system based on its findings. Accordingly, we implemented rectification and improvement measures in response to these findings and recommendations. Our internal control consultant has also completed procedures to follow up on the actions we took in relation to our internal control system, and we did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date. Taking into consideration of the above, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

OVERVIEW

Immediately upon completion of the Spin-off, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and assuming the Reserved Shares under the Preferential Offering are fully taken up by Qualifying KWG Shareholders, (i) Mr. Kong Jianmin, will through Plus Earn and Hero Fine, own in aggregate approximately [REDACTED] of the total number of issued Shares; (ii) Mr. Kong Jiantao, will through Right Rich, Excel Wave and Wealth Express, own in aggregate approximately [REDACTED] of the total number of issued Shares; and (iii) Mr. Kong Jiannan, will through Peace Kind, own approximately [REDACTED] of the total number of issued Shares. Each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind is an investment holding company with no business operation. Mr. Kong Jiantao is an executive director and the chief executive officer of KWG Holdings, and is the brother of Mr. Kong Jianmin and Mr. Kong Jiannan. For the biographical details of Mr. Kong Jianmin and Mr. Kong Jiannan, please see the section headed "Directors and senior management" in this document.

On [•], 2020, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of our Company according to the instruction of whichever party thereto holds the most Shares from time to time. Hero Fine is wholly-owned by Mr. Kong Jianmin. Excel Wave and Wealth Express are wholly-owned by Mr. Kong Jiantao. As such, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are a group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting rights at general meetings of our Company and therefore are a group of our Controlling Shareholders under the Listing Rules.

DELINEATION OF BUSINESS

As of the Latest Practicable Date, KWG Holdings was indirectly owned as to approximately 50.12%, 8.08% and 4.54% by Mr. Kong Jianmin (through Plus Earn and Hero Fine), Mr. Kong Jiantao (through Right Rich, Excel Wave and Wealth Express) and Mr. Kong Jiannan (through Peace Kind), respectively. On December 30, 2018, Plus Earn, Right Rich and Peace Kind entered into a shareholders' agreement to regulate their dealings in KWG Shares. As such, each of Plus Earn, Right Rich and Peace Kind is deemed to have interest in the shares and/or underlying shares held by the other parties pursuant to such shareholders' agreement under Section 317(1)(a) of the SFO. Thus, as of the Latest Practicable Date, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan were deemed to be interested in approximately 62.68%, 53.51% and 53.45% of the issued share capital of KWG Holdings, respectively.

Our Group is primarily engaged in the provision of residential property management services and commercial property management and operational services, whereas KWG Group is principally engaged in the businesses of property development, property investment, hotel operation and education (the "**Retained Business**"). Other than the Retained Business, KWG Group (i) has interest in a joint venture which has been maintaining an in-house property management service team for Shanghai U-fun (上海悠方); and (ii) is obliged to provide commercial property management services for Chengdu U-fun (成都悠方).

Non-inclusion of commercial property management and operational services for Shanghai U-fun (上海悠方)

Shanghai U-fun is a shopping mall located at the core centre of New Jiangwan Town in Yangpu District in Shanghai and it is developed by Shanghai Chengtou Yuecheng Real Estate Company Limited* (上海城投悦城置業有限公司) ("**Shanghai Yuecheng**"), a joint venture established by KWG Holdings and an Independent Third Party. Shanghai Yuecheng is principally engaged in property development and leasing business and it has been maintaining an in-house service team, which is operated separately and independently from our Group, to provide commercial property management and operational services to Shanghai U-fun for cost efficiency purpose. In terms of source of revenue, unlike our Group, whose property managements fee are our primary source of revenue, the revenue of Shanghai Yuecheng is mainly and substantially attributable to the rentals collected from the tenants of Shanghai U-fun. The commercial property management and property services provided by in-house service team are ancillary to its leasing business and do not constitute its core business. Despite the fact that property management fee is one of the sources of revenue of Shanghai Yuecheng, it only accounted for a small portion of its total revenue during the Track Record Period. The property management fees collected by Shanghai Yuecheng accounted for less than 1.2% of the total revenue of Group for the year ended December 31, 2019. Our Group had not held any investment property and had not recognized any rental during the Track Record Period.

Given (i) the different nature of business operated by our Group and Shanghai Yuecheng; (ii) the in-house service team of Shanghai Yueching only provides commercial property management and operational services to a single property, namely Shanghai U-fun; and (iii) Shanghai Yuecheng has no intention to further expand its business into providing commercial property management and operational services to any other properties, our Directors are of the view that the business of our Group will be clearly delineated from that of Shanghai Yuecheng and as such, the commercial property management and operational services business of Shanghai Yuecheng will not, directly or indirectly, compete with the business of our Group.

Subcontracting arrangement for property management services obliged to provided by KWG Group for Chengdu U-fun (成都悠方)

Chengdu U-fun is a shopping mall developed by KWG Holdings and is located at the intersection of Jiaozi Avenue and Yizhou Avenue in Chengdu. Pursuant to the tenancy agreements entered into between Guangzhou Junzhao Property Operation Co., Ltd.* (廣州市君兆物業經營有限公司) ("**Guangzhou Junzhao**"), an indirect wholly-owned subsidiary of KWG Group, and tenants of Chengdu U-fun, Guangzhou Junzhao is obliged to provide commercial property management services, including cleaning, security and repair and maintenance services, to the tenants of Chengdu U-fun, and Guangzhou Junzhao may designate a property management service provider to provide commercial service for and on its behalf.

As of the Latest Practicable Date, Guangzhou Junzhao did not provide any commercial property management services to the tenants of Chengdu U-fun by itself, and it has designated Liheng Commercial as the property management service provider to provide such services to the tenants. As Guangzhou Junzhao has already subcontracted all commercial property management services to Liheng Commercial, our Directors believe that it is overly and unduly burdensome for Liheng Commercial to enter into a service agreement with each of such tenants. The commercial property services provided by Liheng Commercial will constitute a continued connected transaction for our Company after [REDACTED]. For details, see "Connected Transactions — C. Continuing

Connected Transactions subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements — 2. Commercial Property Management and Operational Services" in this document.

Given that Guangzhou Junzhao has no intention to provide commercial property management services to the tenants in Chengdu U-fun in the future, our Directors consider that there is no competition between the businesses of KWG Group and our Group.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition will not exist in the future, each of our Controlling Shareholders [has entered into] the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in the paragraph headed "Deed of Non-Competition" below.

OUR BUSINESS RELATIONSHIP WITH KWG GROUP

We have a well-established and ongoing business relationship with KWG Group. We have provided KWG Group with residential property management services since 2004 and commercial property management and operational services since 2006. KWG Group is principally engaged in property development, property investment, hotel operational and education, and requires both residential property management services and commercial property management and operational services in its daily operations. All of the residential and commercial properties solely developed by KWG Group are under our management. Our business relationship with KWG Group is common among property management and commercial operational service providers and their parent companies in the PRC and has been mutually beneficial and complementary. As confirmed by JLL, it is an industrial norm that property management and commercial operation service providers have a close working relationship with property developers under the same ultimate controlling shareholder.

Given our long and close cooperation relationship with KWG Group, we are familiar with KWG Group's strategy and requirements, which helps to ensure that our services provided to KWG Group are reliable and satisfactory and also helps reduce the time required for the preliminary planning of a project, resulting in a more efficient development process. We consider that our relationship with KWG Group is beneficial to both KWG Group and us. We also consider that it may not be in the best interest of KWG Group to engage a new service provider in place of us considering the amount of time for such service provider to get familiar with KWG Group's strategy and requirements and to provide equally satisfactory services as compared to us.

Having considered the abovementioned factors, including (i) our long and close cooperation relationship with KWG Group; (ii) our familiarity with KWG Group's strategy and requirements; (iii) the mutual benefits for both KWG Group and us to continue with the current relationship; and (iv) the time required and the uncertainties involved for KWG Group to engage a new service provider which is able to provide equally satisfactory services to replace us, our Directors are of the view that our current relationship with KWG Group is unlikely to be materially adversely changed or terminated.

As disclosed above, given there is a certain degree of mutuality and complementarity of the ongoing business between KWG Group and us, as well as our proven track record in securing engagements from KWG Group for the provision of residential property management services and commercial property management and operational services, we consider that we will continue to be able to secure future engagements from them and be able to maintain our revenue from them upon [REDACTED]. Our provision of residential property management services and commercial property management and operational services to KWG Group will constitute continuing connected transactions for our Company upon [REDACTED]. For details, see "Connected Transactions" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after [REDACTED] for the following reasons:

Management independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Save for one executive Director, namely Mr. Kong Jiannan, who is an executive director of KWG Holdings, and one non-executive Director, namely Mr. Kong Jianmin, who is an executive director and chairman of the board of directors of KWG Holdings, there is no overlap of directors and members of the senior management between our Group and KWG Group.

Mr. Kong Jiannan has been in charge of our business since 2004 and will devote sufficient time in the day-to-day operation of our Group, while his role in KWG Group will only be responsible for high-level supervision of the management team of KWG Group. Mr. Kong Jianmin's role is non-executive in nature and he will not participate in the day-to-day operation of our Group.

Each of our Directors 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 interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business operations of our Group independently from our Controlling Shareholders.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the [REDACTED] and the Spin-off.

Operational independence

We engage in our business independently from our Controlling Shareholders and their close associates, with the independent right to make operational decisions and implement such decisions.

Residential property management services

Our Group provides residential property management services to the projects developed by the KWG Group at the pre-sale and pre-delivery stages. Historically, our Group has primarily procured initial residential property management service engagements from KWG Group through standard public tender procedures regulated by applicable PRC laws and regulations, whereby the tenders would be evaluated by a tender evaluation committee established by KWG Group in accordance with the Interim Measures for the Administration of Tendering and Bidding for Preliminary Property Management (前期物業管理招標投標管理暫行辦法). The tender evaluation committee shall consist of an odd number of no less than five members, including (i) at least a two-thirds majority of property management experts who are independent of our Group and are selected on a random basis from a list of experts compiled by the local real estate administrative department; and (ii) the representative members from KWG Group. In evaluating the candidates, the tender evaluation committee would consider a range of factors, such as reputation, quality of service, management system, human resources management and the proposed management plan. Our Group does not enjoy any preferential treatment in the selection process for properties developed by KWG Group and is not automatically granted residential property management contracts simply due to its relationship with KWG Group.

After the delivery of the properties by KWG Group to the homeowners, the homeowners may establish a homeowners' association to manage the properties. The homeowners' association, if formed, will be operated by the homeowners and will be independent of KWG Group and may select and engage property management service providers at its own discretion. Our Group needs to provide quality and competitive services to the residents/owners of the properties in order to secure its continuous appointment by the homeowners' association.

In the event that the homeowners' association has not been formed after the delivery of the properties to the homeowners, the property management contract entered into between KWG Group and our Group at the pre-sale and pre-delivery stages (the "**Preliminary Management Contract**") would remain effective and bind the owners of the properties who are obligated to pay the management fees directly to our Group within the effective period of the Preliminary Management Contract. The Preliminary Management Contract will be terminated when the homeowners' association, if formed, enters into a new property management contract with the property management service provider.

If, upon the expiration of the initial term of the Preliminary Management Contract, the homeowners' association has not been formed or a new property management contract has not been entered into by the homeowners' association, (i) the Preliminary Management Contract will be renewed automatically until a new property management contract is entered into by the homeowners' association if there is applicable provision in the Preliminary Management Contract, or (ii) the parties may choose to extend the services absent any automatic renewal provision in the Preliminary Management Contract, in which event a new management contract will be entered into.

Commercial property management and operational services

Historically, our Group has procured commercial property management service engagements from KWG Group through public tender procedures or fee quotations. Under the applicable PRC laws and regulations, KWG Group is not required to go through the standard public tender procedures in engaging commercial property management service providers. Despite that, KWG Group usually goes through the public tender procedures in engaging commercial property management service providers on a voluntary basis. The tenders would be evaluated by a tender evaluation committee established by KWG Group. The tender evaluation committee includes (i) property management experts who are independent of our Group and are selected on a random basis from a list of experts compiled by the local real estate administrative department; and (ii) the representative members from KWG Group. In evaluating the candidates, the tender evaluation committee would consider a range of factors, such as reputation, quality of service, management system, human resources management and the proposed management plan. Our Group does not enjoy any preferential treatment in the selection process for properties developed by KWG Group and is not automatically granted property management contracts simply due to its relationship with KWG Group.

Depending on the progress of development and operation, including the development, sales and delivery stages of the projects, KWG Group has also engaged our Group for commercial property management services through fee quotations in order to facilitate the process. During the development of a commercial property, KWG Group will invite our Group to submit a proposal on the provision of commercial property management services for the property. The proposal typically includes an estimation of cost and return, the scope of services and the pricing standard. In preparing the proposal, our Group will form a team comprising personnel responsible for financial and operational and perform works such as market research and preparation of operational budgets. The proposal will be submitted to KWG Group for their internal approval. In making the decision of engaging our Group and determining the service fees, while KWG Group does not have the practice of inviting for and considering a minimum number of fee quotation from other independent third parties, it will take into account the pricing standard for comparable services in the market. Our Group needs to provide quality and competitive services to KWG Group in order to secure its continuous appointment by KWG Group.

Licenses required for operation

We have full rights, hold and enjoy the benefit of all relevant licenses and permits, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after [REDACTED].

Access to customers, suppliers and business partners

Our Group has a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as our other business partners.

Employees

We have our own team of employees. We recruit our employees independently from our Controlling Shareholders and their respective close associates and primarily through various channels, such as universities, third party recruitment agency and internal referrals.

Connected transactions with our Controlling Shareholders

Details of the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the [REDACTED] are set out in the section headed "Connected transactions" in this document. All such transactions shall be based on tender process in accordance with the relevant laws and regulations or determined after arm's length negotiations and on normal commercial terms or better. Our Directors are of the view that such continuing connected transactions will not affect our operational independence as a whole.

Financial independence

All loans, advances and balances due to or from the Controlling Shareholders or their close associates which were not arising out of the ordinary course of business [have been] fully settled as of the Latest Practicable Date. All share pledges and guarantees provided by or to the Controlling Shareholders or their close associates on the borrowings of our Group [have also been] fully released as of the Latest Practicable Date.

In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third party financing. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders [has irrevocably and unconditionally undertaken] to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing residential property management services and commercial property management and operational services (collectively referred to as the "**Restricted Businesses**"), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders [has undertaken] that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to him/it or any of his/its close associates, he/it shall, and shall procure that his/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 Business Days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall seek approval from a board committee comprising independent non-executive Directors who do not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity). The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 Business Days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board has failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their respective close associates cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights or our Shares cease to be [REDACTED] on the Stock Exchange.

Each of our Controlling Shareholders [has further undertaken] to us that he/it will provide and procure his/its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. They will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In addition, our Company has taken, or will take, the following measures to safeguard good corporate governance standards in respect of the Deed of Non-Competition:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- we will disclose the decisions on matters reviewed by the independent non- executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/it may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders and his/its respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and senior management — Board of Directors — Independent non-executive Directors" in this document;

(d) we have appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, the directors, substantial shareholders and chief executive of our Company and our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the [REDACTED] and any of their respective associates will be connected persons of our Company upon [REDACTED].

Our Group has entered into a number of continuing transactions with our connected persons in our ordinary and usual course of business. Upon completion of the [REDACTED], the transactions disclosed in this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

A. CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Software and Mobile Applications Licensing and Maintenance Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a software and mobile applications licensing and maintenance services framework agreement (the "**Software and Mobile Applications Licensing and Maintenance Services Framework Agreement**") with KWG Holdings (for itself and on behalf of it subsidiaries), pursuant to which KWG Group agreed to grant a non-exclusive license for continued use of certain software, including but not limited to office automation system, enterprise resources planning system and system applications and products system, and certain mobile applications and provide related maintenance and server hosting services (the "**Software and Mobile Applications Licensing and Maintenance Services**") to our Group for a term commencing from the [REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual software and mobile applications licensing and maintenance services agreements to be entered into between members of our Group and members of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Software and Mobile Applications Licensing and Maintenance Services Framework Agreement.

The fees to be paid by our Group for the Software and Mobile Applications Licensing and Maintenance Services shall be determined on arm's length basis with reference to (i) the estimated usage volume of the software and mobile applications by our Group; (ii) the costs incurred by KWG Group with respect to the purchase or development of the software and mobile applications; and (iii) the estimated costs for providing the maintenance and server hosting services and shall not be less favorable than that offered by Independent Third Parties.

Reasons for the transaction

We consider that it will be more cost-efficient and less disruptive for our Group to continue to use the Software and Mobile Applications Licensing and Maintenance Services and enter into the Software and Mobile Applications Licensing and Maintenance Services Framework Agreement with KWG Group, as compared to purchasing or developing a new set of software and mobile applications and converting the existing systems to the new systems.

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts for the Software and Mobile Applications Licensing and Maintenance Services amounted to nil, nil and RMB2 million, respectively.

Annual caps

Our Directors estimate that the maximum amount of fees payable by our Group to KWG Group in relation to the Software and Mobile Applications Licensing and Maintenance Services for the three years ending December 31, 2022 will not exceed RMB2 million, RMB2 million and RMB2 million, respectively.

Our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amount for the year ended December 31, 2019 in respect of the Software and Mobile Applications Licensing and Maintenance Services;

(ii) the fees payable by us to KWG Group under the existing software and mobile applications licensing and maintenance agreements entered into by us and KWG Group;

(iii) the estimated usage volume of the software and mobile applications by our Group;

(iv) the costs incurred by KWG Group with respect to the purchase or development of the software and mobile applications; and

(v) the estimated costs for providing the maintenance and server hosting services.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. As such, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.51]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Software and Mobile Applications Licensing and Maintenance Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Software and Mobile Applications Licensing and Maintenance Services Framework Agreement is expected to be less than 5% and the total consideration is less than HK$3 million on an annual basis, the transactions under the Software and Mobile Applications Licensing and Maintenance Services Framework Agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Kong Jiantao Commercial Property Management Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a commercial property management services framework agreement with Mr. Kong Jiantao (for himself and on behalf of his associates (other than KWG Group) ("**Mr. Kong Jiantao's Associates**")) (the "**Kong Jiantao Commercial Property Management Services Framework Agreement**"), pursuant to which our Group agreed to provide Mr. Kong Jiantao's Associates with commercial property management services, such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties leased or owned by Mr. Kong Jiantao's Associates for a term commencing from the [REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual commercial property management services agreements to be entered into between members of our Group and Mr. Kong Jiantao's Associates shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Kong Jiantao Commercial Property Management Services Framework Agreement.

The fees to be charged for the services under the Kong Jiantao Commercial Property Management Services Framework Agreement shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by our Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

Reasons for the transaction

For the year ended December 31, 2019 and up to the Latest Practicable Date, we provided commercial property management services in our ordinary and usual course of business to certain commercial properties leased or owned by Mr. Kong Jiantao's Associates. It is expected that we will continue to provide such services to Mr. Kong Jiantao's Associates in our ordinary and usual course of business upon [REDACTED].

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts for the commercial property management services provided by us to Mr. Kong Jiantao's Associates amounted to nil, nil and RMB0.4 million, respectively.

Annual caps

Our Directors estimate that the maximum amount of fees payable by Mr. Kong Jiantao's Associates to us in relation to the Kong Jiantao Commercial Property Management Services Framework Agreement for the three years ending December 31, 2022 will not exceed RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively.

The increase in the annual caps for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is because, in 2019 we provided commercial property management services to Mr. Kong Jiantao's Associates for an average period of less than eight months only and therefore the historical transaction amount for the year ended December 31, 2019 is not representative of the fees for such services on a full-year basis.

Our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amount for the year ended December 31, 2019 in respect of the commercial property management services provided to Mr. Kong Jiantao's Associates; and

(ii) the projected transaction amounts of the commercial property management services provided to Mr. Kong Jiantao's Associates under the existing contracts.

Implications under the Listing Rules

Mr. Kong Jiantao will be one of our Controlling Shareholders upon [REDACTED]. Therefore, Mr. Kong Jiantao's Associates will be connected persons of our Company upon [REDACTED]. Accordingly, the transactions under the Kong Jiantao Commercial Property Management Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Kong Jiantao Commercial Property Management Services Framework Agreement is expected to be less than 5% and the total consideration is less than HK$3 million on an annual basis, the transactions under the Kong Jiantao Commercial Property Management Services Framework Agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1. Property Lease Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a property lease framework agreement (the "**Property Lease Framework Agreement**") with KWG Holdings (for itself and on behalf of it subsidiaries), pursuant to which KWG Group agreed to lease to our Group (i) certain properties for office and staff quarters uses; and (ii) car parking lots for sub-leasing to end-users for a term commencing from the [REDACTED] to December

31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual property lease agreements to be entered into between members of our Group and members of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Lease Framework Agreement.

As of the Latest Practicable Date, our Group leased from KWG Group (i) eight properties with a total GFA of approximately 1,387.8 sq. m. for office and staff quarters uses; and (ii) car parking lots in 25 property projects for sub-leasing to end-users. These leases will be governed by the Property Lease Framework Agreement upon [REDACTED].

The rent to be paid by our Group in relation to the properties leased for office and staff quarters uses under the Property Lease Framework Agreement shall be determined on arm's length basis with reference to the market rent of similar properties in similar locations and shall not be less favorable than that offered by Independent Third Parties.

The rent to be paid by our Group in relation to the car parking lots under the Property Lease Framework Agreement shall be determined on arm's length basis with reference to (i) the market rent of car parking lots in similar properties and in similar locations; and (ii) the occupancy rate of car parking lots leased by our Group from KWG Group.

JLL, an independent valuer of our Company, has reviewed the property lease agreements of car parking lots entered into between us and KWG Group during the Track Record Period and the related transaction documents and confirmed that the rent payable by us with respect to the lease of car parking lots and the related transaction documents is fair and reasonable and is in line with the market rate by reference to the prevailing market prices for similar properties in similar location and usage. Our Directors (including our independent non-executive Directors) are of the view that the lease terms under the existing individual property lease agreements and the Property Lease Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of our Group and Shareholders as a whole.

Reasons for the transaction

We consider that it is in our Group's interest in terms of cost, time and stability to continue to lease the office and staff quarters from KWG Group instead of relocating to alternative properties, and that the leased car parking lots are situated within the properties managed by us and we have sufficient manpower and resources to sub-lease the car parking lots in return for higher income.

Historical transaction amounts

For the three years ended December 31, 2019, the rent paid by our Group to KWG Group for leasing properties for office and staff quarters uses and car parking lots for sub-leasing are set out below:

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Properties for office and staff quarters uses	—	—	0.3
Car parking lots for sub-leasing	8.7	10.4	13.7
Total	8.7	10.4	14.0

Annual caps

Our Directors estimate that for the three years ending December 31, 2022, the maximum amount of rent payable by us to KWG Group under the Property Lease Framework Agreement are set out below:

	For the year ending December 31,		
	2020	**2021**	**2022**
	(RMB million)	*(RMB million)*	*(RMB million)*
Properties for office and staff quarters uses	1.5	1.5	1.5
Car parking lots for sub-leasing	16.4	19.7	23.6
Total	17.9	21.2	25.1

The increase in the annual caps for leasing properties for office and staff quarters uses for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly because (i) some leases were commenced in September 2019 and some leases had a two-month rent free period, and therefore the historical transaction amount in respect of these properties for the year ended December 31, 2019 is not representative of the rent on a full-year basis; and (ii) we leased additional office spaces from KWG Group in 2020.

The increase in the annual caps for leasing car parking lots for sub-leasing for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in the amount of car parking lots which we anticipate we may lease from KWG Group based on the property development plan and delivery schedule of KWG Group.

Our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts during the Track Record Period;

(ii) the rent payable under the existing lease agreements; and

(iii) the expected increase in the amount of car parking lots which we anticipate we may lease from KWG Group based on the property development plan and delivery schedule of KWG Group.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.51]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Property Lease Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Property Lease Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions under the Property Lease Framework Agreement will be subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Residential Property Management Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a residential property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which our Group agreed to provide KWG Group and its associates with residential property management services, including but not limited to (i) pre-sale management services (the "**Residential Pre-sale Management Services**"), such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by KWG Group and/or its associates; and (ii) property management services (the "**Residential Property Management Services**"), such as cleaning, security, gardening and repair and maintenance services for residential properties developed by KWG Group and/or its associates which are unsold or sold but not yet delivered to the homeowners for a term commencing from the [REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual residential property management services agreements to be entered into between members of our Group and members or associates of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Residential Property Management Services Framework Agreement.

The fees to be charged for the Residential Pre-sale Management Services shall be determined on arm’s length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by our Group to Independent Third Parties in respect of comparable services and the fees for similar services and types of properties in the market.

The fees to be charged for the Residential Property Management Services shall be determined on arm’s length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to rates generally offered by our Group to Independent Third Parties and the fees for similar services and type of properties in the market. In addition, such fees shall not be higher than the standard fees designated by the relevant government authorities (if applicable), and where we are engaged by KWG Group or its associates for the Residential Property Management Services through standard public tender procedures as required under the relevant PRC laws or regulations, shall be consistent with the fees submitted in the relevant tender documents.

Reasons for the transaction

During the Track Record Period and up to the Latest Practicable Date, we provided Residential Pre-sale Management Services and Residential Property Management Services to KWG Group and its associates in our ordinary and usual course of business. It is expected that we will continue to do so in our ordinary and usual course of business upon [REDACTED].

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts paid by KWG Group and its associates to our Group for the Residential Pre-sale Management Services and Residential Property Management Services are set out below:

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Residential Pre-sale Management Services	75.9	123.6	210.4
Residential Property Management Services	22.8	33.8	34.8
Total	98.7	157.4	245.2

Annual caps

Our Directors estimate that the maximum amount of fees payable by KWG Group and its associates to our Group in relation to the Residential Pre-sale Management Services and Residential Property Management Services for the three years ending December 31, 2022 will be as follows:

	For the year ending December 31,		
	2020	**2021**	**2022**
	(RMB million)	*(RMB million)*	*(RMB million)*
Residential Pre-sale Management Services	245.1	306.4	383.0
Residential Property Management Services	57.4	71.8	89.7
Total	302.5	378.2	472.7

The increase in the annual caps for the Residential Pre-sale Management Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Residential Pre-sale Management Services from KWG Group and its associates, taking into consideration (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services; and (ii) the expected increase in the number of projects for which we anticipate we may be engaged by KWG Group and its associates to provide the Residential Pre-sale Management Services based on the property development plan and delivery schedule of KWG Group and its associates.

Our Directors have considered the following factors in arriving at the above annual caps for the Residential Pre-sale Management Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Residential Pre-sale Management Services during the Track Record Period;

(ii) the projected transaction amounts in respect of the residential properties developed by KWG Group and its associates for which we are engaged to provide the Residential Pre-sale Management Services under the existing contracts; and

(iii) the estimated number of projects and the projected transaction amounts in respect of the residential properties developed by KWG Group and its associates for which we anticipate we may be engaged to provide the Residential Pre-sale Management Services based on the property development plan and delivery schedule of KWG Group and its associates.

The increase in the annual caps for the Residential Property Management Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Residential Property Management Services from KWG Group and its associates, taking into consideration (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Residential Property Management Services; (ii) the expected increase in the GFA of the properties for which we anticipate we may be engaged by KWG Group and its associates to provide the Residential Property Management Services based on the property development plan and delivery schedule of KWG Group and its associates; and (iii) the expected increment in the fees for the Residential Property Management Services.

Our Directors have considered the following factors in arriving at the above annual caps for the Residential Property Management Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Residential Property Management Services during the Track Record Period;

(ii) the projected transaction amounts in respect of the residential properties developed by KWG Group and its associates for which we are engaged to provide the Residential Property Management Services under the existing contracts;

(iii) the estimated GFA and the projected transaction amounts in respect of the residential properties developed by KWG Group for which we anticipate we may be engaged to provide the Residential Property Management Services based on the property development plan and delivery schedule of KWG Group and its associates; and

(iv) the expected increment in the fees for the Residential Property Management Services.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.51]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Residential Property Management Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Residential Property Management Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the Residential Property Management Services Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Property Agency Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a property agency services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Property Agency Services Framework Agreement**"), pursuant to which our Group agreed to provide KWG Group and its associates with property agency services (the "**Property Agency Services**") for properties developed by KWG Group and/or its associates for a term commencing from the [REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual property agency services agreements to be entered into between members of our Group and members or associates of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Agency Services Framework Agreement.

The fees for the Property Agency Services shall be charged at a commission rate with reference to the price of the properties sold, and the commission rate shall be determined on arm's length basis with reference to the commission rates generally offered by our Group to Independent Third Parties and the commission rates for similar services and type of properties in the market.

Reasons for the transaction

During the year ended December 31, 2019 and up to the Latest Practicable Date, we provided the Property Agency Services to KWG Group and its associates in our ordinary and usual course of business. It is expected that we will continue to do so in our ordinary and usual course of business upon [REDACTED].

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts paid by KWG Group and its associates to our Group for the Property Agency Services are nil, nil and RMB96.2 million.

Annual caps

Our Directors estimate that the maximum amount of fees payable by KWG Group and its associates to our Group in relation to the Property Agency Services for the three years ending December 31, 2022 will be RMB225.9 million, RMB356.8 million and RMB470.6 million.

The increase in the annual caps for the Property Agency Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly because the Property Agency Services were only commenced in September 2019. In addition, the demand for the Property Agency Services from KWG Group and its associates is expected to increase, given (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Property Agency Services; and (ii) the expected increase in the total value of the properties to be sold by KWG Group and its associates for which we anticipate we may be engaged by KWG Group and its associates to provide the Property Agency Services based on the property development plan and sale schedule of KWG Group and its associates.

Our Directors have considered the following factors in arriving at the above annual caps for the Property Agency Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amount of the Property Agency Services for the year ended December 31, 2019;

(ii) the projected transaction amounts in respect of the properties developed by KWG Group and its associates for which we are engaged to provide the Property Agency Services under the existing contracts; and

(iii) the estimated total value and the projected transaction amounts in respect of the properties to be sold by KWG Group and its associates for which we anticipate we may be engaged to provide the Property Agency Services based on the property development plan and sale schedule of KWG Group and its associates.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.51]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Property Agency Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Property Agency Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the Property Agency Services Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Commercial Property Management Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a commercial property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Property Management Services Framework Agreement**"), pursuant to which our Group agreed to provide KWG Group and its associates with commercial property management services, including but not limited to (i) pre-sale management services (the "**Commercial Pre-sale Management Services**"), such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by KWG Group and/or its associates; and (ii) commercial property management services (the "**Commercial Property Management Services**"), such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by KWG Group and/or its associates which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by KWG Group and/or its associates for their own use for a term commencing from the

[REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual commercial property management services agreements to be entered into between members of our Group and members or associates of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Property Management Services Framework Agreement.

The fees to be charged for the Commercial Pre-sale Management Services and Commercial Property Management Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to rates generally offered by our Group to Independent Third Parties and the fees for similar services and type of properties in the market.

Reasons for the transaction

During the Track Record Period and up to the Latest Practicable Date, we provided Commercial Pre-sale Management Services and Commercial Property Management Services to KWG Group and its associates in our ordinary and usual course of business. It is expected that we will continue to do so in our ordinary and usual course of business upon [REDACTED].

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts for the Commercial Pre-sale Management Services and Commercial Property Management Services are set out below:

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Commercial Pre-sale Management Services	13.3	12.9	18.6
Commercial Property Management Services	5.9	52.9	116.0
Total	19.2	65.8	134.6

Annual caps

Our Directors estimate that the maximum amount of fees payable by KWG Group and its associates to us in relation to the Commercial Pre-sale Management Services and Commercial Property Management Services for the three years ending December 31, 2022 will be as follows:

	For the year ending December 31,		
	2020	**2021**	**2022**
	(RMB million)	*(RMB million)*	*(RMB million)*
Commercial Pre-sale Management Services	23.3	29.1	36.4
Commercial Property Management Services	100.2	124.4	145.7
Total	123.5	153.5	182.1

The increase in the annual caps for the Commercial Pre-sale Management Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Commercial Pre-sale Management Services from KWG Group and its associates, taking into consideration (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services; and (ii) the expected increase in the number of projects for which we anticipate we may be engaged by KWG Group and its associates to provide the Commercial Pre-sale Management Services based on the property development plan and delivery schedule of KWG Group and its associates.

Our Directors have considered the following factors in arriving at the above annual caps for the Commercial Pre-sale Management Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Commercial Pre-sale Management Services during the Track Record Period;

(ii) the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we are engaged to provide the Commercial Pre-sale Management Services under the existing contracts; and

(iii) the estimated number of projects and the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we anticipate we may be engaged to provide the Commercial Pre-sale Management Services based on the property development plan and delivery schedule of KWG Group and its associates.

The increase in the annual caps for the Commercial Property Management Services for the year ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Commercial Property Management Services from KWG Group and its associates, taking into consideration (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Commercial Property Management Services; (ii) the expected increase in the GFA of the properties for which we anticipate we may be engaged by KWG Group and its associates to provide the Commercial Property Management Services based on the property development plan, delivery schedule and leasing schedule of KWG Group and its associates; and (iii) the expected increment in the fees for the Commercial Property Management Services.

Our Directors have considered the following factors in arriving at the above annual caps for the Commercial Property Management Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Commercial Property Management Services during the Track Record Period;

(ii) the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we are engaged to provide the Commercial Property Management Services under the existing contracts;

(iii) the estimated GFA and the projected transaction amounts in respect of the properties developed by KWG Group and its associates for which we anticipate we may be engaged to provide the Commercial Property Management Services based on the property development plan and delivery schedule of KWG Group and its associates; and

(iv) the expected increment in the fees for the Commercial Property Management Services.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.52]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Commercial Property Management Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Commercial Property Management Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the Commercial Property Management Services Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Commercial Operational and Value-added Services Framework Agreement

On [•], our Company (for ourselves and on behalf of our subsidiaries) entered into a commercial operational and value-added services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Operational and Value-added Services Framework Agreement**"), pursuant to which our Group agreed to provide KWG Group and its associates with (i) commercial operational services (the "**Commercial Operational Services**"), such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by KWG Group and/or its associates; and (ii) other value-added services (the "**Commercial Value-added Services**"), such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by KWG Group and/or its associates for a term commencing from the [REDACTED] to December 31, 2022, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations. The individual commercial operational and value-added services agreements to be entered into between members of our Group and members or associates of KWG Group shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Commercial Operational and Value-added Services Framework Agreement.

The fees to be charged for the Commercial Operational Services and the Commercial Value-added Services shall be determined on arm's length basis, taking into account the nature, size and location of the properties, the scope of services and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to rates generally offered by our Group to Independent Third Parties and the fees for similar services and type of properties in the market.

Reasons for the transaction

During Track Record Period and up to the Latest Practicable Date, we provided the Commercial Operational Services and the Commercial Value-added Services to KWG Group and its associates in our ordinary and usual course of business. It is expected that we will continue to do so in our ordinary and usual course of business upon [REDACTED].

Historical transaction amounts

For the three years ended December 31, 2019, the transaction amounts paid by KWG Group and its associates to our Group for the Commercial Operational Services and the Commercial Value-added Services are set out below:

	For the year ended December 31,		
	2017	**2018**	**2019**
	(RMB million)	*(RMB million)*	*(RMB million)*
Commercial Operational Services	28.4	44.7	42.5
Commercial Value-added Services	0.1	6.0	9.2
Total	28.5	50.7	51.7

Annual caps

Our Directors estimate that the maximum amount of fees payable by KWG Group and its associates to our Group in relation to the Commercial Operational Services and the Commercial Value-added Services for the three years ending December 31, 2022 will be as follows:

	For the year ending December 31,		
	2020	**2021**	**2022**
	(RMB million)	*(RMB million)*	*(RMB million)*
Commercial Operational Services	95.3	136.9	156.8
Commercial Value-added Services	13.0	13.9	16.1
Total	108.3	150.8	172.9

The increase in the annual caps for the Commercial Operational Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Commercial Operational Services from KWG Group and its associates, taking into consideration (i) the existing arrangements under which we are engaged by KWG Group and its associates to provide the Commercial Operational Services; and (ii) the expected increase in the GFA of the properties for which we anticipate we may be engaged by KWG Group and its associates to provide the Commercial Operational Services based on the property development plan of KWG Group and its associates.

Our Directors have considered the following factors in arriving at the above annual caps for the Commercial Operational Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Commercial Operational Services during the Track Record Period;

(ii) the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we are engaged to provide the Commercial Operational Services under the existing arrangements; and

(iii) the estimated GFA and the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we anticipate we may be engaged to provide the Commercial Operational Services based on the property development plan of KWG Group and its associates.

The increase in the annual caps for the Commercial Value-added Services for the three years ending December 31, 2022 as compared to the historical transaction amount for the year ended December 31, 2019 is mainly due to the expected increase in demand for the Commercial Value-added Services from KWG Group and its associates, taking into consideration (i) the existing contracts under which we are engaged by KWG Group and its associates to provide the Commercial Value-added Services; and (ii) the expected increase in the GFA of the properties for which we anticipate we may be engaged by KWG Group and its associates to provide the Commercial Value-added Services based on the property development plan of KWG Group and its associates.

Our Directors have considered the following factors in arriving at the above annual caps for the Commercial Value-added Services which are considered to be reasonable and justifiable in the circumstances:

(i) the historical transaction amounts of the Commercial Value-added Services for the two years ended December 31, 2019;

(ii) the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we are engaged to provide the Commercial Value-added Services under the existing contracts; and

(iii) the estimated GFA and the projected transaction amounts in respect of the commercial properties developed by KWG Group and its associates for which we anticipate we may be engaged to provide the Commercial Value-added Services based on the property development plan of KWG Group and its associates.

Implications under the Listing Rules

Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are deemed to be interested in approximately [62.68]%, [53.51]% and [53.45]% of the issued share capital of KWG Holdings, respectively. Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan will be our Controlling Shareholders upon [REDACTED]. Therefore, KWG Holdings will be an associate of our Controlling Shareholders and thus a connected person of our Company upon [REDACTED]. Accordingly, the transactions under the Commercial Operational and Value-added Services Framework Agreement will constitute continuing connected transactions for our Company upon [REDACTED].

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the Commercial Operational and Value-added Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions under the Commercial Operational and Value-added Services Framework Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described under the paragraph headed "B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" above constitute our continuing connected transactions under the Listing Rules which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement of the Listing Rules.

The transactions described under the paragraph headed "C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" above constitute our continuing connected transactions under the Listing Rules which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" above and (ii) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the paragraph headed "C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" above, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under the paragraphs headed "B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" and "C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" above have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are of the view that the annual caps of the continuing connected transactions under the paragraphs headed "B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" and "C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" above are fair and reasonable and are in the interests of our Shareholders as a whole.

JOINT SPONSORS' VIEW

The Joint Sponsors are of the view (i) that the continuing connected transactions described in the paragraphs headed "B. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement" and "C. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements" above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into service agreements with each of our executive Directors. We [have also entered] into letters of appointments with each of our non-executive Director and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management of our Company:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Group	Role and responsibilities in our Group	Relationship with other Directors and senior management
Mr. Kong Jiannan (孔健楠)	[54]	May 13, 2004	September 11, 2019	Executive Director and chief executive officer	Responsible for the overall management and operation of our Group	Brother of Mr. Kong Jianmin
Ms. Yang Jingbo (楊靜波)	[42]	September 25, 2009	June 19, 2020	Executive Director and general manager of financial management center	Responsible for the financial management of our Group	None
Mr. Wang Yue (王躍)	[39]	June 1, 2016	June 19, 2020	Executive Director and general manager of the residential properties department	Responsible for the daily operation of the residential property management service business of our Group	None
Mr. Kong Jianmin (孔健岷)	[52]	June 19, 2020	June 19, 2020	Non-executive Director and the chairman of our Board	Responsible for providing guidance and formulation of business strategies for the overall development of our Group	Brother of Mr. Kong Jiannan
Ms. Liu Xiaolan (劉曉蘭)	[54]	[•]	[•]	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	None
Mr. Fung Che Wai, Anthony (馮志偉)	[51]	[•]	[•]	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	None
Ms. Ng Yi Kum (伍綺琴)	[63]	[•]	[•]	Independent non-executive Director	Responsible for providing independent advice on the operations and management of our Group	None

Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Group	Role and responsibilities in our Group	Relationship with other Directors and senior management
Ms. Kuang Xiaoling (曠曉玲)	[43]	March 12, 2007	February 24, 2020	General manager of human resources and administration center	Responsible for the management of human resources and administrative matters of our Group	None
Mr. Fang Shuyang (方舒陽)	[40]	January 11, 2018	December 13, 2019	General manager of Yijia Chuangsheng	Responsible for the property management service business of our Group	None
Mr. Liu Siyu (劉思宇)	[34]	March 13, 2017	February 24, 2020	General manager of Guanli Property	Responsible for the daily operation of property agency business of our Group	None
Mr. Chen Yan (陳彥)	[39]	April 10, 2012	February 24, 2020	General manager of legal center	Responsible for overseeing the legal and compliance matters of our Group	None

Executive Directors

Mr. Kong Jiannan (孔健楠), aged [54], was appointed as our Director on September 11, 2019 and was re-designated as our executive Director and chief executive officer on June 19, 2020. He is responsible for the overall management and operation of our Group. He currently holds directorships in various subsidiaries of our Group.

Mr. Kong Jiannan has over 20 years of experience in the real estate industry. He joined our Group in May 2004 as a director of Ningjun Property, where he was primarily responsible for the overall management of Ningjun Property. Prior to joining our Group, from September 1984 to October 1997, he worked at the Dongshan District Justice Bureau (東山區司法局) in Guangzhou, the PRC, where he last served as a section chief. From November 1997 to June 2007, he served as a director of Guangzhou Hejing Real Estate Co., Ltd. (廣州合景房地產開發有限公司), a subsidiary of the KWG Holdings, where he was primarily responsible for coordinating and managing human resources, administrative management and IT management. Since June 2007, he has been an executive director and an executive vice president of KWG Holdings, where he is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs.

Mr. Kong Jiannan has been a president of the 17th General Committee of Hong Kong Industrial & Commercial Association (香港工商總會) since August 2019, and an executive council member of the 2nd Council of Happy Hong Kong Foundation (築福香港基金會) since September 2018. He has also been a council member of Guangzhou Chuanshuo Children's Culture Foundation (廣州船說少兒文化基金會) since March 2017.

Mr. Kong Jiannan graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) (also known as the Open University of China (Guangzhou) (國家開放大學(廣州))) in the PRC majoring in law in October 1988.

Mr. Kong Jiannan is the brother of Mr. Kong Jianmin, our non-executive Director.

Ms. Yang Jingbo (楊靜波), aged [42], was appointed as our executive Director on June 19, 2020 and is primarily responsible for the financial management of our Group. Ms. Yang is also the general manager of the financial management center of our Group.

Ms. Yang has over 19 years of experience in the real estate industry. She joined our Group in September 2009 as the senior manager of tax of our Group. From September 2009 to February 2020, she successively served as the senior manager of tax, the deputy general manager of financial sharing center and the general manager of finance and tax. She was appointed as the general manager of the financial management center of our Group in February 2020. Prior to joining our Group, from July 2000 to September 2009, she served as manager of finance and tax of the Guangzhou regional branch (廣州地區公司) of Hopson Development Holdings Limited (合生創展集團有限公司), a property developer whose shares are listed on the Main Board of the Stock Exchange (stock code: 0754), where she was primarily responsible for financial and tax management.

Ms. Yang is currently a member of the China Real Estate Industry Tax Compliance Promotion Committee (中國房地產開發行業稅法遵從提升委員會). She has been the vice president as well as the president of South China division of the Communicate Platform of the Corporate Chief Tax Officer (企業稅務總監交流平台) since October 2019. She was a deputy supervisor of Financial Management Committee of Guangdong Real Estate Association (廣東省房地產行業協會財務管理專業委員會) from July 2015 to June 2018. Ms. Yang is a main author of Analysis of the Practical Points of Collecting Value-added Tax in lieu of Business Tax (《營改增實務點解構》) and Practice of the Filing of Returns of Individual Income Tax on Comprehensive Income on a Consolidated Basis (《個人所得稅綜合所得滙算清繳實務》).

Ms. Yang obtained a bachelor's degree in auditing from Guangdong Business College (廣東商學院) (now known as Guangdong University of Finance & Economics (廣東財經大學)) in the PRC in June 2000, and an executive master of business administration degree from Jinan University (暨南大學) in the PRC in December 2015. She obtained a qualification of intermediate accountant granted by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2006, a qualification of certified internal auditor granted by the Institute of Internal Auditors in November 2006 and a qualification of tax accountant granted by the China Association of Chief Financial Officers (中國總會計師協會) in June 2010.

Mr. Wang Yue (王躍), aged [39], was appointed as our executive Director on June 19, 2020 and is responsible for the daily operation of the residential property management service business of our Group.

Mr. Wang has over 11 years of experience in the property management industry. Mr. Wang joined our Group in June 2016 as the deputy general manager of the residential property management department of our Group. Prior to joining our Group, from August 2008 to July 2011, he served as a regional manager of the Beijing branch of Changcheng Property Group Co., Ltd. (長城物業集團股份有限公司), a property management service provider in the PRC, where he was responsible for overseeing the daily operation. From August 2011 to May 2016, he worked at Beijing Longfor Property Services Co., Ltd. (北京龍湖物業服務有限公司), a subsidiary of (Longfor Group Holdings Limited (龍湖集團控股有限公司)), a property developer in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 0960), where he last served as the director of the company's property management division, and he was responsible for overseeing the operation and management of regional companies of the group.

Mr. Wang obtained a qualification of property manager granted by the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in October 2010 and a qualification of certified property manager granted by 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) in February 2014.

Mr. Wang obtained a bachelor's degree in business administration from Beijing University of Chemical Technology (北京化工大學) in the PRC in January 2008. He is pursuing a master's degree in business administration in Business School Netherlands in Netherlands.

Non-executive Director

Mr. Kong Jianmin (孔健岷), aged [52], was appointed as our non-executive Director and chairman of our Board on June 19, 2020. Mr. Kong Jianmin is responsible for providing guidance and formulation of business strategies for the overall development of our Group.

Mr. Kong Jianmin has over 25 years of experience in property development and investment. He founded KWG Group in November 1994. From November 1994 to April 1995, he served as a general manager of Guangzhou Xinhengchang Enterprises Development Co., Ltd. (廣州新恒昌企業發展有限公司), a subsidiary of the KWG Holdings, where he was primarily responsible for the formulation of strategies and operation plans as well as the implementation of the business plans. From June 1995 to June 2007, he served as the chairman of the board of Guangzhou Hejing Real Estate Development Ltd. (廣州合景房地產開發有限公司), a subsidiary of the KWG Holdings, where he was responsible for strategic planning and implementation, sales and marketing of the company. Since July 2007, he has been an executive director and the chairman of the board of KWG Holdings and is responsible for the formulation of the development strategies, as well as supervising project planning, business operation and sales and marketing of the KWG Group. Prior to founding the KWG Group, from December 1985 to July 1993, he worked at the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司廣州白雲路支行), where he served as a credit officer.

Mr. Kong Jianmin has been an executive president of the executive committee of Guangdong Real Estate Chamber of Commerce (廣東省地產商會) since March 2008 and has been a director of the board of directors of Jinan University (暨南大學) in the PRC since November 2010.

Mr. Kong Jianmin graduated from Jinan University (暨南大學) in the PRC majoring in computer science in June 1989.

Mr. Kong Jianmin is the brother of Mr. Kong Jiannan, our executive Director and chief executive officer.

Independent non-executive Directors

Ms. Liu Xiaolan (劉曉蘭), aged [54], was appointed as our independent non-executive Director on [•], 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Liu has over 8 years of working experience in real estate industry. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was mainly responsible for assisting the general manager in the daily matters of the company and its branches all over the country. Starting from May 2005, she worked at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer listed on the Main Board of the Stock Exchange (stock code: 1238), where she was responsible for assisting president in the daily matters, establishment of management system of the project companies and the management of commercial property management business, and was appointed as an executive director in August 2009. She was re-designated as a non-executive director in April 2012 and resigned in March 2014. From March 2012 to November 2012, she served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), a company principally engaged in investment management and consulting services, where she was mainly responsible for investment management of the project. Since September 2013, she has been serving as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), a company principally engaged in real estate consulting services and investment management, where she have been mainly responsible for its company investment and strategy formulation.

Ms. Liu has been serving as a mentor of PMBA program of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019.

Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫學院) in the PRC in July 1988.

Mr. Fung Che Wai, Anthony (馮志偉), aged [51], was appointed as our independent non-executive Director on [•], 2020 and is primarily responsible for providing independence advice on the operations and management of our Group.

Mr. Fung has over 27 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator listed on the Main Board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to August 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司) from July 2014 to April 2017 and from September 2014 to April 2017, respectively, a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 0295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From September 2014 to April 2017, Mr. Fung served as an independent supervisor of Chery Huiyin Motor Finance Service Co., Ltd. (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was primarily responsible for monitoring the company's operations as a member of the board of supervisors. Since May 2017, Mr. Fung has been the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider listed on the Main Board of the Stock Exchange (stock code: 3718), where he has been primarily responsible for the supervision and management of finance of the group. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider listed on the GEM of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since June 2017, Mr. Fung has been an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1695), where he has been primarily responsible for supervising and providing independent advice to the board.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992.

Ms. Ng Yi Kum (伍綺琴), aged 63, was appointed as our independent non-executive Director on [•], 2020 and is responsible for providing independent advice on the operations and management of our Group.

From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (恒隆地產有限公司), a real estate development company listed on the Main Board of the Stock Exchange (stock code: 0101). Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (碧桂園控股有限公司), a real estate development company listed on the Main Board of the Stock Exchange (stock code: 2007). Ms. Ng joined Tse Sui Luen Jewellery (International) Limited (謝瑞麟珠寶(國際)有限公司) ("**TSL**"), a jewelery company listed on the Main Board of the Stock Exchange (stock code: 417), in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL where she is primarily responsible for group finance and other administrative functions as well as defining corporate strategies.

Ms. Ng has been an independent non-executive director of Tianjin Development Holdings Limited (天津發展控股有限公司), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company listed on the Main Board of the Stock Exchange (stock code: 882), since July 2010, an independent non-executive director of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a solution provider of wireless systems listed on the Main Board of the Stock Exchange (stock code: 2342), since March 2019, an independent non-executive director of CT Vision (International) Holdings Limited (中天宏信(國際)控股有限公司) (formerly known as Win Win Way Construction Holdings Limited (恆誠建築控股有限公司)), a construction company listed on the Main Board of the Stock Exchange (stock code: 994), since July 2019, an independent non-executive director of CMGE Technology Group Limited (中手游科技集團有限公司), a mobile game publisher listed on the Main Board of the Stock Exchange (stock code: 302), since September 2019, and an independent non-executive director of Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a commercial operational and residential property management services provider listed on the Main Board of the Stock Exchange (stock code: 9909), since December 2019.

While Ms. Ng is currently holding directorships in six other companies listed on the Stock Exchange as disclosed above, our Directors are of the view that Ms. Ng will be able to devote sufficient time to discharge her duties and responsibilities as an independent non-executive Director given that: (i) save for her role in TSL as an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary, her roles in the other five listed companies primarily require her to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) she has demonstrated that she is capable of devoting sufficient time to discharge her duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year; (iii) she has acquired extensive management experience and developed substantial knowledge on corporate governance through her directorships in other listed companies, which is expected to facilitate the proper discharge of her duties and responsibilities as an independent non-executive Director; and (iv) she has confirmed that she will have sufficient time to fulfill her duties as an independent non-executive Director notwithstanding her directorships in six other listed companies.

Ms. Ng served as a director of DS Healthcare Group, Inc. from May 2016 to May 2017, a company develop proprietary technologies and products of hair care and personal care needs, whose shares were listed on the Nasdaq Capital Market in the United States (old stock code: DSKX) but were delisted in December 2016. She served as an independent director of China Mobile Games and Entertainment Group Limited, a mobile games company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. From June 2013 to August 2019, Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a clean energy development company which was delisted from the Main Board of the Stock Exchange (old stock code: 0735) in August 2019. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), a jewelery company listed on the Main Board of the Stock Exchange (stock code: 2882), from September 2008 to July 2015, and an independent non-executive director of China Finance Investment Holdings Limited (中國金控投資集團有限公司) (formerly known as Cypress Jade Agricultural Holdings Limited (從玉農業控股有限公司)), a company principally engaged in agricultural business and money lending business and listed on the Main Board of the Stock Exchange (stock code: 0875), from December 2011 to June 2013.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Chartered Secretaries, a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She is an elected member of Quality Tourism Services Association Governing Council

(Retailer Category) with effect from February 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Save as disclosed above, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (b) to (v) of Rule 13.51(2) of the Listing rules or any other matters concerning any Director that needs to be brought to the attention of our Shareholders as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day operations and management of our business.

Ms. Kuang Xiaoling (曠曉玲), aged [43], joined our Group in March 2007 as a human resources supervisor and was appointed as our human resources general manager in September 2016 and the general manager of the human resources and administration center of our Group in February 2020. Ms. Kuang is primarily responsible for the management of human resources and administrative matters of our Group.

Prior to joining our Group, from June 2004 to July 2006, Ms. Kuang worked at Productivity (Guangzhou) Consulting Co., Ltd. (生產力(廣州)諮詢有限公司), a company engaged in the provision of environmental technology consulting services, where she served as a consultant responsible for providing human resources consulting services. From August 2005 to March 2006, she worked at PricewaterhouseCoopers, where she served as a senior consultant responsible for providing consulting services. From April 2006 to March 2007, she worked at Mercer Consulting (China) Co., Ltd. Guangzhou Branch (美世諮詢(中國)有限公司廣州分公司), a company engaged in providing enterprises management services, where she served as a consultant responsible for providing human resources consulting services.

Ms. Kuang graduated from Jiangxi Normal University (江西師範大學) in the PRC majoring in English in December 1998, and a master's degree in business administration from Sun Yat-sen University (中山大學) in the PRC in June 2004.

Mr. Fang Shuyang (方舒陽), aged [40], joined our Group in January 2018 as an administrative supervisor and was appointed as a general manager of Yijia Chuangsheng in December 2019. Mr. Fang is primarily responsible for the property management service business of our Group.

From January 2018 to December 2019, Mr. Fang served as an administrative supervisor of our Group responsible for administrative management. He has also been the deputy general manager of residential property management department since September 2019 and is responsible for administrative, procurement, branding management. Prior to joining our Group, from July 2005 to January 2010, Mr. Fang worked at Southern Metropolis Daily, where he served as a journalist responsible for news reporting. From January 2010 to October 2015, he worked at Amway (China) Co., Ltd. (安利(中國)日用品有限公司), a company engaged in the sale of health, beauty and home care products, where he served as an assistant manager of strategic communication. From November 2015 to January 2018, he worked at Lvshou Health Industry Group Co., Ltd. (綠瘦健康產業集團有限公司), a company engaged in manufacturing and sale of health and nutrition related products, where his last position was an administrative supervisor responsible for administrative and procurement management.

Mr. Fang obtained a bachelor's degree in information management and library science and a master's degree in management from Nanjing University (南京大學) in the PRC in June 2002 and June 2005, respectively.

Mr. Liu Siyu (劉思宇), aged [34], joined our Group in March 2017 and was appointed as the general manager of Guanli Property in February 2020. Mr. Liu is responsible for the daily operation of property agency business of our Group.

Mr. Liu has over seven years of experience in real estate industry. Prior to joining our Group, from September 2012 to March 2017, he worked at Beijing Jishun Engineering Consulting Co., Ltd. (北京集順工程咨詢有限公司), a subsidiary of Longfor Group Holdings Limited (龍湖集團控股有限公司), a property developer in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 0960). From March 2017 to February 2020, he served as a deputy general manager of the sales and marketing management centre of our Group responsible for managing sales and marketing matters.

Mr. Liu obtained a bachelor's degree in advertising and a master's degree in communication from Nanjing University (南京大學) in the PRC in June 2009 and June 2012, respectively.

Mr. Chen Yan (陳彥), aged [39], joined our Group in April 2012 as a senior manager of legal department of our Group and was appointed as our general manager of the legal center of our Group in February 2020. Mr. Chen is responsible for overseeing the legal and compliance matters of our Group.

Mr. Chen has over [14] years of experience in handling legal matters. Prior to joining our Group, from December 2005 to October 2007, he worked at Guangzhou Arbitration Commission (廣州仲裁委員會), where he served as a secretary responsible for handling cases. From November 2007 to March 2010, he worked at the Guangzhou branch of Carrefour (China) Management Consulting Co., Ltd. (家樂福(中國)管理咨詢有限公司廣州分公司), a company engaged in property management, where he served as a manager of legal department in the southern China region responsible for overseeing legal and compliance matters. From March 2010 to April 2012, he worked at the Guangzhou branch of Teyi Elite Property Management (Beijing) Co., Ltd. (特易精英物業管理(北京)有限公司廣州分公司), a company engaged in property management in the PRC, where he served as a legal manager responsible for contract management. From April 2012 to February 2020, Mr. Chen successively served as a senior manager, a deputy supervisor, a supervisor, and the general manager of legal department of our Group.

Mr. Chen obtained a bachelor's degree in law from Sun Yat-sen University (中山大學) in the PRC in June 2003. He obtained a master's degree in international business and corporate law from the University of Lancaster in the United Kingdom in November 2005.

COMPANY SECRETARY

Ms. Chan Ching Nga (陳靜雅), aged [37], was appointed as our company secretary on June 19, 2020.

Ms. Chan joined KWG Holdings in June 2019 as an assistant company secretary and is responsible for assisting the company secretary in the matters relating to the corporate administration and corporate governance of the KWG Group. Ms. Chan was promoted as a company secretary of our Group in June 2020. Ms. Chan has over 10 years of experience in company secretarial matters. From October 2009 to August 2014, Ms. Chan served as a company secretarial officer of Chinachem Agencies Limited, a subsidiary of Chinachem Group (華懋集團), a property developer in Hong Kong, where she was primarily responsible for the company secretarial matters of the company. From September 2014 to November 2014, Ms. Chan served as a company secretarial officer of Link Asset Management Limited (領展資產管理有限公司) (formerly known as The Link Management Limited (領匯管理有限公司)), the manager of Link Real Estate Investment Trust (領展房地產投資信託基金) (formerly known as The Link Real Estate Investment Trust (領匯房地產投資信託基金)), a collective investment scheme listed on the Main Board of the Stock Exchange (stock code: 823), where she was primarily responsible for the company secretarial matters. From December 2014 to May 2015, Ms. Chan served as a company secretarial officer of Vigo Hong Kong Investment Limited, a subsidiary of Chong Sing Holdings FinTech Group Limited (中新控股科技集團有限公司) (formerly known as Credit China Holdings Limited (中國信貸控股有限公司)), a financial technology company listed on the GEM of the Stock Exchange (stock code: 8207), where she was responsible for the corporate administration matters of the company and its subsidiaries. From June 2015 to May 2019, Ms. Chan served as a company secretarial officer of Sun Hung Kai Real Estate Agency Limited. (新鴻基地產代理有限公司), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) whose shares are listed on the Main Board of the Stock Exchange (stock code: 0016), where she was responsible for the company secretarial matters.

Ms. Chan obtained her bachelor's degree in business administration and management through long distance learning program from the University of Huddersfield in the United Kingdom in November 2007 and her master's degree in corporate governance from the Hong Kong Polytechnic University in Hong Kong in October 2012. Ms. Chan has been an associate member of the Hong Kong Institute of Chartered Secretaries since May 2013 and an associate member of the Institute of Chartered Secretaries and Administrators since May 2013.

BOARD COMMITTEES

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

Our Group has established the Audit Committee on [•] with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely, Ms. Ng Yi Kum, Mr. Fung Che Wai, Anthony and Ms. Liu Xiaolan, all of whom are our independent non-executive Directors. Ms. Ng Yi Kum is the chairperson of the Audit Committee and is our independent non-executive Director with the appropriate professional qualifications.

The primary duties of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board; and (iii) perform other duties and responsibilities as may be assigned by our Board.

Remuneration Committee

Our Group has established the Remuneration Committee on [•] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members, namely, Ms. Ng Yi Kum, Mr. Kong Jiannan and Mr. Fung Che Wai, Anthony. Ms. Ng Yi Kum is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management member; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group has also established the Nomination Committee on [•] with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Kong Jianmin, Mr. Fung Che Wai, Anthony and Ms. Ng Yi Kum. Mr. Kong Jianmin is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

BOARD DIVERSITY

Our Company recognizes the benefits of having a diversified Board. Our Company has adopted a board diversity policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of our Group from time to time. In summary, our board diversity policy sets out that when considering the nomination and appointment of a Director, with the assistance of the Nomination Committee, our Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to our Board, in order to better serve the needs and development of our Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board.

After [REDACTED], the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the policy or a summary thereof in our corporate governance report on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Group in the form of salaries, allowance and benefits in kind and pension schemes contribution. The aggregate remuneration (including salaries, allowance and benefits in kind, and pension scheme contribution) paid to our Directors for the three years ended December 31, 2019 was approximately nil, RMB0.8 million and RMB1.1 million respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended December 31, 2019.

The aggregate amount of salaries, allowance and benefits in kind and pension scheme contributions to our five highest paid individuals in respect of the three years ended December 31, 2019 was approximately RMB3.2 million, RMB3.8 million and RMB5.0 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2019. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowance and benefits in kind and pension scheme contributions) of our Directors for the year ending December 31, 2020 is estimated to be no more than approximately RMB5.9 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the [REDACTED], receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISOR

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Maxa Capital Limited as our compliance advisor. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including shares issues and share repurchases;
- where we propose to use the proceeds from the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [REDACTED] and the Spin-off (assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company:

Name of Shareholder	Nature of interest	Shares held immediately prior to the completion of the [REDACTED] and the Spin-off(1)		Shares held immediately following the completion of the [REDACTED] and the Spin-off(1)	
		Number	Approximate percentage	Number	Approximate percentage
KWG Holdings	Beneficial owner	[35] Shares	[97.2]%	[REDACTED]	[REDACTED]
Plus Earn	Interest in controlled corporation(2)/ beneficial owner(3)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]
Mr. Kong Jianmin	Interest in controlled corporation(4)(7)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]
Right Rich	Interest in controlled corporation(2)/ beneficial owner(3)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]
Mr. Kong Jiantao	Interest in controlled corporation(5)(7)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]
Peace Kind	Interest in controlled corporation(2)/ beneficial owner(3)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]
Mr. Kong Jiannan	Interest in controlled corporation(6)(7)	[35] Shares (L)	[97.2]%	[REDACTED]	[REDACTED]

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Immediately prior to the completion of the [REDACTED] and the Spin-off, KWG Holdings will be owned as to [REDACTED]%, [REDACTED]% and [REDACTED]% by Plus Earn, Right Rich and Peace Kind, respectively. Pursuant to a shareholders' agreement dated December 30, 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind is deemed to have interest in the shares and/or underlying shares of KWG Holdings held by the other parties. By virtue of the SFO, each of Plus Earn, Right Rich and Peace Kind is deemed to be interested in the Shares in which KWG Holdings is interested.

(3) Immediately following the completion of the [REDACTED] and the Spin-off, each of Plus Earn, Right Rich and Peace Kind will become interested in our Company as a beneficial owner.

(4) Plus Earn and Hero Fine are wholly-owned by Mr. Kong Jianmin. By virtue of the SFO, Mr. Kong Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(5) Right Rich, Excel Wave and Wealth Express are wholly-owned by Mr. Kong Jiantao. By virtue of the SFO, Mr. Kong Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.

(6) Peace Kind is wholly-owned by Mr. Kong Jiannan. By virtue of the SFO, Mr. Kong Jiannan is deemed to be interested in the Shares in which Peace Kind is interested.

(7) Pursuant to the shareholders' agreement entered into between Plus Earn, Right Rich and Peace Kind on [•], the parties thereto shall vote at general meetings of our Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtual of the SFO, each of Plus Earn, Right Rich, Peace Kind, Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan is deemed to be interested in the total Shares directly held by Plus Earn, Right Rich and Peace Kind.

If the Over-allotment Option is fully exercised, the interest of Plus Earn, Mr. Kong Jianmin, Right Rich, Mr. Kong Jiantao, Peace Kind and Mr. Kong Jiannan in our Shares will be approximately [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]%, respectively.

Except as disclosed in this document, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] and the Spin-off (without taking into account any Shares which may be issued upon the exercise of the [REDACTED]):

		Nominal value *(HK$)*
Authorized share capital:		
[10,000,000,000]	Shares of HK$0.01 each	[100,000,000]
Issued and to be issued, fully paid or credited as fully paid:		
36	Share in issue as of the date of this document	0.36
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued under the [REDACTED]	[REDACTED]
[REDACTED]	Total	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED], the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the [REDACTED] or any Shares which may be issued or bought back by us pursuant to the general mandates granted to our Directors to issue or buy back Shares as described below.

RANKINGS

The [REDACTED] will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for the entitlement under the [REDACTED].

GENERAL MANDATE TO ISSUE AND ALLOT NEW SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to issue, allot and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the [REDACTED], the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]); and

(2) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to buy back Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, issue, allot or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and general information — A. Further information about our Company — 4. Written resolutions of our Shareholders passed on [•], 2020" in Appendix IV to this document.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to buy back Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the [REDACTED], the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are [REDACTED] (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and general information — A. Further information about our Company — 6. Buyback by our Company of our own securities" in Appendix IV to this document.

This general mandate to buy back Shares will remain in effect until the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or

(iii) the date on which such general mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and general information — A. Further information about our Company — 4. Written resolutions of our Shareholders passed on [•], 2020" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, each of which carries the same rights as the other Shares.

As a matter of the Cayman Islands Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our historical financial information set forth in our Accountants' Report in Appendix I to this document. Our historical financial information was prepared in accordance with the HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain certain forward-looking statements which involve risks and uncertainties. These forward-looking statements are based on assumptions and analysis we made in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this document.

OVERVIEW

We are a leading comprehensive property management service provider in China. Among the property management companies with commercial operational services, we were ranked seventh in China and fifth in the Greater Bay Area in terms of total GFA under management, according to JLL. CIA has ranked us No. 17 among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) in terms of the overall strength, based on data from the previous year on key factors such as scale of operations, financial performance, service quality, growth potential and social responsibility.

We provide comprehensive property management services for both residential properties and commercial properties. In 2019, the revenue we generated from our residential property management service segment and commercial property management and operational service segment amounted to RMB759.2 million and RMB365.6 million, respectively. We believe that our comprehensive property management services enable us to diversify our revenue sources and reduce our exposure to fluctuations in any single segment. Our residential property management service segment comprises (i) pre-sale management services; (ii) property management services; and (iii) community value-added services, including (a) property agency services to property developers and property owners; (b) home-living services to property owners and residents; and (c) common area value-added services. Our commercial property management and operational service segment comprises (i) pre-sale management services; (ii) commercial property management services; (iii) commercial operational services; and (iv) other value-added services, primarily including common area value-added services.

As of December 31, 2019, we managed 106 residential properties with an aggregate GFA under management of 18.3 million sq.m. These residential properties were located in 37 cities or autonomous county in China. As of the same date, we had been contracted to manage 158 residential properties with an aggregate contracted GFA of 29.4 million sq.m.

As of December 31, 2019, we managed 30 commercial properties with an aggregate GFA under management of 3.3 million sq.m. These properties were located in eight cities or autonomous county in China. As of the same date, we had been contracted to manage 33 commercial properties with an aggregate contracted GFA of 4.5 million sq.m.

Historically, the growth of our business significantly benefited from the support of KWG Group, which is a large-scale property developer with a leading position in the Greater Bay Area. As of December 31, 2019, KWG Group had 156 projects in 39 cities across mainland China and Hong

Kong with a land bank of approximately 17.0 million sq.m., which we believe will bring us significant growth opportunities. In 2019, 89.0% and 95.9%, of the revenue generated from property management services was derived from the residential and commercial properties developed by KWG Group and its joint ventures, associates or other related parties, respectively. In addition, we have expanded our property management services to cover properties developed by third parties. Revenue contribution for property management services provided to residential properties developed by third-party property developers increased from nil in 2017 to 11.0% in 2019, and revenue contribution for property management services provided to commercial properties developed by third-party property developers increased from nil in 2017 to 4.1% in 2019. We expect to further increase revenue contribution from properties developed by third-party property developers.

We achieved strong financial performance during the Track Record Period. Our revenue increased at a CAGR of 55.8% from RMB463.4 million in 2017 to RMB659.1 million in 2018, and further to RMB1,124.9 million in 2019. Our net profit increased at a CAGR of 104.7% from RMB44.1 million in 2017 to RMB79.7 million in 2018, and further to RMB185.0 million in 2019.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 11, 2019. Pursuant to the Reorganization before the [REDACTED], our Company became the holding company of the companies comprising our Group and certain commercial property management and operational services operated by the business units of certain subsidiaries of KWG Holdings not comprising our Group were under the common control of Plus Earn, being the ultimate holding company, before and after the Reorganization. For further details of our Reorganization, see "History, Reorganization and Corporate Structure" in this document.

Our historical financial information has been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong. We have early adopted all HKFRSs effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions in the preparation of the historical financial information throughout the Track Record Period.

Our historical financial information has been prepared under a historical cost convention. For more information on the basis of presentation and preparation of the historical financial information, see "Accountants' Report — Notes to the Historical Financial Information — 2.1 Basis of Presentation and 2.2 Basis of Preparation" in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies, which we consider significant in the preparation of our financial statements and summarized some of the significant accounting policies below. For further details of other accounting policies, see "Accountants' Report — Notes to the Historical Financial Information — 2.4. Summary of Significant Accounting Policies" in Appendix I to this document.

Early Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

Our historical financial information has been prepared based on the underlying financial statements, in which HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from contracts with customers" and HKFRS 16 "Leases" have been applied consistently throughout the Track Record Period. Our Directors consider that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 would not have a significant impact on our financial position and performance.

Business Combinations and Goodwill

We account for business combinations using the acquisition method. We measure the consideration transferred at the fair value on the acquisition date, which is the sum of fair values on the acquisition date of identifiable assets transferred to us, liabilities assumed by us to the former owners of the acquiree and the consideration paid by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. We measure all other components of non-controlling interests at fair value. Acquisition-related costs are expensed as incurred.

We measure goodwill initially at cost, being the excess of the aggregate of the consideration transferred over the identifiable net assets acquired and liabilities assumed. After initial recognition, we measure goodwill at cost less any accumulated impairment losses and test goodwill recognized for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We perform annual impairment test of goodwill on December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of us are assigned to those units or groups of units.

We determine impairment by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, we recognize impairment loss. An impairment loss recognized for goodwill is not reversed in a subsequent period. Where goodwill has been allocated to a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets (Other Than Goodwill)

We measure our intangible assets acquired initially at cost. The cost of intangible assets acquired in a business combination is the fair value on the date of acquisition, while the useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

We state our software at cost less any impairment loss and amortize it on the straight-line basis over its estimated life of three years. We recognize our property management contracts and customer relationships from the acquisition of Gangyu Enterprise at fair value on the acquisition date and amortize them on a straight-line method over the expected useful lives of two years and 10 years, respectively.

Revenue Recognition

We recognize revenue from contracts with customers when the control of goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

Residential Property Management Services

We provide residential property management services, pre-sale management services and community value-added services related to the residential properties to property developers, property owners, property owners' associations or residents.

(i) For residential property management services, we bill a fixed amount for services provided on a monthly or quarterly basis and recognize as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed.

(ii) For pre-sale management services, we agree the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) For community value-added services, we recognize revenue when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

Commercial Property Management and Operational Services

We provide commercial property management services, pre-sale management services, commercial operational service and other value-added services related to the commercial properties to tenants, developers and owners of the commercial properties.

(i) For commercial property management services, we recognize the fee received or receivable as our revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by us and all the related management costs as our cost of services.

(ii) For pre-sale management services, we agree the price for each service with the customers upfront and issue the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) For preliminary planning, tenant sourcing services, and marketing and promotion services and consultancy services under commercial operational services, we recognize our revenue over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. For tenant management services under commercial operational services, we bill a service fee based on commission basis with respect to shopping malls or a profit mark-up on top of cost with respect to office building.

(iv) For other value-added services, we recognize revenue on a gross basis when the related services are rendered.

For property management service income from properties managed under a lump sum basis, where we act as principal and are primarily responsible for providing the property management services to the property owners, we recognize the fee received or receivable from property owners as revenue and all related property management costs as cost of services. For property management service income from properties managed under a commission basis, we recognize the revenue, which is calculated by a certain percentage of the total property management fee received or receivable from the properties units on behalf of the property owners, for arranging and monitoring the services as provided by other suppliers to the property owners.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due, whichever is earlier, from a customer before we transfer the related goods or services. We recognize contract liabilities as revenue when we transfers control of the related goods or services to the customer.

Financial Assets

We classify our financial assets into three types, namely financial assets at amortized cost, fair value through other comprehensive income ("**OCI**"), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them.

We classify and measure our financial assets at amortized cost when we intend to hold financial assets in order to collect contractual cash flows. We classify and measure financial assets at fair value through other comprehensive income when we intend to hold such asset to collect contractual cash flows or sell. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Our financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Impairment of Financial Assets

We recognize an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. In certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Our financial liabilities include trade payables, other payables and accruals and lease liabilities. We recognize all financial liabilities, at initial recognition, at fair value and, in the case of payables, net of directly attributable transaction costs.

After initial recognition, we measure our trade payables, other payables and accruals and lease liabilities at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in "Risk Factors" in this document and those set out below. Accordingly, our historical financial results may not be indicative of our future performance and our management's assessment of the prospects of our Group. The key factors affecting our results of operations include, among other factors, the following:

Our contracted GFA and GFA under Management

Our results of operations are affected by the amount of contracted GFA and GFA under management. During the Track Record Period, we generated the majority of our revenue from our property management services. Accordingly, our business and results of operations depend on our ability to maintain and grow our contracted GFA, which in turn is affected by our ability to obtain new service contracts through organic growth or to acquire existing property management companies. As of December 31, 2017, 2018 and 2019, the aggregate contracted GFA of our residential properties amounted to 15.3 million sq.m., 21.2 million sq.m. and 29.4 million sq.m., respectively; and the aggregate contracted GFA of our commercial properties amounted to 2.4 million sq.m., 3.5 million sq.m. and 4.5 million sq.m., respectively.

A portion of our total contracted GFA does not generate management services fees because the relevant properties have not been delivered. Therefore, our financial position and results of operations are also affected by our GFA under management. Our GFA under management for residential properties amounted to 10.9 million sq.m., 11.8 million sq.m. and 18.3 million sq.m. as of December 31, 2017, 2018 and 2019, respectively, and that for our commercial properties amounted to 1.3 million sq.m., 2.0 million sq.m. and 3.3 million sq.m. as of the respective dates.

In addition, the demand of our value-added services was also driven by our GFA under management. Accordingly, our ability to maintain and grow our contracted GFA and GFA under management would have a significant impact on our results of operations.

Our Business Mix

Our results of operations are affected by our business mix. During the Track Record Period, we operated different business lines under our two business segments, namely residential property management service segment and commercial property management and operational service segment. Our profit margin varies across different business lines and depend on types of products and services we offered under different contractual arrangements. In general, the gross profit margin of our commercial property management and operational service segment is higher than that for our residential property management service segment during the Track Record Period. As a result, any change in the structure of revenue contribution from these two business segments may have a corresponding impact on our overall profit margin.

The following table sets forth the revenue contribution by business segment and the respective gross profit margins for the periods indicated:

	For the year ended December 31,								
	2017			2018			2019		
	Revenue	% to total revenue	Gross profit margin	Revenue	% to total revenue	Gross profit margin	Revenue	% to total revenue	Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
Residential property management services	345,169	74.5	15.8	428,107	64.9	19.9	759,234	67.5	34.4
Commercial property management and operational services	118,212	25.5	42.2	231,029	35.1	42.3	365,644	32.5	43.4
Total	463,381	100.0	22.5	659,136	100.0	27.8	1,124,878	100.0	37.3

Our Brand Positioning and Pricing of our Property Management Contracts

We have become one of the leading players in the property management market and built up strong brand reputation, which has an impact on our ability to maintain and increase our fee rates we charged for our services. According to CIA, the Group ranked 18th and 17th in China Top 100 Property Management Companies (中國物業服務百強企業) in terms of comprehensive strength in 2019 and 2020, respectively. We also made a strong presence in the Greater Bay Area and ranked 10th among the leading property management companies in the Greater Bay Area, according to the CIA. We generally price our services by taking into account a number of factors, including (i) the requirements of scope and quality of our services; (ii) management fees charged in nearby and comparable communities; (iii) quality, facilities and software system implemented in the property; and (iv) our estimated costs and profit margin target. We are also subject to pricing controls implemented by the PRC Government with respect to our residential property management services. In determining our pricing, we have to achieve a balance between pricing our projects sufficiently competitive while ensuring an attractive profit margin. Failure to balance various factors in determining our pricing could materially and adversely affect our financial condition and results of operations.

Rising Labor Costs and Subcontracting Costs

Our labor costs and subcontracting costs in aggregate constitute a substantial portion of our cost of sales and accounted for 69.6%, 70.6% and 73.4% of our total costs of sales in 2017, 2018 and 2019, respectively. During the Track Record Period, our labor costs and subcontracting costs increased substantially as a result of the expansion of our business as well as increases in minimum wages and the market price for workers in real estate industry resulting from the development of economy. Any significant increases in our labor costs and subcontracting costs may negatively affect our profit margin and reduce our profitability.

For illustration purpose only, the following table sets forth a sensitivity analysis of our profit for the year with reference to the fluctuation of our labor costs and subcontracting costs during the Track Record Period. The following table demonstrates the impact of the hypothetical increase in our labor costs and subcontracting costs on our profit, with all other factors remain constant.

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	44,148	79,682	184,987
Staff costs of our employees in cost of sales	200,790	257,610	396,871
Subcontracting costs in cost of sales	49,273	78,568	120,576
Total	250,063	336,178	517,447
Assuming 5% increase in our labor costs and subcontracting costs			
Impact on profit before tax	(12,503)	(16,809)	(25,872)
Impact on profit for the year *(Note)*	(9,377)	(12,607)	(19,404)
Assuming 10% increase in our labor costs and subcontracting costs			
Impact on profit before tax	(25,006)	(33,618)	(51,745)
Impact on profit for the year *(Note)*	(18,755)	(25,213)	(38,809)

Note: Impact on profit for the year was calculated assuming EIT of 25%.

Competition

The property management industry in the PRC is fragmented and competitive with approximately 0.13 million service providers in the industry in 2019. Moreover, the increasing market concentration rate indicates a fiercer competition in the industry. According to CIA, the market share of Top 100 Property Management Companies has experienced a steady increase from approximately 19.50% in 2014 to 43.61% in 2019. Our ability to effectively compete with our competitors and maintain or improve our market position is therefore important and depends on our ability to differentiate our Company from our competitors in the industry through ensuring our service quality and consistency. Our ability to maintain such position will affect our ability to source new and renew existing property management service and expand the number of property projects we managed and our GFA under management. If we fail to source new and renew existing property management contracts and expand our GFA under management and services, the growth and profitability of our business may suffer.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the preparation of financial statements in conformity with HKFRSs, we are required 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 carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our Directors have confirmed that we did not experience any material deviations between our accounting estimates and actual results and did not materially change our accounting estimates during the Track Record Period.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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. Our management does not expect any material changes in our accounting estimates in the foreseeable future.

Provision for Expected Credit Losses ("ECLs") on Trade Receivables and Other Receivables

We adopt a provision matrix to calculate ECLs for our trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating). The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Impairment of Goodwill

We assess the impairment of goodwill at least on an annual basis, which requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate on the expected future cash flows from the cash-generating units and discount rate in arriving at the present value of those cash flows. As of December 31, 2019, we recorded goodwill in the amount of RMB134.7 million.

Impairment of Non-Financial Assets (other than Goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

DESCRIPTION OF CERTAIN COMPONENTS OF OUR COMBINED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our combined statements of profit or loss for the periods indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Revenue	463,381	659,136	1,124,878
Cost of sales	(359,111)	(476,175)	(705,050)
Gross profit	104,270	182,961	419,828
Other income and gains	1,984	2,475	5,180
Selling and distribution expenses	(476)	(499)	(921)
Administrative expenses	(45,267)	(75,178)	(164,424)
Other expenses	(2,726)	(4,456)	(10,647)
Finance costs	(186)	(199)	(351)
Share of (loss)/profit of an associate	—	(796)	1,939
Profit before tax	57,599	104,308	250,604
Income tax expense	(13,451)	(24,626)	(65,617)
Profit for the year	44,148	79,682	184,987
Attributable to:			
Owners of the parent	44,148	79,682	184,887
Non-controlling interests	—	—	100

Revenue

During the Track Record Period, we derived our revenue from the two business segments, namely the residential property management service segment and commercial property management and operational service segment.

The following table sets forth a breakdown of our total revenue by business segment for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Residential property management services	345,169	74.5	428,107	64.9	759,234	67.5
Commercial property management and operational services	118,212	25.5	231,029	35.1	365,644	32.5
Total	463,381	100.0	659,136	100.0	1,124,878	100.0

Residential Property Management Services

Our residential property management services comprise:

- **pre-sale management services** such as cleaning, security and maintenance services of pre-sale display units and sales offices to property developers during their pre-sale activities. Our pre-sale management services contributed 22.0%, 28.9% and 29.2% of our revenue from residential property management services in 2017, 2018 and 2019, respectively;

- **property management services** such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. Our property management services contributed 73.5%, 67.0% and 50.3% of our revenue from residential property management services in 2017, 2018 and 2019, respectively; and

- **community value-added services** such as (i) property agency services to property developers and property owners; (ii) home-living services to property owners and residents; and (iii) common area value-added services. Our community value-added services contributed 4.5%, 4.1% and 20.5% of our revenue from residential property management services in 2017, 2018 and 2019, respectively.

The following table sets forth a breakdown of our revenue from residential property management services by service line for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Pre-sale management services	75,944	22.0	123,588	28.9	221,810	29.2
Property management services	253,709	73.5	287,034	67.0	382,047	50.3
Community value-added services	15,516	4.5	17,485	4.1	155,377	20.5
Total	345,169	100.0	428,107	100.0	759,234	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under our residential property management service segment increased from RMB75.9 million in 2017 to RMB123.6 million in 2018 and RMB221.8 million in 2019. This increase was primarily due to the increase in the number of sales offices we serviced.

Property Management Services

Revenue generated from property management services under our residential property management service segment increased from RMB253.7 million in 2017 to RMB287.0 million in 2018 and RMB382.0 million in 2019. This increase was primarily due to the increase in our GFA under management for residential properties from 10.9 million sq.m. as of December 31, 2017 to 11.8 million sq.m. as of December 31, 2018 and 18.3 million sq.m. as of December 31, 2019, resulting from the increase in the number of residential property projects under management from 63 as of December 31, 2017 to 66 as of December 31, 2018 and 106 as of December 31, 2019.

Our average property management fee rates for residential properties increased slightly from RMB2.6 per sq.m. per month in 2017 to RMB2.8 per sq.m. per month in 2018 and RMB2.9 per sq.m. per month in 2019.

During the Track Record Period, we charged our property management services under two revenue models, namely the lump sum basis and the commission basis. Our revenue generated from property management services was primarily derived from lump sum basis during the Track Record Period, which is also the dominant method of collecting property management fees in China, according to JLL. We expect property management service fees charged on a lump sum basis to continue to account for substantially all of our revenue from property management services.

The following table sets forth a breakdown of our GFA under management with respect to residential properties as of the dates and revenue from property management services under our residential property management service segment by revenue model for the periods indicated:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
Lump sum basis	9,346	249,100	98.2	9,771	280,856	97.8	15,068	372,092	97.4
Commission basis	1,525	4,609	1.8	2,002	6,178	2.2	3,278	9,955	2.6
Total	10,871	253,709	100.0	11,773	287,034	100.0	18,346	382,047	100.0

During the Track Record Period, we derived our revenue from property management services under our residential property management service segment for the properties developed by KWG Group and third-party property developers. Our property management service revenue was primarily derived from properties developed by KWG Group, which accounted for 100.0%, 100.0% and 89.0% of our revenue generated from property management services under our residential property management service segment in 2017, 2018 and 2019, respectively. We aim to continuously expand our property management services to projects developed by third-party property developers. In 2019, our property management service revenue from residential properties developed by third-party property developers amounted to RMB42.0 million, representing 11.0% of our property management service revenue under our residential property management service segment for the same year, which was primarily attributable to (i) our ability to search for and capture market opportunities independent from our affiliation with KWG Group; and (ii) the acquisition of Gangyu Enterprise where its subsidiaries managed properties developed by third-party property developers.

The following table sets forth a breakdown of our GFA under management with respect to residential properties as of the dates and revenue from property management services under our residential property management service segment by type of property developer for the periods indicated:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
KWG Group and its joint ventures, associates or other related parties	10,871	253,709	100.0	11,773	287,034	100.0	14,471	340,049	89.0
Third-party property developers	—	—	—	—	—	—	3,875	41,998	11.0
Total	10,871	253,709	100.0	11,773	287,034	100.0	18,346	382,047	100.0

Community Value-Added Services

During the Track Record Period, we provided community value-added services to property developers, property owners and residents, including property agency services, home-living services, and common area value-added services.

Revenue generated from community value-added services under our residential property management service segment increased by 12.9% from RMB15.5 million in 2017 to RMB17.5 million in 2018, primarily as we provided more community value-added services driven by the increase in our GFA under management and the types of community value-added services we provide for residential properties. The increase in revenue from our community valued-added services was generally in line with the increase in our revenue generated from property management services under our residential property management service segment during the same year.

Revenue generated from community value-added services under our residential property management service segment increased by 788.0% from RMB17.5 million in 2018 to RMB155.4 million in 2019 primarily as we provided more (i) property agency services in 2019; and (ii) home-living and common area value-added services driven by the increase in our GFA under management and types of community value-added services we provide for residential properties.

Commercial Property Management and Operational Services

Our commercial property management and operation services comprise:

- **pre-sale management services** such as cleaning, security and maintenance of pre-sale display units and sales offices to property developers during their pre-sale activities. Our pre-sale management services contributed 11.3%, 5.6% and 5.9% of our revenue from commercial property management and operational services in 2017, 2018 and 2019, respectively;

- **commercial property management services** such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. Our property management services contributed 56.5%, 65.2% and 71.0% of our revenue from commercial property management and operational services in 2017, 2018 and 2019, respectively;

- **commercial operational services** such as preliminary planning and consultancy services, tenant sourcing services, tenant management services and marketing and promotion services to property owners and property developers. Our commercial operational services contributed 24.0%, 19.4% and 11.6% of our revenue from commercial property management and operational services in 2017, 2018 and 2019, respectively; and

- **other value-added services** primarily including common area value-added services. Our other value-added services contributed 8.2%, 9.8% and 11.5% of our revenue from commercial property management and operational services in 2017, 2018 and 2019, respectively.

The following table sets forth a breakdown of our revenue from commercial property management and operational services by service line for the periods indicated:

	For the year ended December 31,					
	2017		**2018**		**2019**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Pre-sale management services	13,339	11.3	12,930	5.6	21,342	5.9
Commercial property management services	66,803	56.5	150,730	65.2	259,766	71.0
Commercial operational services	28,392	24.0	44,707	19.4	42,570	11.6
Other value-added services	9,678	8.2	22,662	9.8	41,966	11.5
Total	118,212	100.0	231,029	100.0	365,644	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under our commercial property management and operational service segment remained relatively stable at RMB13.3 million and RMB12.9 million in 2017 and 2018, respectively.

Revenue generated from pre-sale management services under our commercial property management and operational service segment increased by 65.1% from RMB12.9 million in 2018 to RMB21.3 million in 2019, which was mainly attributable to the provision of pre-sale management services to four commercial property projects that were larger in scale and located in Guangzhou, Beijing and Chengdu, which are the top-tier cities in China in 2019.

Commercial Property Management Services

Revenue generated from property management services under our commercial property management and operational service segment increased by 125.6% from RMB66.8 million in 2017 to RMB150.7 million in 2018. This increase was primarily due to (i) the increase in our GFA under management for commercial properties by 53.8% from 1.3 million sq.m. as of December 31, 2017 to 2.0 million sq.m. as of December 31, 2018, resulting from the increase in the number of commercial property projects under management from 12 as of December 31, 2017 to 18 as of December 31, 2018; and (ii) the increase in our average property management fee rates for commercial properties from RMB10.9 per sq.m. per month in 2017 to RMB15.2 per sq.m. per month in 2018 primarily as we started to provide property management services to shopping malls in 2018, for which we charged higher property management fee rates as compared to office buildings.

Revenue generated from property management services under our commercial property management and operational service segment increased by 72.4% from RMB150.7 million in 2018 to RMB259.8 million in 2019. This increase was primarily due to (i) the increase in our GFA under management for commercial properties by 65.0% from 2.0 million sq.m. as of December 31, 2018 to 3.3 million sq.m. as of December 31, 2019, resulting from the increase in the number of commercial property projects under management from 18 as of December 31, 2018 to 30 as of December 31, 2019; and (ii) the increase in our average property management fee rates for commercial properties from RMB15.2 per sq.m. per month in 2018 to RMB19.9 per sq.m. per month in 2019 primarily as a result of us earning a full-year property management service revenue from shopping malls opened in 2018, for which we charged higher property management fee rates as compared to office buildings.

During the Track Record Period, we derived our revenue from commercial property management services for the properties developed by KWG Group and third-party property developers. Our revenue generated from commercial property management services was primarily derived from properties developed by KWG Group, which accounted for 100.0%, 100.0% and 95.9% of our revenue generated from commercial property management services under our commercial property management service segment in 2017, 2018 and 2019, respectively. We aim to continuously expand our commercial property management services to projects developed by third-party property developers. In 2019, our commercial property management service revenue from commercial properties developed by third-party property developers amounted to RMB10.7 million, representing 4.1% of our property management services under our commercial property management service segment for the same year, which was primarily attributable to (i) our ability to search for and capture market opportunities independent from affiliation with KWG Group; and (ii) the acquisition of Gangyu Enterprise where its subsidiaries managed commercial properties developed by third-party property developers.

The following table sets forth a breakdown of our GFA under management with respect to commercial properties as of the dates and revenue from our commercial property management services by type of property developer for the periods indicated:

	As of or for the year ended December 31,								
	2017			2018			2019		
	GFA	Revenue		GFA	Revenue		GFA	Revenue	
	sq.m.	*RMB*	*%*	*sq.m.*	*RMB*	*%*	*sq.m.*	*RMB*	*%*
	(in thousands, except for percentages)								
KWG Group and its joint ventures, associates or other related parties	1,341	66,803	100.0	2,031	150,730	100.0	2,398	249,025	95.9
Third-party property developers	—	—	—	—	—	—	870	10,741	4.1
Total	1,341	66,803	100.0	2,031	150,730	100.0	3,268	259,766	100.0

Commercial Operational Services

Revenue generated from commercial operational services under our commercial property management and operational service segment increased by 57.4% from RMB28.4 million in 2017 to RMB44.7 million, which was primarily attributable to more tenant management and marketing and promotion services we provided to four shopping malls opened in 2018.

Revenue generated from commercial operational services under our commercial property management and operational service segment decreased by 4.7% from RMB44.7 million in 2018 to RMB42.6 million in 2019. Such decrease was mainly due to the decrease in preliminary planning and consultancy services and tenant souring services we provided in 2019 as a majority of our shopping malls under management were opened in 2018.

Other Value-Added Services

Revenue generated from other value-added services under our commercial property management and operational service segment increased by 134.0% from RMB9.7 million in 2017 to RMB22.7 million in 2018 and further increased by 85.0% to RMB42.0 million in 2019. This increase was primarily due to the increase in our value-added services provided driven by the increase in our GFA under management for commercial properties and was generally in line with the increase in our revenue from property management services under our commercial property management and operational service segment.

Revenue by Geographic Location

We have established the geographic presence of our residential property management services and commercial property management and operational services in various cities divided into four major areas in China. The following table sets forth a breakdown of our total revenue by geographic region for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	Revenue		Revenue		Revenue	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Greater Bay Area	211,188	45.6	252,863	38.4	448,670	39.9
Yangtze River Delta[1]	108,181	23.3	195,308	29.6	307,925	27.4
Midwest China and Hainan[2]	107,377	23.2	153,088	23.2	264,671	23.5
Bohai Economic Rim[3]	36,635	7.9	57,877	8.8	103,612	9.2
Total	463,381	100.0	659,136	100.0	1,124,878	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Guangxi Zhuang Autonomous Region, Hainan Province and Chongqing Municipality.

(3) Include Beijing Municipality and Tianjin Municipality.

Cost of Sales

Our cost of sales represents costs and expenses directly attributable to the provision of our services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Labor costs	200,790	55.9	257,610	54.1	396,871	56.3
Subcontracting costs	49,273	13.7	78,568	16.5	120,576	17.1
Utilities	46,164	12.9	57,283	12.0	82,435	11.7
Office expenses	18,981	5.3	22,625	4.8	35,659	5.1
Cleaning expenses	14,979	4.2	23,374	4.9	24,538	3.5
Rent and management fees	10,003	2.8	10,330	2.2	21,959	3.1
Security expenses	6,529	1.8	8,645	1.8	5,094	0.7
Others(1)	12,392	3.4	17,740	3.7	17,918	2.5
Total	359,111	100.0	476,175	100.0	705,050	100.0

Note:

(1) Others primarily include greening and gardening expenses, depreciation, office tenant sourcing costs and other taxes.

Our cost of sales increased by 32.6% from RMB359.1 million in 2017 to RMB476.2 million in 2018 and further increased by 48.1% to RMB705.1 million in 2019, primarily as a result of our business expansion. Such increase was generally in line with the growth in our total revenue for the respective years. In 2019, we recorded a decrease in security expenses as we subcontracted more of such services during the year.

The following table sets forth a breakdown of our cost of sales by business segment for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Residential property management services	290,772	81.0	342,884	72.0	498,159	70.7
Commercial property management and operational services	68,339	19.0	133,291	28.0	206,891	29.3
Total	359,111	100.0	476,175	100.0	705,050	100.0

Gross Profit and Gross Profit Margin

Our overall gross profit increased from RMB104.3 million in 2017 to RMB183.0 million in 2018 and further to RMB419.8 million in 2019, which was primarily attributable to the expansion of our business.

Our overall gross profit margins are primarily affected by our business mix, the average property management fee rate we charge for our property management services, our GFA under management and our cost of sales. The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Residential property management services	54,397	15.8	85,223	19.9	261,075	34.4
Commercial property management and operational services	49,873	42.2	97,738	42.3	158,753	43.4
Total	104,270	22.5	182,961	27.8	419,828	37.3

Our overall gross profit margin increased from 22.5% in 2017 to 27.8% in 2018 and 37.3% in 2019, which was primarily driven by the increase in gross profit margin of our residential property management service segment.

Residential Property Management Services

The gross profit margin of our residential property management services increased from 15.8% in 2017 to 19.9% in 2018, which was primarily due to the increase in gross profit margin of our property management services benefited from (i) the economies of scales through sharing of costs among property projects concentrated in Suzhou, Guangzhou and Shanghai; and (ii) the increase in proportion of revenue contributed by our property management services under a commission basis.

The gross profit margin of our residential property management services increased from 19.9% in 2018 to 34.4% in 2019, which was primarily due to (i) the increase in gross profit margin of our property management services as (a) we attained economies of scale through sharing of costs among property projects concentrated in Suzhou, Guangzhou and Shanghai upon our business expansion; and (b) we provided more property management services under a commission basis; and (ii) the increase in gross profit margin of community value-added services primarily as we provided more property agency services, which carried a higher gross profit margin, in 2019.

Commercial Property Management and Operational Services

The gross profit margin of our commercial property management and operational services remained stable at 42.2%, 42.3% and 43.4% in 2017, 2018 and 2019, respectively.

Other Income and Gains

Our other income and gains comprise (i) bank interest income; (ii) government grants; (iii) gain on disposal of property, plant and equipment; (iv) late penalty income in connection with property management fee payable to us; (v) tax incentives on value-added tax in relation to our property management operations; and (vi) others. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	977	1,146	1,410
Government grants(1)	—	—	219
Gain on disposal of property, plant and equipment	171	—	198
Late penalty income	502	708	1,131
Tax incentives on value-added tax	—	228	1,836
Others	334	393	386
Total	1,984	2,475	5,180

Note:

(1) Mainly includes government subsidies received in relation to jobs and employment stabilization.

Our other income and gains increased by 25.0% from RMB2.0 million in 2017 to RMB2.5 million in 2018, which was primarily attributable to (i) the tax incentives on value-added tax; (ii) the increase in late penalty income mainly as a result of the increase in customer base resulting from our business expansion; and (iii) the increase in bank interest income mainly as a result of the increase in the amount of bank deposits in 2018.

Our other income and gains increased by 108.0% from RMB2.5 million in 2018 to RMB5.2 million in 2019, which was primarily due to (i) the increase in tax incentives on value-added tax; (ii) the increase in late penalty income mainly as a result of the increase in customer base resulting from our business expansion; and (iii) the increase in bank interest income mainly as a result of the increase in the amount bank deposits in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of salaries and allowances for our sales personnel, entertainment expenses and office expenses. Our selling and distribution expenses remained stable at RMB0.5 million and RMB0.5 million in 2017 and 2018, respectively. Our selling and distribution expenses increased by 80.0% from RMB0.5 million in 2018 to RMB0.9 million in 2019, primarily as we put more marketing efforts in expanding our business to third-party property developers.

Administrative Expenses

Our administrative expenses primarily consist of (i) salaries and allowances for our administrative and management personnel; (ii) depreciation and amortization costs; (iii) office expenses; (iv) consultancy fees; (v) [REDACTED] expenses; (vi) bank charges; (vii) traveling expenses; (viii) entertainment expenses; and (ix) rental expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Salaries and allowances	35,417	78.3	60,792	80.9	120,223	73.1
Depreciation and amortization costs	336	0.7	1,293	1.7	21,329	13.0
Office expenses	1,063	2.3	2,922	3.9	6,260	3.8
Consultancy fees	3,453	7.6	4,179	5.6	4,008	2.4
[REDACTED] expenses	—	—	—	—	[REDACTED]	[REDACTED]
Bank charges	1,393	3.1	1,255	1.7	1,618	1.0
Traveling expenses	1,031	2.3	1,314	1.7	1,586	1.0
Entertainment expenses	379	0.8	413	0.5	1,170	0.7
Rental expenses	177	0.4	473	0.6	1,090	0.7
Others[1]	2,018	4.5	2,537	3.4	3,997	2.4
Total	45,267	100.0	75,178	100.0	[REDACTED]	100.0

Note:

(1) Others mainly include expenses in connection with the community activities we organized.

Our administrative expenses increased by 66.0% from RMB45.3 million in 2017 to RMB75.2 million in 2018, primarily attributable to (i) the increase in salaries and allowances mainly as a result of the increase in our administrative headcount and salary increment; (ii) the increase in office expenses due to the expansion of our business; and (iii) the increase in depreciation and amortization costs due to the increased property, plant and equipment and intangible assets upon our business expansion.

Our administrative expenses increased by 118.6% from RMB75.2 million in 2018 to RMB164.4 million in 2019, primarily attributable to (i) the increase in salaries and allowances mainly due to the increase in administrative headcounts in our headquarters; (ii) the increase in office expenses as a result of the expansion of our business; (iii) the increase in depreciation and amortization costs mainly arising from our intangible assets upon the acquisition of Gangyu Enterprise in 2019 and the right-of-use assets recognized in 2019; and (iv) the increase in [REDACTED] expenses.

Other Expenses

Our other expenses primarily consisted of losses on impairment of trade and other receivables. Our other expenses increased from RMB2.7 million in 2017 to RMB4.5 million in 2018 and further to RMB10.6 million in 2019, primarily attributable to the increase in impairment loss recognized in the respective years as a result of our business expansion.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of our Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group entities incorporated in the Cayman Islands and BVI are not subject to any income tax. Our subsidiary incorporated in Hong Kong is not liable for income tax as it did not generate any assessable profits arising in Hong Kong during the Track Record Period.

Our income tax provision in respect of operation in the PRC was calculated at the tax rate of 25% on the assessable profits, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Nanning Branch of Guangzhou Ningjun Property Management Co., Ltd. was subject to a preferential income tax rate of 15% in 2017, 2018 and 2019 as a result of the Go-West Campaign (西部大開發) in China.

Our income tax consists of current tax and deferred tax. The following table sets forth a breakdown of our income tax for the periods indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Current tax	15,121	26,759	73,651
Deferred tax	(1,670)	(2,133)	(8,034)
Total	13,451	24,626	65,617

In 2017, 2018 and 2019, we incurred income tax of RMB13.5 million, RMB24.6 million and RMB65.6 million, respectively. The increase in our income tax during the Track Record Period was generally in line with the increase in our profit before tax, primarily as a result of our business expansion.

Our effective tax rates, calculated as our income tax divided by our profit before tax, were 23.4%, 23.6% and 26.2% in 2017, 2018 and 2019, respectively. The increase in effective tax rate in 2019 was mainly due to the taxable disposal gain arising from our Reorganization. Such gain was eliminated on our combined financial information.

Our Directors have confirmed that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We were not involved in any material tax dispute with respect to our income tax during the Track Record Period and up to the Latest Practicable Date.

YEAR-TO-YEAR COMPARISONS OF OUR RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 70.7% from RMB659.1 million in 2018 to RMB1,124.9 million in 2019. This increase was primarily attributable to the increase in our revenue from our residential property management service segment and, to a lesser extent, commercial property management and operational service segment.

Residential Property Management Service Segment

Revenue generated from our residential property management service segment increased by 77.3% from RMB428.1 million in 2018 to RMB759.2 million in 2019. This increase was attributable to (i) the increase in revenue from our pre-sale management services primarily due to the increase in the number of sales offices we serviced; (ii) the increase in revenue from our property management services primarily due to the increase in our GFA under management for residential properties; and (iii) the increase in revenue from our community value-added services primarily as we provided more (a) property agency services in 2019; and (b) home-living and common area value-added services driven by the increase in our GFA under management and the types of community value-added services we provide for residential properties.

Commercial Property Management and Operational Service Segment

Revenue generated from our commercial property management and operational service segment increased by 58.3% from RMB231.0 million in 2018 to RMB365.6 million in 2019. This increase was attributable to (i) the increase in revenue generated from pre-sale management services as we provided such services to four commercial property projects that were larger in scale and located in Guangzhou, Beijing and Chengdu, which are the top-tier cities in China; (ii) the increase in revenue from our commercial property management services primarily due to the increase in our GFA under management and average property management fee rate for commercial properties; and (iii) the increase in revenue from our other value-added services primarily due to more value-added services provided driven by the increase in our GFA under management for commercial properties.

Cost of Sales

Our cost of sales increased by 48.1% from RMB476.2 million in 2018 to RMB705.1 million in 2019. This increase was primarily attributable to more costs incurred as a result of our business expansion. Such increase was generally in line with the growth in our total revenue in 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 129.4% from RMB183.0 million in 2018 to RMB419.8 million in 2019.

Our overall gross profit margin increased from 27.8% in 2018 to 37.3% in 2019, which was primarily driven by the increase in gross profit margin of our residential property management service segment as a result of (i) the increase in gross profit margin of our property management services under our residential property management service segment as (a) we attained economies of scale through sharing of costs among property projects concentrated in Suzhou, Guangzhou and Shanghai upon our business expansion; and (b) we provided more property management services under a commission basis; and (ii) the increase in gross profit margin of community value-added services under our residential property management service segment primarily as we provided more property agency services, which carried a higher gross profit margin, in 2019.

Other Income and Gains

Our other income and gains increased by 108.0% from RMB2.5 million in 2018 to RMB5.2 million in 2019. This increase was primarily attributable to (i) the increase in tax incentives on value-added tax; (ii) the increase in late penalty income mainly as a result of the increase in customer base resulting from our business expansion; and (iii) the increase in bank interest income as a result of the increase in amount of bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 80.0% from RMB0.5 million in 2018 to RMB0.9 million in 2019, primarily as we put more marketing efforts in expanding our business to third-party property developers.

Administrative Expenses

Our administrative expenses increased by 118.6% from RMB75.2 million in 2018 to RMB164.4 million in 2019, primarily attributable to (i) the increase in salaries and allowance mainly due to the increase in administrative headcounts in our headquarters; (ii) the increase in office expenses as a result of the expansion of our business; (iii) the increase in depreciation and amortization costs mainly arising from our intangible assets upon the acquisition of Gangyu Enterprise in 2019 and the right-of-use assets recognized in 2019; and (iv) the increase in [REDACTED] expenses.

Income Tax

Our income tax increased by 166.7% from RMB24.6 million in 2018 to RMB65.6 million in 2019. This increase was generally in line with the increase in our profit before tax primarily as a result of the expansion of our business.

Our effective tax rate increased from 23.6% in 2018 to 26.2% in 2019, primarily due to the taxable disposal gain arising from our Reorganization. Such gain was eliminated on our combined financial information.

Profit for the Year

Our profit for the year increased by 132.1% from RMB79.7 million in 2018 to RMB185.0 million in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 42.2% from RMB463.4 million in 2017 to RMB659.1 million in 2018. This increase was primarily attributable to the increase in our revenue from our residential property management service segment and commercial property management and operational service segment.

Residential Property Management Service Segment

Revenue generated from our residential property management service segment increased by 24.0% from RMB345.2 million in 2017 to RMB428.1 million in 2018. This increase was attributable to (i) the increase in revenue from our pre-sale management services primarily due to the increase in the number of sales offices we serviced; (ii) the increase in revenue from our property management services primarily due to the increase in our GFA under management for residential properties; and (iii) the increase in revenue from our community value-added services primarily as we provided more community value-added services driven by the increase in our GFA under management and the types of community value-added services we provided for residential properties.

Commercial Property Management and Operational Service Segment

Revenue generated from our commercial property management and operational service segment increased by 95.4% from RMB118.2 million in 2017 to RMB231.0 million in 2018. This increase was attributable to (i) the increase in revenue from our commercial property management services primarily due to the increase in our GFA under management and average property management fee rate for commercial properties; (ii) the increase in revenue from commercial operational services primarily due to more tenant management and marketing and promotion services we provided to four shopping malls opened in 2018; and (iii) the increase in revenue from other value-added services primarily due to more value-added services provided driven by the increase in our GFA under management for commercial properties.

Cost of Sales

Our cost of sales increased by 32.6% from RMB359.1 million in 2017 to RMB476.2 million in 2018. This increase was primarily attributable to more costs incurred as a result of our business expansion. Such increase was generally in line with the growth in our total revenue in 2018.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 75.5% from RMB104.3 million in 2017 to RMB183.0 million in 2018.

Our overall gross profit margin increased from 22.5% in 2017 to 27.8% in 2018, which was primarily driven by the increase in gross profit margin of our residential property management service segment due to the increase in gross profit margin of our property management services benefited from (i) the economies of scales through sharing of costs among property projects concentrated in Suzhou, Guangzhou and Shanghai; and (ii) the increase in proportion of revenue contributed by property management services under a commission basis.

Other Income and Gains

Our other income and gains increased by 25.0% from RMB2.0 million in 2017 to RMB2.5 million in 2018. This increase was primarily attributable to (i) the tax incentives on value-added tax, (ii) the increase in late penalty income mainly as a result of the increase in customer base resulting from our business expansion, and (iii) the increase in bank interest income mainly as a result of the increase in amount of bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses remained stable at RMB0.5 million and RMB0.5 million in 2017 and 2018, respectively.

Administrative Expenses

Our administrative expenses increased by 66.0% from RMB45.3 million in 2017 to RMB75.2 million in 2018, primarily attributable to (i) the increase in salaries and allowances mainly as a result of the increase in our administrative headcount and salary increment; (ii) the increase in office expenses due to the expansion of our business; and (iii) the increase in depreciation and amortization costs due to the increased property, plant and equipment and intangible assets upon our business expansion.

Income Tax

Our income tax increased by 82.2% from RMB13.5 million in 2017 to RMB24.6 million in 2018. This increase was generally in line with the increase in our profit before tax primarily as a result of the expansion of our business.

Our effective tax rate remained stable at 23.4% and 23.6% in 2017 and 2018, respectively.

Profit for the Year

Our profit for the year increased by 80.7% from RMB44.1 million in 2017 to RMB79.7 million in 2018.

DESCRIPTION OF CERTAIN ITEMS IN OUR COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our combined statements of financial position as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	2,875	3,862	5,016
Right-of-use assets	3,617	4,311	8,211
Goodwill	—	—	134,718
Other intangible assets	—	1,817	81,807
Investment in an associate	—	4,104	6,043
Deferred tax assets	9,408	11,715	18,957
Other non-current assets	—	—	192
Total non-current assets	15,900	25,809	254,944
Current assets			
Trade receivables	215,185	326,765	567,272
Prepayments, other receivables and other assets	684,236	657,709	704,553
Restricted cash	28,976	30,077	18,652
Cash and cash equivalents	253,505	175,990	416,765
Total current assets	1,181,902	1,190,541	1,707,242
Current liabilities			
Trade payables	98,501	127,807	176,533
Other payables and accruals	907,703	811,205	1,208,991
Contract liabilities	52,001	54,062	76,960
Lease liabilities	1,319	1,999	3,279
Tax payable	15,091	18,470	72,004
Total current liabilities	1,074,615	1,013,543	1,537,767
Net current assets	107,287	176,998	169,475
Total assets less current liabilities	123,187	202,807	424,419
Non-current liabilities			
Lease liabilities	2,146	1,910	4,727
Deferred tax liabilities	904	1,078	22,264
Total non-current liabilities	3,050	2,988	26,991
Net assets	120,137	199,819	397,428
Equity			
Share capital	—	—	—
Reserves	120,137	199,819	384,583
Non-controlling interests	—	—	12,845
Total equity	120,137	199,819	397,428

Property, Plant and Equipment

Our property, plant and equipment consists of building, plant and machinery, furniture and office equipment and motor vehicles. Our property, plant and equipment increased from RMB2.9 million as of December 31, 2017 to RMB3.9 million as of December 31, 2018 and RMB5.0 million as of December 31, 2019, primarily due to purchases of furniture and office equipment as a result of our business expansion.

Right-of-use assets

Our right-of-use assets are mainly related to the lease contracts for buildings and motor vehicles we used in our operations. The lease terms for the leases of buildings generally range from six months to 17 years. The lease terms for the leases of motor vehicles are generally two years. As of December 31, 2017, 2018 and 2019, our right-of-use assets amounted to RMB3.6 million, RMB4.3 million and RMB8.2 million, respectively. The increase in our right-of-use assets throughout the Track Record Period was mainly attributable to the new lease contracts in relation to staff dormintory.

Goodwill

Our goodwill amounted to RMB134.7 million as of December 31, 2019, which arose from the acquisition of Gangyu Enterprise from several Independent Third Parties in 2019. For details of the acquisition, see "Accountants' Report — Notes to the Historical Financial Information — 26. Business Combination" in Appendix I to this document.

Goodwill Impairment

Our management performed impairment testing for our goodwill and determined the recoverable amount of the residential cash-generating-unit ("**CGU**") and commercial CGU based on value-in-use calculation using cash flow projection based on a five-year financial budget approved by our senior management. We determined that there was no impairment of the CGUs containing goodwill for the acquisition of business during the Track Record Period. For details of the impairment testing of goodwill, see "Accountants' Report — Notes to the Historical Financial Information — 15. Goodwill" in Appendix I to this document.

Other Intangible Assets

Our other intangible assets comprise (i) software; and (ii) property management contracts and customer relationship arising from the acquisition of Gangyu Enterprise. As of December 31, 2017, 2018 and 2019, our other intangible assets amounted to nil, RMB1.8 million and RMB81.8 million, respectively. Our other intangible assets as of December 31, 2019 were mainly attributable to the property management contracts of RMB15.1 million and customer relationship of RMB65.8 million arising from the acquisition of Gangyu Enterprise in 2019. For further details, see "Accountants' Report — Notes to the Historical Financial Information — 16. Other Intangible Assets" in Appendix I to this document.

Trade Receivables

Our trade receivables mainly represent receivables from residential property management services and commercial property management and operational services. For trade receivables from property management services, we charged property management fees on a quarterly or monthly basis. For trade receivables from related parties, our trading terms are mainly on credit and the credit period is generally between three months and one year. For trade receivables from third parties, the payment is generally due upon the issuance of demand notes. We seek to maintain strict control over the outstanding receivables and overdue balances are reviewed regularly by management. We do not have significant concentration of credit risk as our trade receivables from third parties relate to a large number of customers. Our trade receivables are interest-free.

The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Related parties	138,686	251,614	449,546
Independent Third Parties	80,672	79,023	126,870
	219,358	330,637	576,416
Less: Allowance for trade receivables	(4,173)	(3,872)	(9,144)
Total	215,185	326,765	567,272

Our trade receivables, net of loss allowance increased from RMB215.2 million as of December 31, 2017 to RMB326.8 million as of December 31, 2018 and further to RMB567.3 million as of December 31, 2019, which was primarily due to the increase in our revenue as a result of our business expansion.

Trade Receivable Turnover Days

The following table sets forth our trade receivable turnover days for the periods indicated:

	For the year ended December 31,		
	2017	2018	2019
Trade receivable turnover days *(Days)*			
— Overall[(1)]	137	152	147
— Related parties[(2)]	263	260	242
— Independent Third Parties[(3)]	79	76	63

Notes:

(1) The overall trade receivable turnover days for a year is the average of the opening and closing trade receivables divided by our total revenue for that year and multiplied by 365 days.

(2) The trade receivable turnover days in respect of related parties is the average of the opening and closing trade receivables attributable to related parties divided by our revenue attributable to related parties for that year and multiplied by 365 days.

(3) The trade receivable turnover days in respect of Independent Third Parties is the average of the opening and closing trade receivables attributable to Independent Third Parties divided by our revenue attributable to Independent Third Parties for that year and multiplied by 365 days.

The increase in our overall trade receivable turnover days in 2018 as compared to 2017 was primarily due to the longer turnover days of trade receivables from related parties. Our overall trade receivable turnover days remained stable at 152 days and 147 days in 2018 and 2019, respectively.

During the Track Record Period, our trade receivable turnover days of related parties were substantially longer than that of Independent Third Parties, primarily because we did not collect our trade receivables from our related parties as frequently as we did from third parties considering the risk of default from our related parties was low. Our Directors confirm that, upon [REDACTED], we will adopt a more stringent collection policy in respect of our related parties and grant them credit periods that are comparable to the credit periods granted to our Independent Third Party customers. We expect that the trade receivables due from our related parties as of December 31, 2019 will be fully settled before the [REDACTED]. As of May 31, 2020, RMB52.8 million, representing 11.7% of the trade receivables due from our related parties as of December 31, 2019, had been subsequently settled.

Ageing Analysis on Trade Receivables

The following table sets forth an aging analysis of our trade receivables, net of allowance for doubtful debts, based on the invoice date as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	158,387	223,721	380,505
1 to 2 years	45,390	68,787	96,061
2 to 3 years	9,189	32,550	66,439
Over 3 years	2,219	1,707	24,267
Total	215,185	326,765	567,272

We perform impairment analysis on our trade receivables at the end of each reporting period using a provision matrix to measure the expected credit losses. The expected loss rates are estimated based on days past due for groupings of various customer segments based on the types of services we provided or types of customers with similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

As of May 31, 2020, RMB87.1 million, representing 15.4% of our trade receivables as of December 31, 2019, had been settled.

Prepayments, Other Receivables and Other Assets

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties	615,593	564,902	561,734
Payments on behalf of residents/tenants	31,885	49,922	63,983
Other receivables	29,995	36,123	50,672
Prepayments	6,291	7,059	21,916
Deposits	1,015	965	3,689
Advances to employees	784	1,093	2,458
Others	39	37	3,944
	685,602	660,101	708,396
Impairment allowance	(1,366)	(2,392)	(3,843)
Total	684,236	657,709	704,553

Our amounts due from related parties represent cash advances to related parties, which are non-trade in nature, interest-free, unsecured and repayable on demand. The decrease in amounts due from related parties throughout the Track Record Period was mainly due to the repayment from our related parties. Payments on behalf of residents/tenants primarily represented the current accounts with the residents/tenants of communities managed by us. The continuous increase in our payment on behalf of residents/tenants was mainly attributable to the increase in our business expansion. Our prepayments primarily represent the prepayment for purchase of property, plant and equipment and payments to our suppliers. As of December 31, 2019, we recorded a relatively large amount of prepayments which was primarily due to the expansion of our business upon the acquisition of Gangyu Enterprise.

For details of our amounts due from related parties, see "— Related Party Balances" in this section.

Trade Payables

Our trade payables primarily represent our obligation to pay for the goods or services we acquired, such as materials, utilities, cleaning services, in the ordinary course of our business from our suppliers. Our suppliers generally offer us a credit period of 0 to 90 days.

The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Related parties	8,357	6,707	18,930
— Independent Third Parties	90,144	121,100	157,603
Total	98,501	127,807	176,533

Our trade payables increased from RMB98.5 million as of December 31, 2017 to RMB127.8 million as of December 31, 2018 and further to RMB176.3 million as of December 31, 2019, primarily due to the increase in purchases of goods and services from our suppliers as a result of our business expansion.

Trade payable turnover days

The following table sets forth our trade payable turnover days for the periods indicated:

	For the year ended December 31,		
	2017	2018	2019
Trade payable turnover days *(Days)* (1)	79	87	79

Note:

(1) The trade payable turnover days for a year is the average of opening and ending trade payables divided by cost of sales for that year and multiplied by 365 days.

Our trade payable turnover days were generally in line with our credit term during the Track Record Period.

Aging Analysis on Trade Payables

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	87,132	104,874	152,711
1 to 2 years	11,072	13,499	6,426
2 to 3 years	146	9,137	10,462
Over 3 years	151	297	6,934
Total	98,501	127,807	176,533

As of May 31, 2020, RMB66.1 million, representing 37.4% of our trade payables as of December 31, 2019, had been settled.

Other Payables and Accruals

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties	737,721	590,088	818,923
Deposits and temporary receipts from property owners	114,428	125,216	177,042
Payroll and welfare payables	36,995	46,838	126,047
Receipts on behalf of residents/tenants	3,913	25,551	34,553
Accruals and other payables	7,491	9,677	30,516
Other tax payables	7,155	13,835	13,910
Consideration payable to the original shareholder on acquisition of subsidiaries	—	—	8,000
Total	907,703	811,205	1,208,991

Our amounts due to related parties represents cash advances from our related parties from time to time, which were non-trade in nature, interest-free, unsecured and repayable on demand. Such balance will be fully settled prior to the [REDACTED]. Receipts on behalf of residents primarily represents utility payments we collected from residents on behalf of the utility service providers. Deposits and temporary receipts from property owners represent mainly deposits we collected from property owners associated with their home renovation to insure against any potential damage caused by their construction projects. The continuous increase in both receipts on behalf of residents and deposits and temporary receipts from property owners throughout the Track Record Period was in line with the increase in our GFA under management.

For details of our amounts due to related parties, see "— Related Party Balances" in this section.

Contract Liabilities

Our contract liabilities primarily represent the advance payments made by the customers for our property management services. Our contract liabilities remained stable at RMB52.0 million and RMB54.1 million as of December 31, 2017 and 2018, respectively, and increased to RMB77.0 million as of December 31, 2019, which was mainly driven by the increase in our GFA under management.

In 2017, 2018 and 2019, the amount of revenue recognized from the contract liabilities at the beginning of corresponding year was RMB43.8 million, RMB49.1 million and RMB51.0 million, respectively.

Related Party Balances

The following table sets forth the breakdown of our related party balances as of the dates indicated:

	As of December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Prepayments and receivables from related parties			
Trade receivables			
— Fellow subsidiaries	105,663	209,986	393,985
— Joint ventures of KWG Holdings	33,023	40,001	46,716
— Associates of KWG Holdings	—	1,627	8,845
	138,686	251,614	449,546
Prepayments and other receivables			
— Fellow subsidiaries	7,423	8,961	12,019
— Joint ventures of KWG Holdings	608,167	555,938	549,671
— Other related parties	3	3	44
	615,593	564,902	561,734
Payables to related parties			
Trade payables			
— Fellow subsidiaries	1,240	2,153	9,521
— Joint ventures of KWG Holdings	7,117	4,554	9,409
	8,357	6,707	18,930
Other payables			
— Fellow subsidiaries	305,270	394,445	792,362
— Joint ventures of KWG Holdings	432,451	195,643	25,431
— Other related parties	—	—	1,130
	737,721	590,088	818,923
Contract liabilities			
— Fellow subsidiaries	5,497	3,611	53
— Joint ventures of KWG Holdings	—	—	11,029
	5,497	3,611	11,082

Our trade receivables attributable to related parties amounted to RMB138.7 million, RMB251.6 million and RMB449.5 million as of December 31, 2017, 2018 and 2019, respectively, which primarily related to the provision of residential property management services and commercial property management and commercial operation services to our fellow subsidiaries and joint ventures and associates of our ultimate holding company. Our trade payables attributable to our related parties amounted to RMB8.4 million, RMB6.7 million and RMB18.9 million as of December 31, 2017, 2018 and 2019, respectively, which were related to rental and IT services provided by our fellow subsidiaries and joint ventures of our ultimate holding company. Our Directors have confirmed that the corresponding provision of services, rental and licensing transactions between our related parties and us were conducted on normal commercial terms and on an arm's length basis.

Our amounts due from or to related parties included as part of our prepayment and other receivables and other payables, respectively, were of non-trade nature, which primarily relate to the advances to and from our related parties. Such balances were unsecured, interest-free, and repayable on demand, and will be settled before the [REDACTED].

For further details, see "Accountants' Report — Notes to the Historical Financial Information — 29. Related Party Transactions" in Appendix I to this document.

NET CURRENT ASSETS

The following table sets forth a summary of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30, 2020
	2017	2018	2019	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Trade receivables	215,185	326,765	567,272	621,006
Prepayments, other receivables and other assets	684,236	657,709	704,553	743,160
Restricted cash	28,976	30,077	18,652	16,281
Cash and cash equivalents	253,505	175,990	416,765	423,466
Total current assets	1,181,902	1,190,541	1,707,242	1,803,913
Current liabilities				
Trade payables	98,501	127,807	176,533	117,148
Other payables and accruals	907,703	811,205	1,208,991	1,295,159
Contract liabilities	52,001	54,062	76,960	79,661
Lease liabilities	1,319	1,999	3,279	2,925
Tax payable	15,091	18,470	72,004	77,518
Total current liabilities	1,074,615	1,013,543	1,537,767	1,572,411
Net current assets	107,287	176,998	169,475	231,502

We recorded net current assets of RMB107.3 million, RMB177.0 million, RMB169.5 million and RMB231.5 million as of December 31 2017, 2018 and 2019 and April 30, 2020, respectively.

Our net current assets increased from RMB107.3 million as of December 31, 2017 to RMB177.0 million as of December 31, 2018, primarily attributable to (i) an increase in trade receivables of RMB111.6 million; and (ii) a decrease in other payables and accruals of RMB96.5 million, partially offset by a decrease in cash and cash equivalents by RMB77.5 million.

Our net current assets remained stable at RMB177.0 million and RMB169.5 million as of December 31, 2018 and 2019, respectively, (i) an increase in other payables and accruals of RMB397.8 million; (ii) an increase in tax payable of RMB54.0 million and (iii) an increase in trade payables of RMB48.7 million, partially offset by (i) an increase in trade receivables of RMB240.5 million; and (ii) an increase in cash and cash equivalents of RMB240.8 million.

Our net current assets increased from RMB169.5 million as of December 31, 2019 to RMB231.5 million as of April 30, 2020, primarily attributable to (i) an increase in trade receivables of RMB53.7 million; (ii) an increase in prepayments, other receivables and other assets of RMB38.6 million; and (iii) a decrease in trade payables of RMB59.4 million, partially offset by an increase in other payables and accruals of RMB86.2 million.

INDEBTEDNESS

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of April 30, 2020
	2017	2018	2019	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Lease liabilities	1,319	1,999	3,279	2,925
Non-current				
Lease liabilities	2,146	1,910	4,727	5,549
Total	3,465	3,909	8,006	8,474

As of December 31, 2017, 2018 and 2019, we did not have any bank borrowings. As of April 30, 2020, being the most recent practicable date for this indebtedness statement, we did not have any unutilized banking facilities. Our Directors have confirmed that there was no material adverse change in our Group's indebtedness since April 30, 2020 and up to the Latest Practicable Date.

As of December 31, 2017, 2018 and 2019 and April 30, 2020, we had financial guarantee contracts not recognized in the financial statements amounted to RMB1,500 million, RMB1,482 million, RMB1,456 million and RMB1,456 million, respectively, which represented the amount of guarantees given to the banks in connection with the bank loans granted to one of our fellow subsidiaries. As of December 31, 2017, 2018 and 2019, the amount of such bank loans amounted to RMB1,500 million, RMB1,482 million, RMB1,456 million and RMB1,456 million, respectively, which were jointly guaranteed by one of our subsidiaries and KWG Holdings and secured by certain properties held by KWG Group and certain of our cash at bank.

As of April 30, 2020, being the most recent practicable date for this indebtedness statement, save as disclosed, we did not have any outstanding debt securities, bank overdrafts, borrowings, indebtedness, mortgages, debentures, hire purchase commitments or guarantees.

We are not currently involved in any significant litigation. Save as disclosed above, as of April 30, 2020, being the most recent practicable date for our statement of indebtedness, we did not have any bank loans or other borrowings, or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date. Our Directors have confirmed that there was no material adverse change in our Group's contingent liabilities since April 30, 2020 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically financed our operations through internal resources. As of December 31, 2019, we had cash and cash equivalents of RMB416.8 million to fund our future working capital, capital expenditure and other cash requirements.

Our future cash requirements will depend on many factors, including our operating income and capital expenditure on expansion of our operations.

Following completion of the [REDACTED], we expect to fund our future working capital, capital expenditure and other cash requirements from our internal resources and the estimated net proceeds from the [REDACTED]. Our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to the prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all. We did not experience any liquidity shortage during the Track Record Period.

Working Capital Sufficiency

After taking into consideration the financial resources available to our Group, including our bank balances and cash on hand, operating cash flows and the estimated net proceeds from the [REDACTED], and in the absence of unforeseeable circumstances, our Directors confirm that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

SUMMARY OF OUR CASH FLOWS

The following table sets forth a summary of our combined statements of cash flows for the periods indicated:

	For the year ended December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	61,442	112,145	280,966
Net cash from operating activities	61,011	70,320	259,405
Net cash (used in)/from investing activities	(196,261)	288,959	(14,947)
Net cash from/(used in) financing activities	27,507	(436,794)	(3,683)
Net (decrease)/increase in cash and cash equivalents	(107,743)	(77,515)	240,775
Cash and cash equivalents at the beginning of the year	361,248	253,505	175,990
Cash and cash equivalents at the end of the year	253,505	175,990	416,765

Cash Flows in Relation to our Operating Activities

During the Track Record Period, the cash inflows from our operating activities were primarily derived from provision of our residential property management services and commercial property management and operational services, while the cash outflows for our operating activities were primarily attributable to (i) the payment of staff costs and subcontracting costs; (ii) payment for purchases of materials and services; and (iii) payments for other working capital needs. Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade payables to suppliers during the ordinary course of our business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

Year Ended December 31, 2019

In 2019, we had net cash generated from operating activities of RMB259.4 million, primarily as a result of operating cash flows before movement in working capital of RMB281.0 million, offset by income tax paid of RMB23.6 million and an increase in working capital of RMB0.9 million. The increase in working capital during the year was primarily attributable to (i) the increase in other payables and accruals mainly as a result of the increase in amounts due to our related parties; (ii) the increase in trade payables as a result of our business expansion; partially offset by (iii) the increase in trade receivables mainly due to the expansion of our business.

Year Ended December 31, 2018

In 2018, we had net cash generated from operating activities of RMB70.3 million, primarily as a result of operating cash flows before movement in working capital of RMB112.1 million, offset by income tax paid of RMB23.4 million and a decrease in working capital of RMB19.4 million. The decrease in working capital during the year was primarily attributable to (i) the increase in trade receivables as a result of the increase in trade receivables from our related parties; (ii) the increase in prepayments, other receivables and other assets as a result of the increase in payments on behalf of property owners due to the expansion of our business; partially offset by (iii) the increase in other payables and accruals as a result of our business expansion.

Year Ended December 31, 2017

In 2017, we had net cash generated from operating activities of RMB61.0 million, primarily as a result of operating cash flows before movement in working capital of RMB61.4 million, offset by income tax paid of RMB4.5 million.

Cash Flows in Relation to our Investing Activities

During the Track Record Period, the cash inflows from our investing activities were primarily derived from the repayment from our related parties, proceeds from disposal of property, plant and equipment and cash acquired from acquisition of a subsidiary, while the cash outflows for our investing activities were primarily attributable to the cash advances made to our related parties, payment for purchases of property, plant and equipment and intangible assets and capital injection to an associate.

Year Ended December 31, 2019

In 2019, we had net cash used in investing activities of RMB14.9 million, which was primarily attributable to the cash advances made to our related parties, partially offset by the repayment from our related parties and cash acquired from the acquisition of a subsidiary in 2019.

Year Ended December 31, 2018

In 2018, we had net cash generated from investing activities of RMB289.0 million, which was primarily attributable to the repayment of advances from our related parties, partially offset by the advances made to our related parties.

Year Ended December 31, 2017

In 2017, we had net cash used in investing activities of RMB196.3 million, which was primarily attributable to advances made to our related parties, partially offset by the payments for purchase of property, plant and equipment.

Cash Flows in Relation to our Financing Activities

During the Track Record Period, the cash inflows from our financing activities were primarily derived from the repayment of cash advances to our related parties, while the cash outflows for our financing activities were primarily attributable to cash advances from our related parties and payments for lease contracts.

Year Ended December 31, 2019

In 2019, we had net cash used in financing activities of RMB3.7 million, which was primarily attributable to repayment of cash advances and payment for lease contracts, partially offset by cash advances from related parties.

Year Ended December 31, 2018

In 2018, we had net cash used in financing activities of RMB436.8 million, which was primarily attributable to the repayment of cash advances to related parties, partially offset by the cash advances from our related parties.

Year Ended December 31, 2017

In 2017, we had net cash from financing activities of RMB27.5 million, which was primarily attributable to the cash advances from our related parties.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

The table below sets forth the amount of capital expenditure, including assets related to the acquisition of Gangyu Enterprise, incurred during the Track Record Period:

	For the year ended December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Addition to:			
Property, plant and equipment	1,641	2,297	2,852
Right-of-use assets	1,656	2,927	7,281
Other intangible assets	2,726	—	100,316

We financed our capital expenditure primarily through our cash flow generated from operating activities. The total estimated capital expenditure to be incurred for 2020 is expected to be RMB8.1 million, mainly attributable to the purchase of property, plant and equipment and intangible assets. Our principal sources of funds for the capital expenditure for 2020 is our operating cash flow.

Commitments

We did not have any material capital commitment as of December 31, 2017, 2018 and 2019, respectively.

RELATED PARTY TRANSACTIONS

We entered into certain related party transactions during the Track Record Period. For further details, see "Accountants' Report — Notes to the Historical Financial Information — 29. Related Party Transaction" in Appendix I to this document. Our Directors have confirmed that these transactions were conducted on normal commercial terms and on arm's length basis and did not have a material impact on our results of operations during the Track Record Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments and transactions.

[REDACTED] EXPENSES

The total estimated [REDACTED] expenses in connection with the [REDACTED], including [REDACTED] commission, is approximately [REDACTED] (based on the mid-point of the indicative [REDACTED] range of HK$[REDACTED] per Share and assuming no [REDACTED] will be exercised), of which (i) [REDACTED] has been charged to our combined statements of profit or loss in 2019, (ii) approximately [REDACTED] is expected to be charged to our combined statements of profit or loss for the year ending December 31, 2020; and (iii) approximately [REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. Our Directors do not expect that our [REDACTED] expenses will have a material adverse impact on our financial performance for the year ending December 31, 2020.

Our Directors would like to emphasize that the estimated amount of [REDACTED] expenses disclosed above is for reference only. The final amount of [REDACTED] expenses in relation to the [REDACTED] to be recognized in our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2020 will be subject to adjustment based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending December 31, 2020 is expected to be adversely affected by non-recurring [REDACTED] expenses, and may or may not be comparable to the financial performance of our Group in the past.

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,		
	2017	2018	2019
Financial metrics			
Return on assets[(1)]	4.6%	6.6%	11.6%
Return on equity[(2)]	45.0%	49.8%	61.9%
Current ratio[(3)]	1.10	1.17	1.11
Liabilities to assets ratio[(4)]	0.90	0.84	0.80

Notes:

(1) Return on assets is calculated based on our profit for the year divided by our average total assets as of the beginning and the end of the corresponding years and multiplied by 100%.

(2) Return on equity is calculated based on our profit for the year divided by our average total equity as of the beginning and the end of the corresponding years and multiplied by 100%.

(3) Current ratio is calculated based on our total current assets as of the end of the relevant years divided by our total current liabilities as of the end of the corresponding years.

(4) Liabilities to assets ratio is calculated based on our total liabilities as of the end of the relevant years divided by our total assets as of the end of the corresponding years.

Return on Assets

Our return on assets increased from 4.6% in 2017 to 6.6% in 2018 and 11.6% in 2019, which was primarily attributable to the increase in profit for the respective years mainly driven by our business expansion.

Return on Equity

Our return on equity increased from 45.0% in 2017 to 49.8% in 2018 and 61.9% in 2019, which was the increase in profit for the respective years mainly driven by our business expansion.

Current Ratio

Our current ratio remained stable at 1.10 times, 1.17 times and 1.11 times as of December 31, 2017, 2018 and 2019, respectively.

Liabilities to Assets Ratio

Our liabilities to assets ratio remained stable at 0.90, 0.84 and 0.80 as of December 31, 2017, 2018 and 2019, respectively.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our principal financial instruments comprise cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, which arise directly from our operations. We have other financial assets and liabilities such as lease liabilities.

The main risks arising from our financial instruments are credit risk and liquidity risk. Our overall risk management program focuses on minimizing potential adverse effects of these risks, with material impact, on our financial performance. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Credit Risk

We are exposed to credit risk in relation to our trade receivables, other receivables, cash and cash equivalents and restricted cash. We expect that there is no significant credit risk associated with our cash and cash equivalents and restricted cash since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in China. Our management does not expect that there will be any significant losses from non-performance by these counterparties. We expect that the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligation in the near term. As a result, the impairment provision for the trade receivables and other receivables due from related parties recognized during the Track Record Period was minimal. There are no significant concentration of credit risk within our Group as the customer bases of our trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligation due to shortage of funds. Our exposure to liquidity risk arises primarily from the mismatches of the maturities of financial assets and liabilities. Our objective is to maintain a balance between continuity of funding to finance our working capital needs as well as capital expenditure.

The following analysis the maturity profile of our financial liabilities as of the end of each period of the Track Record Period, which is based on contractual undiscounted payments.

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2017					
Trade payables	14,017	84,484	—	—	98,501
Lease liabilities	—	1,454	1,431	1,320	4,205
Financial liabilities included in other payables and accruals	749,125	114,428	—	—	863,553
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,500,000	—	—	—	1,500,000
	2,263,142	200,366	1,431	1,320	2,466,259
As of December 31, 2018					
Trade payables	29,142	98,665	—	—	127,807
Lease liabilities	—	2,127	1,230	1,200	4,557
Financial liabilities included in other payables and accruals	625,316	125,216	—	—	750,532
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,482,000	—	—	—	1,482,000
	2,136,458	226,008	1,230	1,200	2,364,896
As of December 31, 2019					
Trade payables	24,321	152,212	—	—	176,533
Lease liabilities	—	3,512	4,190	1,080	8,782
Financial liabilities included in other payables and accruals	883,992	185,042	—	—	1,069,034
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,456,000	—	—	—	1,456,000
	2,364,313	340,766	4,190	1,080	2,710,349

We aim to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet our commitments. We are satisfied that our Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future in the normal course of our business.

DIVIDENDS AND DISTRIBUTABLE RESERVE

Our Board is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders for approval at general meetings. A decision to declare any dividends and the amount of such dividends depend on various factors, including our results of operation, cash flows, financial condition, future business prospects, statutory and contractual restrictions on the payment of dividends by us and other factors that our Board considers relevant.

Our Company did not declare any dividends during the Track Record Period. We have no present plan to pay any dividends to our Shareholders in the foreseeable future as we intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the [REDACTED], any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements and economic outlook. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including, in certain circumstances, the approval of our Shareholders.

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company had no reserve available for distribution to the Shareholders as of December 31, 2019.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2019 up to the Latest Practicable Date, we had been contracted with third-party property developers to provide property management services to two property management projects with a total contracted GFA of approximately 329,091 sq.m.

Towards the end of 2019, an outbreak of respiratory illness caused by a novel coronavirus (COVID-19) quickly spread globally and throughout China. In response, measures such as travel restrictions have been imposed in major cities in China, as well as other countries and territories, in an effort to contain the outbreak of the COVID-19. The outbreak has led us to implement various measures in our property management projects to prevent transmission of or mitigate exposure to the disease. We constantly monitor the status of the COVID-19 outbreak, as well as the various regulatory and administrative measures adopted by local governments, to prevent and control the pandemic. Up to Latest Practicable Date, we were not aware of any material adverse effects on our financial statements as a result of the COVID-19 outbreak. For more information, see "Business — Effects of the COVID-19 Outbreak."

After the Track Record Period, for the purpose of expanding our business, we have entered into memorandums of understanding or has been in the process of negotiating with the vendors to acquire the equity interests of certain companies. For more details, see "Waivers from Strict Compliance with the Requirements under the Listing Rules — Post-Track Record Period Acquisitions."

Since December 31, 2019 and up to the Latest Practicable Date, our business remained stable which was in line with the past trends and our expectations. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PRC residential property management service and commercial property management and operational service markets in which we operate that may have a material adverse effect on our business operations and financial position.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, see Appendix II to this document.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please see "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the [REDACTED] which we will receive, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately [REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

We intend to use the net proceeds of the [REDACTED] for the following purposes assuming the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] Range).

- approximately [REDACTED] or [REDACTED], will be used to pursue strategic acquisitions and investment opportunities to further develop strategic alliances, expand our business scale and increase our market shares in residential property management service market and commercial and other non-residential property management and operational service market, among which, (i) approximately [REDACTED] or [REDACTED], will be used to acquire or invest in residential property management service providers in order to scale up our residential management business and expand our residential management service portfolio; (ii) approximately [REDACTED] or [REDACTED], will be used to acquire or invest in commercial and other non-residential property management service providers, such as those managing public facilities such as schools, hospitals and government buildings to strengthen our capacity of serving non-residential properties and diversify our service portfolio; and (iii) approximately [REDACTED] or [REDACTED], will be used to acquire companies providing property management related services, such as security, cleaning, gardening and maintenance services, to optimize our business structure and achieve synergy effect.

  As of the Latest Practicable Date, we had not identified any acquisition or investment targets for our use of net proceeds from the [REDACTED]. We target companies which meet the following criteria when we evaluate potential investments or acquisitions:

  (i) in respect of residential property management service providers, main criteria generally include (a) a competent management team with extensive experience in property management business; (b) a total GFA of more than one million sq.m. under management; (c) a sound track record, including profitability and legal compliance; and (d) presence in cities with high potential and promising business lines.

  (ii) in respect of commercial property management service providers, main criteria generally include (a) a competent management team with extensive experience in property management business; (b) a total GFA of more than one million sq.m. under management; (c) a sound track record, including profitability and legal compliance; and (d) presence in cities with high potential and promising business lines.

(iii) in respect of companies providing property management related services, main criteria generally include: (a) with services provided in multiple cities and considerable scale; (b) good brand quality, a sound track record and a competent management team with extensive experience in property management business; and (c) presence in cities with high potential and promising business lines.

We intend to further reinforce our leading position in the Greater Bay Area and broaden our geographic coverage to Yangtze River Delta, Beijing-Tianjin-Hebei metropolitan clusters, major cities along the Yangtze River and cities that benefit from the Go-West Campaign (西部大開發) in China. It is estimated that such proposed investments or acquisitions will be completed within one to three years, and detailed time frame will depend on the actual situation of the potential targets, including their business scales and the proportion of shares we plan to acquire or invest in.

- approximately [REDACTED] or [REDACTED], will be used to upgrade the intelligent service systems in order to further enhance our operational efficiency and service quality, among which, (i) approximately [REDACTED] or [REDACTED], will be used to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things platforms, including upgrading the "Traffic Management Cloud" system (車管雲系統), "Jun" surveillance (駿天眼) system, and the facility remote monitoring and operation management system to enhance the quality of our digital and intelligent management services; and (ii) approximately [REDACTED] or [REDACTED], will be used to further develop and upgrade the intelligent service systems, which will be integrated with other services to further enhance our operational efficiency and service quality, primarily including establishing user big data platform for the purpose of diversifying value-added services. Through data analysis, we will be able to analyze the demands of our residents and provide customized value-added services to our residents according to the demographics in our managed residential communities. It is estimated that such technology upgrades will be completed within one to three years.

- approximately [REDACTED] or [REDACTED], will be used to further diversify our value-added services, among which, (i) approximately [REDACTED] or [REDACTED], will be used for cooperation with companies that provide complementary community products and services, including third-party suppliers that provide food, groceries and household items, and cleaning, housekeeping and home laundry service providers, in order to provide our residents with better customer experience; and (ii) approximately [REDACTED] or [REDACTED], will be used to further develop and promote our value-added services by forming a designated team which utilizes big-data technology to explore potential market demand. For example, if we identify a community that has a significant number of families with children or teenagers, we will recommend family trip packages or study trip packages to the residents in such community. It is estimated that these development efforts will be completed within one to three years.

- approximately [REDACTED] or [REDACTED], will be used for general business purpose and working capital. We expect the demand for working capital to increase as a result of our endogenous growth as well as plans for strategic acquisitions and investments.

The above allocation of the proceeds 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 estimated [REDACTED] range or the [REDACTED] is exercised.

If the [REDACTED] is fixed at [REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, we will receive net proceeds of approximately [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 [REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the net proceeds we receive will be approximately [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 net proceeds ranging from approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per Share, being the low end of the proposed [REDACTED] range) to [REDACTED] (assuming an [REDACTED] of [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 net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

We estimate that (assuming the exercise of the [REDACTED] in full), we will receive net proceeds from the [REDACTED] of approximately [REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by them in the [REDACTED] and assuming an [REDACTED] of [REDACTED] per Share (being the mid-point of the [REDACTED] range set forth on the cover of this document). If the [REDACTED] is fixed at the high end of the indicative [REDACTED] range, being [REDACTED] per Share, the net proceeds we receive from the [REDACTED] will be approximately [REDACTED]. If the [REDACTED] is set at the low end of the indicative [REDACTED] range, being [REDACTED] per Share, the net proceeds we receive from the [REDACTED] will be approximately [REDACTED].

HONG KONG [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] AGREEMENT AND EXPENSES

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] INTEREST IN OUR GROUP

Except as disclosed in this document and the obligations under the [REDACTED] and the [REDACTED] and, if applicable, the Stock Borrowing Agreement, none of the [REDACTED] has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to [REDACTED] for or to nominate persons to [REDACTED] for securities in any member of our Group.

JOINT SPONSORS' INDEPENDENCE

Each of ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited satisfies the independent criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
KWG Living Group Holdings Limited
ABCI Capital Limited
Huatai Financial Holdings (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of KWG Living Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-59, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 (the "Relevant Periods"), the combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and the statement of financial position of the Company as at 31 December 2019 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-3 to I-59 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 the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting 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' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2017, 2018 and 2019, and the financial position of the Company as at 31 December 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Certified Public Accountants
Hong Kong
[REDACTED]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended 31 December		
		2017	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	463,381	659,136	1,124,878
Cost of sales		(359,111)	(476,175)	(705,050)
Gross profit		104,270	182,961	419,828
Other income and gains	*5*	1,984	2,475	5,180
Selling and distribution expenses		(476)	(499)	(921)
Administrative expenses		(45,267)	(75,178)	(164,424)
Other expenses		(2,726)	(4,456)	(10,647)
Finance costs	*7*	(186)	(199)	(351)
Share of (loss)/profit of an associate	*17*	—	(796)	1,939
PROFIT BEFORE TAX	*6*	57,599	104,308	250,604
Income tax expense	*10*	(13,451)	(24,626)	(65,617)
PROFIT FOR THE YEAR		44,148	79,682	184,987
Attributable to:				
Owners of the parent		44,148	79,682	184,887
Non-controlling interests		—	—	100
		44,148	79,682	184,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	*12*	N/A	N/A	N/A

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	44,148	79,682	184,987
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	—	—	(122)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	—	—	(122)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company	—	—	(1)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	—	—	(1)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	—	—	(123)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	44,148	79,682	184,864
Attributable to:			
Owners of the parent	44,148	79,682	184,764
Non-controlling interests	—	—	100
	44,148	79,682	184,864

COMBINED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	As at 31 December		
		2017	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	2,875	3,862	5,016
Right-of-use assets	*14*	3,617	4,311	8,211
Goodwill	*15*	—	—	134,718
Other intangible assets	*16*	—	1,817	81,807
Investment in an associate	*17*	—	4,104	6,043
Deferred tax assets	*18*	9,408	11,715	18,957
Other non-current assets		—	—	192
Total non-current assets		15,900	25,809	254,944
CURRENT ASSETS				
Trade receivables	*19*	215,185	326,765	567,272
Prepayments, other receivables and other assets	*20*	684,236	657,709	704,553
Restricted cash	*21*	28,976	30,077	18,652
Cash and cash equivalents	*21*	253,505	175,990	416,765
Total current assets		1,181,902	1,190,541	1,707,242
CURRENT LIABILITIES				
Trade payables	*22*	98,501	127,807	176,533
Other payables and accruals	*23*	907,703	811,205	1,208,991
Contract liabilities	*5*	52,001	54,062	76,960
Lease liabilities	*14*	1,319	1,999	3,279
Tax payable		15,091	18,470	72,004
Total current liabilities		1,074,615	1,013,543	1,537,767
NET CURRENT ASSETS		107,287	176,998	169,475
TOTAL ASSETS LESS CURRENT LIABILITIES		123,187	202,807	424,419
NON-CURRENT LIABILITIES				
Lease liabilities	*14*	2,146	1,910	4,727
Deferred tax liabilities	*18*	904	1,078	22,264
Total non-current liabilities		3,050	2,988	26,991
Net assets		120,137	199,819	397,428
EQUITY				
Share capital	*24*	—	—	—
Reserves	*25*	120,137	199,819	384,583
Equity attributable to owners of the parent		120,137	199,819	384,583
Non-controlling interests		—	—	12,845
Total equity		120,137	199,819	397,428

COMBINED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the Parent							
	Share capital	Merger reserve*	Statutory surplus funds*	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*
		Note 25(a)	Note 25(b)					
At 1 January 2017	—	7,000	3,514	—	65,475	75,989	—	75,989
Profit for the year	—	—	—	—	44,148	44,148	—	44,148
Transfer to statutory surplus funds	—	—	431	—	(431)	—	—	—
At 31 December 2017	—	7,000	3,945	—	109,192	120,137	—	120,137

Year ended 31 December 2018

	Attributable to owners of the Parent							
	Share capital	Merger reserve*	Statutory surplus funds*	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*
		Note 25(a)	Note 25(b)					
At 1 January 2018	—	7,000	3,945	—	109,192	120,137	—	120,137
Profit for the year	—	—	—	—	79,682	79,682	—	79,682
Transfer to statutory surplus funds	—	—	1,598	—	(1,598)	—	—	—
At 31 December 2018	—	7,000	5,543	—	187,276	199,819	—	199,819

Year ended 31 December 2019

	Attributable to owners of the Parent							
	Share capital	**Merger reserve***	**Statutory surplus funds***	**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*
		Note 25(a)	Note 25(b)					
At 1 January 2019	—	7,000	5,543	—	187,276	199,819	—	199,819
Profit for the year	—	—	—	—	184,887	184,887	100	184,987
Other comprehensive loss for the year:								
Exchange differences on translation into presentation currency	—	—	—	(123)	—	(123)	—	(123)
Total comprehensive income/(loss) for the year	—	—	—	(123)	184,887	184,764	100	184,864
Acquisition of subsidiaries *(note 26)*	—	—	—	—	—	—	13,078	13,078
Transfer to statutory surplus funds	—	—	4,638	—	(4,638)	—	—	—
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(333)	(333)
At 31 December 2019	—	7,000	10,181	(123)	367,525	384,583	12,845	397,428

* *These reserve accounts comprised the reserves of RMB120,137,000, RMB199,819,000 and RMB384,583,000 in the combined statements of financial position as at 31 December 2017, 2018 and 2019, respectively.*

COMBINED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December		
		2017	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		57,599	104,308	250,604
Adjustments for:				
Finance costs	*7*	186	199	351
Share of loss/(profit) of an associate	*17*	—	796	(1,939)
Bank interest income	*5*	(977)	(1,146)	(1,410)
Gain on disposal of items of property, plant and equipment	*5*	(171)	—	(198)
Depreciation of property, plant and equipment	*6*	1,112	1,310	1,687
Depreciation of right-of-use assets	*6*	1,110	2,233	3,381
Amortisation of other intangible assets	*6*	—	909	20,326
Impairment losses on financial assets	*6*	2,583	3,536	8,164
		61,442	112,145	280,966
Increase in trade receivables		(91,415)	(114,090)	(233,439)
Increase in prepayments, other receivables and other assets		(253,734)	(274,534)	(16,652)
Decrease/(increase) in other non-current assets		39	—	(192)
Decrease/(increase) in restricted cash		(28,473)	(1,101)	11,425
Increase in trade payables		42,084	29,306	46,479
Increase in other payables and accruals		329,326	338,965	172,694
Increase in contract liabilities		5,421	2,062	20,621
Cash generated from operations		64,690	92,753	281,902
Interest received		977	1,146	1,410
Interest paid		(186)	(199)	(351)
Income tax paid		(4,470)	(23,380)	(23,556)
Net cash flows from operating activities		61,011	70,320	259,405

	Section II Notes	Year ended 31 December 2017	2018	2019
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(1,855)	(2,596)	(1,612)
Purchase of items of other intangible assets		—	(2,890)	—
Proceeds from disposal of items of property, plant and equipment		204	—	209
Cash advances made to related parties		(223,510)	(35,000)	(29,651)
Repayment from related parties		28,900	334,345	9,000
Acquisition of subsidiaries	26	—	—	7,107
Capital injection in an associate		—	(4,900)	—
Net cash flows from/(used in) investing activities		(196,261)	288,959	(14,947)
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal portion of lease payments	14	(993)	(1,794)	(2,939)
Cash advances from related parties		28,500	3,000	5,089
Repayment of cash advances to related parties		—	(438,000)	(5,500)
Dividends paid to non-controlling shareholders of a subsidiary		—	—	(333)
Net cash flows from/(used in) financing activities		27,507	(436,794)	(3,683)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(107,743)	(77,515)	240,775
Cash and cash equivalents at beginning of the year		361,248	253,505	175,990
CASH AND CASH EQUIVALENTS AT END OF YEAR		253,505	175,990	416,765
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		253,505	175,990	416,765
Cash and cash equivalents as stated in the combined statements of financial position and statements of cash flows		253,505	175,990	416,765

STATEMENT OF FINANCIAL POSITION

	Section II Note	**As at 31 December 2019**
		RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary		—*
Total non-current asset		—*
CURRENT LIABILITIES		
Other payables		83
Total current liabilities		83
NET CURRENT LIABILITIES		(83)
TOTAL ASSET LESS CURRENT LIABILITIES		(83)
Net liabilities		(83)
EQUITY		
Issued capital	*24*	—*
Reserves		(83)
Deficiency in asset		(83)

* *The amount is less than RMB1,000.*

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

KWG Living Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 11 September 2019. Its registered address is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the provision of residential property management services and commercial property management and operational services in the People's Republic of China (the "PRC").

In the opinion of the Company's directors, the ultimate holding company of the Company is Plus Earn Consultants Limited (the "Ultimate Holding Company"), which was incorporated in the British Virgin Islands ("BVI") and it is the immediate and ultimate holding company of KWG Group Holdings Limited ("KWG Holdings"), a company established in the Cayman Islands with its shares listed on the Stock Exchange.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, reorganization and corporate structure" in the Document. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

Certain commercial property management and operational services are also operated by the business units of certain subsidiaries of KWG Holdings not comprising the Group (the "Commercial Business Units"). These Commercial Business Units did not exist as a legal or statutory entity. Upon the completion of the Reorganization, all the commercial property management and operation business of the Commercial Business Units had been transferred to the Group (the "Business Transfer").

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Robust Profit Enterprises Limited	*(1)*	BVI 2 July 2019	US$50,000	100	—	Investment holding
Forever Fame Enterprises Limited	*(1)*	BVI 30 July 2019	US$50,000	—	100	Investment holding
Ever Thriving Developments Limited	*(1)*	BVI 29 October 2018	US$1	—	100	Investment holding
Gorgeous Chance Development Limited	*(2)*	Hong Kong 20 July 2018	HK$1	—	100	Investment holding
KWG Living Group (Hong Kong) Company Limited	*(3)*	Hong Kong 12 September 2019	HK$1	—	100	Investment holding

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Guangzhou Ningjun Property Management Company Limited#	*(4)*	PRC/Mainland China 13 May 2004	RMB70,000,000	—	100	Property Management
Guangdong Hejing Youhuo Holdings Group Co., Ltd.#^	*(3)*	PRC/Mainland China 17 October 2019	RMB50,000,000	—	100	Business services
Guangzhou Guanli Property Agency Company Limited.#	*(5)*	PRC/Mainland China 7 March 2019	RMB1,000,000	—	100	Real estate intermediary business
Guangzhou Liheng Commercial Management Company Limited.#	*(3)*	PRC/Mainland China 20 June 2019	RMB100,000,000	—	100	Commercial operational services
Meishan Jiangtianyue Property Management Co., Ltd.#	*(3)*	PRC/Mainland China 17 October 2019	RMB5,000,000	—	100	Property Management
Guangzhou Lijun Property Management Company, Limited.#	*(3)*	PRC/Mainland China 26 June 2019	RMB100,000,000	—	100	Property Management
Guangzhou Fuxin Property Management Co., Ltd.#	*(6)*	PRC/Mainland China 23 June 2003	RMB7,000,000	—	100	Property Management
Guangzhou Fuyu Property Management Services Company Limited.#	*(3)*	PRC/Mainland China 9 January 2019	RMB10,000,000	—	100	Property Management
Guangdong Gangyu Enterprise Management Co., Ltd.#	*(7)*	PRC/Mainland China 15 January 2019	RMB5,000,000	—	100	Business services
Guangzhou Yijia Chuangsheng Property Management Co., Ltd.#	*(7)*	PRC/Mainland China 13 July 2000	RMB20,000,000	—	100	Property Management

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Foshan Xingyu Property Management Co., Ltd.#	*(7)*	PRC/Mainland China 3 December 2008	RMB500,000	—	60	Property Management

\# *The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.*

^ *This entity is registered as a wholly-foreign-owned enterprise under the PRC law.*

(1) No audited financial statements have been prepared and issued for these entities as they are not subject to any statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.

(2) This entity was established in 2018 and has not appointed an auditor to issue an audit report to the statutory financial statements for the years ended 31 December 2018 and 2019.

(3) These entities were established in 2019 and have not appointed an auditor to issue an audit report to the statutory financial statements for the period from their dates of incorporation/establishment to 31 December 2019.

(4) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC generally accepted accounting principles ("PRC GAAP") and regulations have been audited by Beijing Xinghua Certificated Public Accountants LLP. The statutory financial statements of the entity for the years ended 31 December 2018 and 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangdong Hongjian Accounting Firm Co., Ltd.

(5) The statutory financial statements of this entity for the period from its date of incorporation 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Beijing Zhongruicheng Accounting Firm Co., Ltd.

(6) The statutory financial statements of this entity for the year ended 31 December 2017 prepared in accordance with PRC GAAP and regulations have been audited by Zhongtianyun Accounting Firm Co., Ltd. The statutory financial statements of this entity for the years ended 31 December 2018 and 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangdong Hongjian Accounting Firm Co., Ltd.

(7) These entities were acquired by the Group in 2019. The statutory financial statements of these entities for the year ended 31 December 2019 prepared in accordance with PRC and regulations have been audited by Guangdong Hongjian Accounting Firm Co., Ltd.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, reorganization and corporate structure" in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 5 March 2020. The companies now comprising the Group and the Commercial Business Units were under the common control of the Ultimate Holding Company before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization and Business Transfer had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group and the Commercial Business Units from the earliest date presented or since the date when the subsidiaries and the Commercial Business Units first came under the common control of the Ultimate Holding Company, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2017, 2018 and 2019 have been prepared to present the assets and liabilities of the subsidiaries and the Commercial Business Units using the existing book values from the Ultimate Holding Company's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization and Business Transfer.

Equity interests in subsidiaries held by parties other than the Ultimate Holding Company, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 16	*Covid-19-Related Rent Concession*[2]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the relevant periods presented. HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from contracts with customers" are effective for annual periods beginning on or after 1 January 2018 and HKFRS 16 "Leases" is effective for annual periods beginning on or after 1 January 2019, respectively, and earlier adoption is permitted. The Group has applied HKFRS 9, HKFRS 15 and HKFRS 16 consistently throughout the Relevant Periods.

Subsidiaries

A subsidiary is an entity (including a structured entity) directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the combined statement of profit or loss and combined other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in the associate.

Business combinations other than those under common control and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings (excluding the right-of-use assets)	5% to 33%
Plant and machinery	10% to 33%
Furniture and office equipment	18% to 33%
Motor vehicles (excluding the right-of-use assets)	10% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 years.

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 2 years.

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

The Group assesses at contract inception 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the buildings and motor vehicles) are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset 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. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 17 years
Motor vehicles	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). 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. Lease payments on short-term leases and leases of low-value assets that are not capitalised are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, 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 between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Residential property management services

The Group provides residential property management services, pre-sale management services and community value-added services related to the residential properties to property developers, property owners, property owners' associations or residents.

(i) For residential property management services, the Group bills a fixed amount for services provided on a monthly or quarterly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(ii) Pre-sale management services mainly includes cleaning, security and maintenance services for pre-sale display units and sales offices to property developers at the pre-delivery stage. The Group agrees the price for each service with the property developers upfront, issues the monthly bill to the property developers which varies based on the actual level of service completed in that month, and recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(iii) For community value-added services, such as resident services and property agency services to property developer, revenue is recognised when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

Commercial property management and operational services

The Group provides commercial property management services, pre-sale management services, commercial operational service and other value-added services related to the commercial properties, including office buildings and shopping malls, to property developers, owners of the commercial properties or tenants.

(i) The Group enters into commercial property management service contracts with property owners or tenants, pursuant to which the Group provide commercial property management services including file management, cleaning, security and maintenance services.

For the provision of commercial property management services to property owners or tenants at the operation stage of the commercial properties, the Group recognised the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group and all the related management costs as its cost of services.

(ii) The Group enters into pre-sale management services with property developers or owners of the commercial properties, pursuant to which the Group provides cleaning, security and maintenance services for pre-sale display units and sales offices at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) The Group enters into commercial operational service contracts with property developers or owners of office buildings and shopping malls, pursuant to which the Group provides the following services:

- preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services to property owners during the preparation stage; and
- commercial operational services during the operation stage, including tenant management services.

Revenue in respect of provision of preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services was recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For commercial operational services during the operational stage, the Group bills a service fee based on net basis with respect to shopping malls or a profit mark-up on top of cost with respect to office building.

(iv) The Group provides other value-added services mainly including car parks, advertising spaces and common area management services.

When the Group leases car parks from property developers, and operate the leased car parks, revenue is recognised when the related service are rendered. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under a commission basis, the Group recognises the revenue, which is calculated by a certain percentage of the total property management fee received or receivable from the properties units on behalf of the property owners, for arranging and monitoring the services as provided by other suppliers to the property owners.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the financial periods.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company, and certain of its Hong Kong and overseas subsidiaries are Hong Kong dollar ("HKD"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the combined statement of cash flows, the cash flows of the Company, and its Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout each of the Relevant Periods are translated into RMB at the weighted average exchange rates for each of the Relevant Periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 19, 20 and 32 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as below:

(a) Residential property management services; and

(b) Commercial property management and operational services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain administrative expenses, other income and gains, other expenses and losses, finance costs and income tax expense are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as there information are not regularly provided to the management for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Residential property management services	Commercial property management and operational services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2017			
Segment revenue	345,169	118,212	463,381
Segment result	34,326	28,608	62,934
Reconciliation:			
Unallocated operating costs			(4,407)
Other income and gains			1,984
Other expenses			(2,726)
Finance costs			(186)
Profit before tax			57,599
Income tax			(13,451)
Profit for the year			44,148
Other segment information			
Depreciation of property, plant and equipment	972	140	1,112
Depreciation of right-of-use assets	—	—	1,110
Impairment losses/(write-back of impairment) on trade receivables	1,971	(40)	1,931
Impairment losses on other receivables	368	284	652
Capital expenditure*	1,862	335	2,197
Unallocated amounts of capital expenditure			1,100
			3,297

	Residential property management services	Commercial property management and operational services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2018			
Segment revenue	428,107	231,029	659,136
Segment result	46,310	68,564	114,874
Reconciliation:			
Unallocated operating costs			(7,590)
Other income and gains			2,475
Other expenses			(4,456)
Finance costs			(199)
Share of loss of an associate		(796)	(796)
Profit before tax			104,308
Income tax			(24,626)
Profit for the year			79,682
Other segment information			
Share of loss of an associate	—	796	796
Depreciation of property, plant and equipment	1,100	210	1,310
Depreciation of right-of-use assets	—	—	2,233
Impairment losses on trade receivables	2,401	109	2,510
Impairment losses on other receivables	363	663	1,026
Capital expenditure*	3,689	437	4,126
Unallocated amounts of capital expenditure			3,824
			7,950

	Residential property management services	Commercial property management and operational services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Segment revenue	759,234	365,644	1,124,878
Segment result	136,674	128,267	264,941
Reconciliation:			
Unallocated operating costs			(10,458)
Other income and gains			5,180
Other expenses			(10,647)
Finance costs			(351)
Share of profit of an associate		1,939	1,939
Profit before tax			250,604
Income tax			(65,617)
Profit for the year			184,987
Other segment information			
Share of profit of an associate	—	1,939	1,939
Depreciation of property, plant and equipment	1,369	318	1,687
Depreciation of right-of-use assets	—	—	3,381
Impairment losses on trade receivables	6,462	251	6,713
Impairment losses on other receivables	531	920	1,451
Capital expenditure*	2,711	512	3,223
Unallocated amounts of capital expenditure			107,226
			110,449

* *Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and other intangible assets including additions from the acquisition of subsidiaries.*

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

Information about major customers

For the years ended 31 December 2017, 2018 and 2019, RMB97,295,000, RMB204,644,000 and RMB406,455,000 of revenue were derived from KWG Holdings and its subsidiaries (other than the Group) (collectively "KWG Group"), respectively.

5. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES

Revenue comprised proceeds from residential property management services and commercial property management and operational services during the Relevant Periods. An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Types of services by segment			
Residential property management services			
Pre-sale management services	75,944	123,588	221,810
Property management services	253,709	287,034	382,047
Community value-added services	15,516	17,485	155,377
	345,169	428,107	759,234
Commercial property management and operational services			
Pre-sale management services	13,339	12,930	21,342
Property management services	66,803	150,730	259,766
Commercial operational services	28,392	44,707	42,570
Other value-added services	9,678	22,662	41,966
	118,212	231,029	365,644
Total revenue from contracts with customers	463,381	659,136	1,124,878

Timing of revenue recognition

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers recognised over time	438,187	618,989	927,535
Revenue from contracts with customers recognised at a point in time	25,194	40,147	197,343
Total	463,381	659,136	1,124,878

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Third parties	46,504	50,451	65,878
Related parties *(note 29)*	5,497	3,611	11,082
Contract liabilities	52,001	54,062	76,960

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities in 2019 was mainly due to the increase in short team advances received from customers in relation to the provision of property managements services at the end of that year.

The following table shows the revenue recognised during the Relevant Periods related to carried-forward contract liabilities:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year:			
Residential property management services	41,277	44,363	38,756
Commercial property management and operational services	2,511	4,694	12,247
	43,788	49,057	51,003

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

For residential property management services and commercial property management and operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Bank interest income	977	1,146	1,410
Government grants	—	—	219
Gain on disposal of items of property, plant and equipment	171	—	198
Late penalty income	502	708	1,131
Tax incentives on value-added tax	—	228	1,836
Others	334	393	386
	1,984	2,475	5,180

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Section II Notes	Year ended 31 December		
		2017	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*
Cost of services provided		359,111	476,175	705,050
Depreciation of property, plant and equipment	*13*	1,112	1,310	1,687
Depreciation of right-of-use assets	*14*	1,110	2,233	3,381
Amortisation of other intangible assets	*16*	—	909	20,326
[REDACTED] expenses		—	—	[REDACTED]
Auditors' remuneration		1,135	468	109
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):				
Wages and salaries		188,794	254,237	432,731
Pension scheme contribution		20,361	26,387	31,494
		209,155	280,624	464,225
Impairment losses on financial assets:				
— Trade receivables	*19*	1,931	2,510	6,713
— Other receivables	*20*	652	1,026	1,451
Rental expense				
— short-term leases		10,180	10,847	23,022
— low-value leases		—	—	27

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(note 14)*	186	199	351

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Kong Jiannan was appointed as a director on 11 September 2019.

Subsequent to the end of the Relevant Periods, Mr. Kong Jiannan was re-designed as an executive director and chief executive officer on 19 June 2020. Mr. Wang Yue and Ms. Yang Jingbo were appointed as executive directors of the Company on 19 June 2020, respectively. Mr. Kong Jianmin was appointed as a non-executive director of the Company on 19 June 2020.

During the Relevant Periods, Mr. Wang Yue received remuneration from a subsidiary now comprising the Group for his appointment as a senior management of the subsidiary. The remuneration received by him during the Relevant Periods is set out below:

Director's remuneration for the Relevant Periods is as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Fees:			
Directors	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	—	743	1,089
Pension scheme contributions	—	46	56
	—	789	1,145

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, Ms. Liu Xiaolan, Mr. Fung Che Wai, Anthony and Ms. Ng Yi Kum were appointed as independent non-executive directors of the Company on [Date]. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2017

For the year ended 31 December 2017 none of the Company's directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or senior management of these subsidiaries.

Year ended 31 December 2018

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Mr. Wang Yue	743	46	789

Year ended 31 December 2019

	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Mr. Wang Yue	1,089	56	1,145

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	3,074	3,629	4,790
Pension scheme contributions	145	124	174
	3,219	3,753	4,964

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2017	2018	2019
Nil to HK$1,000,000	4	3	—
HK$1,000,001 to HK$1,500,000	1	1	2
HK$1,500,001 to HK$2,000,000	—	—	2
	5	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the Relevant Periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

Nanning Branch of Guangzhou Ningjun Property Management Co., Ltd. was recognised as an encouraged enterprise in the Western Development Area and was subject to a preferential income tax rate of 15% for the Relevant Periods.

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current	15,121	26,759	73,651
Deferred *(note 18)*	(1,670)	(2,133)	(8,034)
Total tax charge for the year	13,451	24,626	65,617

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate of each of the Relevant Periods is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	57,599	104,308	250,604
Tax at the statutory tax rate (25%)	14,400	26,077	62,651
Lower tax rates for specific provinces	(1,131)	(1,688)	(944)
Expense not deductible for tax	182	237	939
Income not subject to tax	—	—	(6)
Tax due to the Reorganization	—	—	2,977
Tax charge for the year	13,451	24,626	65,617

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017					
At 1 January 2017:					
Cost	105	330	4,612	1,847	6,894
Accumulated depreciation	(40)	(88)	(3,072)	(1,315)	(4,515)
Net carrying amount	65	242	1,540	532	2,379
At 1 January 2017, net of accumulated depreciation	65	242	1,540	532	2,379
Additions	93	117	1,240	191	1,641
Disposals	(3)	—	—	(30)	(33)
Depreciation provided during the year	(29)	(47)	(826)	(210)	(1,112)
At 31 December 2017, net of accumulated depreciation	126	312	1,954	483	2,875
At 31 December 2017:					
Cost	195	447	5,846	1,913	8,401
Accumulated depreciation	(69)	(135)	(3,892)	(1,430)	(5,526)
Net carrying amount	126	312	1,954	483	2,875

	Buildings	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018					
At 1 January 2018					
Cost	195	447	5,846	1,913	8,401
Accumulated depreciation	(69)	(135)	(3,892)	(1,430)	(5,526)
Net carrying amount	126	312	1,954	483	2,875
At 1 January 2018, net of accumulated depreciation	126	312	1,954	483	2,875
Additions	52	276	1,472	497	2,297
Depreciation provided during the year	(40)	(78)	(1,017)	(175)	(1,310)
At 31 December 2018, net of accumulated depreciation	138	510	2,409	805	3,862
At 31 December 2018:					
Cost	247	723	7,318	2,410	10,698
Accumulated depreciation	(109)	(213)	(4,909)	(1,605)	(6,836)
Net carrying amount	138	510	2,409	805	3,862
31 December 2019					
At 1 January 2019:					
Cost	247	723	7,318	2,410	10,698
Accumulated depreciation	(109)	(213)	(4,909)	(1,605)	(6,836)
Net carrying amount	138	510	2,409	805	3,862
At 1 January 2019, net of accumulated depreciation	138	510	2,409	805	3,862
Additions	162	248	734	280	1,424
Acquisitions of subsidiaries *(note 26)*	600	34	501	293	1,428
Disposals	—	—	(11)	—	(11)
Depreciation provided during the year	(126)	(137)	(1,130)	(294)	(1,687)
At 31 December 2019, net of accumulated depreciation	774	655	2,503	1,084	5,016
At 31 December 2019:					
Cost	1,009	1,005	8,538	2,983	13,535
Accumulated depreciation	(235)	(350)	(6,035)	(1,899)	(8,519)
Net carrying amount	774	655	2,503	1,084	5,016

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 6 months and 17 years, while motor vehicles generally have lease terms for 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and their movements during the Relevant Periods are as follows:

	Right-of-use assets			
	Buildings	**Motor vehicles**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	3,071	—	3,071	3,004
New leases	1,656	—	1,656	1,454
Depreciation charge	(1,110)	—	(1,110)	—
Accretion of interest recognised during the year	—	—	—	186
Payments	—	—	—	(1,179)
At 31 December 2017	3,617	—	3,617	3,465
At 1 January 2018	3,617	—	3,617	3,465
New leases	2,927	—	2,927	2,238
Depreciation charge	(2,233)	—	(2,233)	—
Accretion of interest recognised during the year	—	—	—	199
Payments	—	—	—	(1,993)
At 31 December 2018	4,311	—	4,311	3,909
At 1 January 2019	4,311	—	4,311	3,909
New leases	44	—	44	35
Acquisitions of subsidiaries *(note 26)*	7,128	109	7,237	7,001
Depreciation charge	(3,319)	(62)	(3,381)	—
Accretion of interest recognised during the year	—	—	—	351
Payments	—	—	—	(3,290)
At 31 December 2019	8,164	47	8,211	8,006

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities analysed into:			
current portion	1,319	1,999	3,279
non-current portion	2,146	1,910	4,727
Total	3,465	3,909	8,006

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	186	199	351
Depreciation charge of right-of-use assets	1,110	2,233	3,381
Expense relating to short-term leases	10,180	10,847	23,022
Expense relating to leases of low-value assets	—	—	27
Total amount recognised in profit or loss	11,476	13,279	26,781

(c) The total cash outflow for leases is disclosed in note 27(c) to the Historical Financial Information.

15. GOODWILL

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year:			
Cost	—	—	—
Acquisition of subsidiaries *(note 26)*	—	—	134,718
Cost and net carrying amount at end of the year	—	—	134,718

During the year ended 31 December 2019, the Group acquired Guangdong Gangyu Corporate Management Co., Ltd. ("Guangdong Gangyu") and its subsidiaries from independent third parties, which is engaged in provision of property management services. Details of the acquisition are disclosed in note 26 to the Historical Financial Information.

Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level and allocated to the residential property management cash-generating unit (the "Residential CGU") and commercial property management and operational services cash-generating unit (the "Commercial CGU") for impairment testing.

The recoverable amount of the Residential CGU and Commercial CGU has been determined based on a value in use calculation using cash flow projection based on financial budget covering a five-year period approved by senior management.

Assumptions were used in the value in use calculation of the Residential CGU and Commercial CGU. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

As at 31 December 2019

CGU	Principal business	Goodwill	Terminal growth rate	Pre-tax discount rate
Residential	Residential property management	111,150	13%	17.49%
Commercial	Commercial property management and operational services	23,568	13%	17.47%

Terminal growth rate — The growth rate used to extrapolate the cash flows of the Residential CGU and Commercial CGU beyond the five-year period is 3%.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the above CGUs and discount rate are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Property management contracts	Customer relationship	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018				
At 1 January 2018, net of accumulated amortisation	—	—	—	—
Additions	—	—	2,726	2,726
Amortisation provided during the year	—	—	(909)	(909)
At 31 December 2018	—	—	1,817	1,817
At 31 December 2018:				
Costs	—	—	2,726	2,726
Accumulated amortisation	—	—	(909)	(909)
Net carrying amount	—	—	1,817	1,817
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	—	—	1,817	1,817
Acquisitions of subsidiaries *(note 26)*	27,857	72,390	69	100,316
Amortisation provided during the year	(12,767)	(6,636)	(923)	(20,326)
At 31 December 2019	15,090	65,754	963	81,807
At 31 December 2019:				
Costs	27,857	72,390	1,886	102,133
Accumulated amortisation	(12,767)	(6,636)	(923)	(20,326)
Net carrying amount	15,090	65,754	963	81,807

17. INVESTMENT IN AN ASSOCIATE

Name	Place and date of registration and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Guanzhou Property Management Co., Ltd.#	PRC/Mainland China 28 August 2018	RMB10,000,000	—	49%	Property management

The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have official English name.

	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	—	4,104	6,043

The following table illustrates the financial information of the Group's associate that is not individually material:

	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's profit/(loss) for the year and total comprehensive income/(loss)	—	(796)	1,939
Carrying amount of the Group's investment in an associate as at 31 December	—	4,104	6,043

18. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

Deferred tax liabilities

	Fair value adjustment arising from acquisitions of subsidiaries	Excess of carrying amount of right-of-use assets over the tax bases	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	—	768	768
Deferred tax charged to profit or loss during the year	—	136	136
At 31 December 2017 and 1 January 2018	—	904	904
Deferred tax charged to profit or loss during the year	—	174	174
At 31 December 2018 and 1 January 2019	—	1,078	1,078
Acquisition of subsidiaries *(note 26)*	25,062	1,750	26,812
Deferred tax credited to profit or loss during the year	(4,851)	(775)	(5,626)
At 31 December 2019	20,211	2,053	22,264

Deferred tax assets

	Accrued liabilities and future deductible expenses	Provision on impairment losses of financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	6,787	815	7,602
Deferred tax credited to profit or loss during the year	1,236	570	1,806
At 31 December 2017 and 1 January 2018	8,023	1,385	9,408
Deferred tax credited to profit or loss during the year	2,126	181	2,307
At 31 December 2018 and 1 January 2019	10,149	1,566	11,715
Acquisition of subsidiaries *(note 26)*	4,834	—	4,834
Deferred tax credited to profit or loss during the year	728	1,680	2,408
At 31 December 2019	15,711	3,246	18,957

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2017, 2018 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB107,130,000, RMB184,492,000 and RMB364,842,000 as at 31 December 2017, 2018 and 2019, respectively.

19. TRADE RECEIVABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Related parties *(note 29)*	138,686	251,614	449,546
Third parties	80,672	79,023	126,870
Trade receivables	219,358	330,637	576,416
Less: Allowance for impairment of trade receivables	(4,173)	(3,872)	(9,144)
Total	215,185	326,765	567,272

Trade receivables mainly represent receivables from residential property management services and commercial property management and operational services. For trade receivables from property management services, the Group charges property management fees on a quarterly or monthly basis. For trade receivables from related parties, the Group's trading terms are mainly on credit and the credit period is generally between three months and one year. For trade receivables from third parties, the payment is generally due upon the issuance of demand notes. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

An ageing analysis of the trade receivable as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	158,387	223,721	380,505
1 to 2 years	45,390	68,787	96,061
2 to 3 years	9,189	32,550	66,439
Over 3 years	2,219	1,707	24,267
	215,185	326,765	567,272

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,544	4,173	3,872
Impairment losses recognised	1,931	2,510	6,713
Amount written off as uncollectible	(302)	(2,811)	(1,441)
At end of year	4,173	3,872	9,144

As at the end of each of the Relevant Periods, all trade receivables were denominated in RMB.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Third parties — past due				Related parties	Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years		
As at 31 December 2017						
Expected credit loss rate	3.01%	6.41%	10.76%	61.94%	—	1.90%
Gross carrying amount	53,174	18,431	8,255	812	138,686	219,358
Expected credit losses	(1,601)	(1,181)	(888)	(503)	—	(4,173)
As at 31 December 2018						
Expected credit loss rate	3.01%	6.41%	10.76%	61.94%	—	1.17%
Gross carrying amount	50,575	18,294	9,989	165	251,614	330,637
Expected credit losses	(1,522)	(1,173)	(1,075)	(102)	—	(3,872)
As at 31 December 2019						
Expected credit loss rate	3.01%	6.41%	10.76%	61.94%	—	1.59%
Gross carrying amount	80,221	24,399	16,836	5,414	449,546	576,416
Expected credit losses	(2,415)	(1,564)	(1,812)	(3,353)	—	(9,144)

In the opinion of the Company's directors, the business and customer risk portfolio of the Group remained stable and there were no significant fluctuations in the historical credit loss incurred. In addition, there is no significant change with regard to economic indicators based on an assessment of forward-looking information. Therefore, same expected credit loss rates are adopted throughout the Relevant Periods.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties *(note 29)*	615,593	564,902	561,734
Prepayments	6,291	7,059	21,916
Deposits	1,015	965	3,689
Advances to employees	784	1,093	2,458
Other receivables	29,995	36,123	50,672
Payments on behalf of residents/tenants *(note a)*	31,885	49,922	63,983
Others	39	37	3,944
	685,602	660,101	708,396
Impairment allowance	(1,366)	(2,392)	(3,843)
Total	684,236	657,709	704,553

Note:

(a) Payments on behalf of residents/tenants represents the current accounts with the residents/tenants of communities managed by the Group.

The movements in provision for impairment of payments on behalf of residents/tenants are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	714	1,366	2,392
Impairment losses recognised in profit or loss	652	1,026	1,451
At end of year	1,366	2,392	3,843

Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed collectively based on provision matrix as at 31 December 2017, 2018 and 2019.

	2017			2018			2019		
Category	Average Loss rate	Gross carrying amount	Impairment loss allowance	Average Loss rate	Gross carrying amount	Impairment loss allowance	Average Loss rate	Gross carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
Credit-impaired	4.3%	31,885	(1,366)	4.8%	49,922	(2,392)	6.0%	63,983	(3,843)

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	282,481	206,067	435,417
Less: Restricted cash	(28,976)	(30,077)	(18,652)
Cash and cash equivalents	253,505	175,990	416,765
Cash and bank balances denominated in:			
— RMB	282,481	206,067	435,417

RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represented cash at bank restricted for social security and tendering purposes and a joint guarantee provided by a subsidiary of the Group and KWG Holdings for bank loans of an entity controlled by KWG Holdings, i.e. a fellow subsidiary of the Group. The information about the joint guarantee is disclosed in note 32 to the Historical Financial Information.

22. TRADE PAYABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— related parties *(note 29)*	8,357	6,707	18,930
— third parties	90,144	121,100	157,603
	98,501	127,807	176,533

An ageing analysis of the Group's trade payables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	87,132	104,874	152,711
1 to 2 years	11,072	13,499	6,426
2 to 3 years	146	9,137	10,462
More than 3 years	151	297	6,934
	98,501	127,807	176,533

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(note 29)*	737,721	590,088	818,923
Payroll and welfare payables	36,995	46,838	126,047
Deposits and temporary receipts from property owners	114,428	125,216	177,042
Other tax payables	7,155	13,835	13,910
Accruals and other payables	7,491	9,677	30,516
Consideration payable to original shareholders on acquisition of subsidiaries *(note 26)*	—	—	8,000
Receipts on behalf of residents/tenants	3,913	25,551	34,553
	907,703	811,205	1,208,991

The other payables and accruals are unsecured and interest-free.

24. SHARE CAPITAL

The Company was incorporated on 11 September 2019 and one ordinary share was issued at par value of HK$0.01.

	As at 31 December 2019
	HK$
Authorised:	
38,000,000 ordinary shares of a par value of HK$0.01 each	380,000
Issued and fully paid:	
1 ordinary share of a par value of HK$0.01 each	—

25. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

(a) Merger reserve

The merger reserve of the Group represents the combined issued capital of the subsidiaries now comprising the Group arose pursuant to the Reorganization as mentioned in note 2.1 to the Historical Financial Information. Details of the movements in the merger reserve are set out in the combined statements of changes in equity.

(b) Statutory surplus funds

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserves until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserves may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

26. BUSINESS COMBINATION

On 31 January 2019, the Group acquired 100% equity interest in Guangdong Gangyu from third parties at a total consideration of RMB197,466,000. Guangdong Gangyu and its subsidiaries are engaged in property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Guangdong Gangyu and its subsidiaries as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	*13*	1,428
Right-of-use assets	*14*	7,237
Other intangible assets	*16*	100,316
Deferred tax assets	*18*	4,834
Other non-current assets		249
Trade receivables		13,781
Prepayments, other receivables and other assets		11,741
Cash and cash equivalents		27,107
Trade payables		(2,247)
Other payables and accruals		(49,092)
Contract liabilities		(2,278)
Lease liabilities	*14*	(7,001)
Tax payables		(3,437)
Deferred tax liabilities	*18*	(26,812)
Total identifiable net assets at fair value		75,826
Non-controlling interests		13,078
Goodwill arising on acquisition	*15*	134,718
Satisfied by cash		20,000
Satisfied by other payables to original shareholders	*23*	8,000
Satisfied by payment by related parties on behalf of the Group included in other payables		169,466
Total consideration		197,466

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB13,781,000 and RMB9,355,000 respectively. The gross contractual amounts of trade receivables and other receivables were RMB14,286,000 and RMB9,355,000 respectively, of which trade receivables of RMB505,000, were expected to be uncollectible. The transaction cost incurred for this acquisition is insignificant.

The Group has elected to initially measure the non-controlling interests in Guangdong Gangyu's subsidiaries at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Guangdong Gangyu and its subsidiaries is as follows:

	RMB'000
Cash consideration	(20,000)
Cash and bank balances acquired	27,107
Net inflow of cash and cash equivalents included in cash flows from investing activities	7,107

Since the acquisition, Guangdong Gangyu and its subsidiaries contributed RMB92,001,000 to the Group's revenue and a profit of RMB10,735,000 to the combined profit for the year ended 31 December 2019. Had the combination taken place at the beginning of 2019, the revenue of the Group and the profit of the Group for the year ended 31 December 2019 would have been RMB1,142,005,000 and RMB190,007,000, respectively.

27. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2017, 2018 and 2019, the Group had non-cash additions to right-of-use of approximately RMB1,656,000, RMB2,927,000 and RMB7,281,000, respectively, and non-cash additions to lease liabilities of approximately RMB1,454,000, RMB2,238,000 and RMB7,036,000, respectively, in respect of lease arrangements for buildings and motor vehicles.

(b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Other payables	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2017	439,626	3,004	442,630
Changes from financing cash flows	28,500	(1,179)	27,321
Interest expense	—	186	186
Other non-cash movements	—	1,454	1,454
At 31 December 2017 and 1 January 2018	468,126	3,465	471,591
Changes from financing cash flows	(435,000)	(1,993)	(436,993)
Interest expense	—	199	199
Other non-cash movements	—	2,238	2,238
At 31 December 2018 and 1 January 2019	33,126	3,909	37,035
Changes from financing cash flows	(411)	(3,290)	(3,701)
Interest expense	—	351	351
Acquisitions of subsidiaries	—	7,001	7,001
Other non-cash movements	—	35	35
At 31 December 2019	32,715	8,006	40,721

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	10,366	11,046	23,400
Within financing activities	993	1,794	2,939
Total	11,359	12,840	26,339

28. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any material capital commitment and Group has no lease contracts that have not yet commenced as at the end of each of the Relevant Periods.

29. RELATED PARTY TRANSACTIONS

(1) Transactions with related parties

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Residential property management service income			
— Fellow subsidiaries	55,206	97,262	232,941
— Joint ventures of KWG Holdings	43,542	55,754	94,269
— Associates of the KWG Holdings	—	4,419	14,214
	98,748	157,435	341,424
Commercial property management and operational service income			
— Fellow subsidiaries	39,623	100,229	171,956
— Joint ventures of KWG Holdings	8,074	16,281	14,403
— Other related parties	—	—	376
	47,697	116,510	186,735
Rental cost			
— Fellow subsidiaries	8,685	10,378	14,034
IT expenses			
— KWG Holdings	—	—	2,000

Other related parties are entities that are controlled by Mr. Kong Jiantao, an executive director of KWG Holdings.

The prices for the above services fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

(2) Outstanding balances with related parties

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments and receivables from related parties			
Trade receivables			
— Fellow subsidiaries	105,663	209,986	393,985
— Joint ventures of KWG Holdings	33,023	40,001	46,716
— Associates of KWG Holdings	—	1,627	8,845
	138,686	251,614	449,546
Prepayments and other receivables			
— Fellow subsidiaries	7,423	8,961	12,019
— Joint ventures of KWG Holdings	608,167	555,938	549,671
— Other related parties	3	3	44
	615,593	564,902	561,734
Payables to related parties			
Trade payables			
— Fellow subsidiaries	1,240	2,153	9,521
— Joint ventures of KWG Holdings	7,117	4,554	9,409
	8,357	6,707	18,930
Other payables			
— Fellow subsidiaries	305,270	394,445	792,362
— Joint ventures of KWG Holdings	432,451	195,643	25,431
— Other related parties	—	—	1,130
	737,721	590,088	818,923
Contract liabilities			
— Fellow subsidiaries	5,497	3,611	53
— Joint ventures of KWG Holdings	—	—	11,029
	5,497	3,611	11,082

(3) Compensation of key management personnel of the Group

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	3,812	4,372	6,775
Pension scheme contributions	196	171	277
	4,008	4,543	7,052

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

(4) Financial guarantee with related parties

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Provision of financial guarantee for bank loans of an entity controlled by KWG Holdings	1,500,000	1,482,000	1,456,000

Please refer to note 21 to the Historical Financial Statements for details.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets — Financial assets at amortised cost			
Trade receivables	215,185	326,765	567,272
Financial assets included in prepayments, other receivables and other assets	677,122	649,520	676,235
Restricted cash	28,976	30,077	18,652
Cash and cash equivalents	253,505	175,990	416,765
	1,174,788	1,182,352	1,678,924

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities — Financial liabilities at amortised cost			
Trade payables	98,501	127,807	176,533
Lease liabilities	3,465	3,909	8,006
Financial liabilities included in other payables and accruals	863,553	750,532	1,069,034
	965,519	882,248	1,253,573

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accrual, approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The Group did not hold any financial assets and liabilities carried at fair value as at 31 December 2017, 2018 and 2019.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and restricted cash.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Mainland China. Management does not expect that there will be any significant losses from non-performance by these banks.

The Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term. Thus, the impairment provision recognised during the Relevant Periods was minimal for the trade receivables and other receivables from related parties.

There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented from third parties are gross carrying amounts for financial assets.

As at 31 December 2017

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	219,358	219,358
Financial assets included in prepayments, other receivables and other assets					
— Normal**	646,603	—	—	—	646,603
— Doubtful**	—	31,885	—	—	31,885
Restricted cash					
— Not yet past due	28,976	—	—	—	28,976
Cash and cash equivalents					
— Not yet past due	253,505	—	—	—	253,505
	929,084	31,885	—	219,358	1,180,327

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	330,637	330,637
Financial assets included in prepayments, other receivables and other assets					
— Normal**	601,990	—	—	—	601,990
— Doubtful**	—	49,922	—	—	49,922
Restricted cash					
— Not yet past due	30,077	—	—	—	30,077
Cash and cash equivalents					
— Not yet past due	175,990	—	—	—	175,990
	808,057	49,922	—	330,637	1,188,616

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	576,416	576,416
Financial assets included in prepayments, other receivables and other assets					
— Normal**	616,095	—	—	—	616,095
— Doubtful**	—	63,983	—	—	63,983
Restricted cash					
— Not yet past due	18,652	—	—	—	18,652
Cash and cash equivalents					
— Not yet past due	416,765	—	—	—	416,765
	1,051,512	63,983	—	576,416	1,691,911

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The table below analyses the maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, which is based on contractual undiscounted payments.

As at 31 December 2017

	On demand	**Less than 1 year**	**1 to 5 years**	**Over 5 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	14,017	84,484	—	—	98,501
Lease liabilities	—	1,454	1,431	1,320	4,205
Financial liabilities included in other payables and accruals	749,125	114,428	—	—	863,553
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,500,000	—	—	—	1,500,000
	2,263,142	200,366	1,431	1,320	2,466,259

As at 31 December 2018

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	29,142	98,665	—	—	127,807
Lease liabilities	—	2,127	1,230	1,200	4,557
Financial liabilities included in other payables and accruals	625,316	125,216	—	—	750,532
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,482,000	—	—	—	1,482,000
	2,136,458	226,008	1,230	1,200	2,364,896

As at 31 December 2019

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	24,321	152,212	—	—	176,533
Lease liabilities	—	3,512	4,190	1,080	8,782
Financial liabilities included in other payables and accruals	883,992	185,042	—	—	1,069,034
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,456,000	—	—	—	1,456,000
	2,364,313	340,766	4,190	1,080	2,710,349

As at 31 December 2017, 2018 and 2019, the bank loans of RMB1,500,000,000, RMB1,482,000,000 and RMB1,456,000,000, respectively, of an entity controlled by KWG Holdings, i.e. a fellow subsidiary of the Group, were jointly guaranteed by a subsidiary of the Group and KWG Holdings, and guaranteed by certain properties of KWG Group and certain cash at bank of the Group.

(c) Interest rate risk and foreign currency risk

The Group is not exposed to material interest rate risk and foreign currency risk.

(d) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a gearing ratio, which is total liabilities divided by total assets. The current ratios and gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	1,181,902	1,190,541	1,707,242
Total current liabilities	1,074,615	1,013,543	1,537,767
Total assets	1,197,802	1,216,350	1,962,186
Total liabilities	1,077,665	1,016,531	1,564,758
Current ratio	1.10	1.17	1.11
Gearing ratio	90%	84%	80%

33. EVENTS AFTER THE REPORTING PERIOD

(a) The companies now comprising the Group underwent and completed the Reorganization on 24 March 2020 in preparation for the [REDACTED] of the shares of the Company on the Stock Exchange. Further details of the Reorganization are set out in the section headed "History, Reorganization and Corporate Structure" in the Document.

(b) Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of this report, COVID-19 has not resulted in material impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

(c) On 24 June 2020, the Company adopted a share incentive scheme (the "Share Incentive Scheme"). As part of the arrangement under the Share Incentive Scheme, (i) KWG Holdings subscribed 35 shares of the Company at par (the "Subscription"); and (ii) KWG Holdings transferred its entire issued share capital in Happy Harmony International Limited (the "Happy Harmony") to an employee at a consideration of US$6,075,000 (the "Share Transfer").

Upon completion of the Subscription and the Share Transfer, the Company became owned as to approximately 97.22% by KWG and 2.78% by such employee through Happy Harmony.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2019.

The following information does not form part of the Accountants' Report prepared by Ernst & Young, 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 information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to the document.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company has been prepared in accordance with rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets attributable to the owners of the Company as at 31 December 2019 as if the [REDACTED] had taken place on 31 December 2019.

The unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at 31 December 2019 or any future date. It is prepared based on the combined net tangible assets attributable to the owners of the Company as at 31 December 2019 as set out in the Accountants' Report as set out in Appendix I to the document, and adjusted as described below.

	Combined net tangible assets attributable to owners of the parent as at 31 December 2019	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the parent	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the parent per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Notes 2 and 4)*		*(Note 3)*	*(Note 4)*
Based on an [REDACTED] of [REDACTED] per Share	168,058	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of [REDACTED] per Share	168,058	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The combined net tangible assets attributable to owners of the Company as at 31 December 2019 is extracted from the Accountants' Report set out in Appendix I to this document, which is based on the audited combined net assets attributable to owners of the Company as at 31 December 2019 of RMB384,583,000 less goodwill of RMB134,718,000 and other intangible assets of RMB81,807,000.

(2) The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of [REDACTED] per Share or [REDACTED] per Share, after deduction of the [REDACTED] fees and other related expenses payable by the Group and does not take into account of any shares which may be issued upon the exercise of the [REDACTED] Option.

(3) The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares in issue immediately upon the completion of the [REDACTED] and the [REDACTED], assuming that the [REDACTED] and the [REDACTED] has been completed on 31 December 2019 for the purpose of the pro forma financial information and does not take into account of any shares which may be issued upon the exercise of the [REDACTED].

(4) For the purpose of this unaudited pro forma adjusted combined net tangible assets, the estimated net proceeds from the [REDACTED] are converted from Hong Kong dollars into Renminbi ("RMB") at an exchange rate of HK$1.00 to RMB0.9150 and the unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share is converted from RMB to Hong Kong dollars at the same exchange rate. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2019.

[REDACTED]

[REDACTED]

[REDACTED]

Yours faithfully,

Certified Public Accountants
Hong Kong

[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 September 11, 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] 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 that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the 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 rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN 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 September 18, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands.

Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix [V] to this 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 COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on September 11, 2019. Our Company has established its principal place of business in Hong Kong at Unit 8205A, Level 82, International Commerce Centre, 1 Austin Road West, Kowloon, 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 June 17, 2020. Ms. Chan Ching Nga has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the Cayman Islands Companies Law, the Memorandum and the Articles and the applicable laws of the Cayman Islands. A summary of certain provisions of the Memorandum and the Articles, and relevant aspects of the Cayman Islands Companies Law is set out in the section headed "Summary of the constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon its incorporation, one fully-paid Share of HK$0.01 each of our Company was issued and allotted to an initial subscriber who is an Independent Third Party on September 11, 2019, which was then transferred to Happy Harmony at par on the same date.

On June 24, 2020, 35 Shares of HK$0.01 each of our Company were issued and allotted to KWG Holdings.

On [•], 2020, the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$[100,000,000] divided into [10,000,000,000] Shares of HK$0.01 each by the creation of additional [9,962,000,000] Shares.

Pursuant to the resolutions of our Shareholders passed on [•], 2020, [REDACTED] Shares and [REDACTED] Shares will be issued and allotted to KWG Holdings and Happy Harmony, credited as fully paid at par by capitalizing and applying a sum of HK$[REDACTED] standing to the credit of the share premium account of our Company on or about the [REDACTED].

On [•], 2020, KWG Holdings declared a special dividend by way of [REDACTED] of its entire shareholding in the Company in favour of the [REDACTED], both of which are conditional on the Spin-off becoming unconditional in all respects. Upon completion of the above [REDACTED], the Company became held as to approximately [REDACTED], [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind and Happy Harmony, respectively.

Immediately following completion of the [REDACTED] and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the issued share capital of our Company will be [REDACTED] divided into [REDACTED] Shares, all fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Save as disclosed above and as mentioned in "— 4. Written resolutions of our Shareholders passed on [•], 2020" below in this section, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

All of our subsidiaries are set out in the section headed "History, Reorganization and corporate structure" in this document and in the Accountants' Report, the text of which is set out in Appendix I to this document.

The following alteration in the share capital of a subsidiary of our Company has taken place within the two years immediately preceding the date of this document:

Ningjun Property

On March 5, 2020, the registered capital of Ningjun Property was increased from RMB7 million to RMB70 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries during the two years preceding the date of this document.

4. Written resolutions of our Shareholders passed on [•], 2020

Pursuant to the written resolutions passed by our Shareholders on [•], 2020, among other matters:

(a) we approved and conditionally adopted the amended and restated Memorandum which will become effective upon [REDACTED];

(b) we approved and conditionally adopted the amended and restated Articles which will become effective upon [REDACTED];

(c) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$[100,000,000] divided into [10,000,000,000] Shares by the creation of additional [9,962,000,000] Shares ranking *pari passu* in all aspects with the existing Shares with immediate effect;

(d) conditional on (aa) the Listing Committee granting the approval for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be issued and allotted pursuant to the [REDACTED], the [REDACTED] and as mentioned in this document including the Shares which may be issued and allotted pursuant to the exercise of the [REDACTED]; (bb) the [REDACTED] having been duly determined; and (cc) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the [REDACTED]:

(i) the [REDACTED] was approved and our Directors were authorized to issue and allot the [REDACTED] pursuant to the [REDACTED];

(ii) the [REDACTED] was approved;

(iii) a general unconditional mandate was given to our Directors to issue, allot and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the [REDACTED] and [REDACTED] (but without taking into account of any Shares which may be issued pursuant to the exercise of the [REDACTED]), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(iv) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to buy back on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (but without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(v) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of issued Shares which may be issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (v) above.

5. Reorganization

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details with regard to the Reorganization, see the section headed "History, Reorganization and corporate structure" in this document.

6. Buyback by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this document concerning the buyback by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed buybacks of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our Shareholders on [•], 2020, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the buyback of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Buybacks must be funded out of funds legally available for the purpose in accordance with the Articles and the Cayman Islands Companies Law. A listed company may not buyback its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Core connected persons

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy back Shares in the market. Such buybacks may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buybacks

In buying back Shares, our Company may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any buyback of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the buyback and, in the case of any premium payable on the purchase over the par value of the Shares to be bought back must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Islands Companies Law, any buyback of Shares may also be paid out of capital.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Company, our Directors consider that, if the Buyback Mandate were to be exercised in full, it might not have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this document. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) Share capital

The exercise in full of the Buyback Mandate, on the basis of [REDACTED] in issue immediately after the [REDACTED] (but without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), would result in up to [REDACTED] being bought back by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buyback Mandate is exercised to sell any Share(s) to our Company or our subsidiaries.

Our Directors [have] undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buyback of Shares pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buyback pursuant to the Buyback Mandate.

If the Buyback Mandate is fully exercised immediately following completion of the [REDACTED] and the [REDACTED] (but without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be [REDACTED] Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any buyback of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement dated January 25, 2019 entered into among Zhang Guozhu (章國柱), Che Qiangmou (車強謀) and Gangyu Enterprise pursuant to which Zhang Guozhu and Che Qiangmou agreed to transfer 99% and 1% of the equity interest in Yijia Chuangsheng to Gangyu Enterprise at consideration of RMB19.8 million and RMB0.2 million, respectively;

(b) an equity transfer agreement dated January 31, 2019 entered into among Shanghai Weishen Commercial Consultancy Partnership Corporation (Limited Partnership) (上海偉神商務諮詢合夥企業(有限合夥)), Shanghai Jingyi Commercial Consultancy Partnership Corporation (Limited Partnership) (上海勁毅商務諮詢合夥企業(有限合夥)), Shanghai Jingzhao Enterprise Management Partnership Corporation (Limited Partnership) (上海勁兆企業管理合夥企業(有限合夥)) and Fuyu Property pursuant to which Shanghai Weishen Commercial Consultancy Partnership Corporation (Limited Partnership), Shanghai Jingyi Commercial Consultancy Partnership Corporation (Limited Partnership) and Shanghai Jingzhao Enterprise Management Partnership Corporation (Limited Partnership) agreed to transfer 20%, 20% and 10% of the equity interest in Gangyu Enterprise to Fuyu Property at consideration of RMB40 million, RMB40 million and RMB20 million, respectively;

(c) an equity transfer agreement dated November 29, 2019 entered into between Ningjun Property and Guangzhou Junzhao Property Operation Co., Ltd. (廣州市君兆物業經營有限公司) pursuant to which Ningjun Property agreed to transfer the entire equity interest in Guangzhou Guanyu Property Agency Co., Ltd. (廣州市冠裕置業代理有限公司) to Guangzhou Junzhao Property Operation Co., Ltd. at nil consideration;

(d) an equity transfer agreement dated December 27, 2019 entered into between Ningjun Property and Hejing Youhuo pursuant to which Ningjun Property agreed to transfer the entire equity interest in Lijun Property to Hejing Youhuo at nil consideration;

(e) an equity transfer agreement dated December 27, 2019 entered into between Ningjun Property and Hejing Youhuo pursuant to which Ningjun Property agreed to transfer the entire equity interest in Liheng Commercial at nil consideration;

(f) an equity transfer agreement dated December 30, 2019 entered into between Ningjun Property and Hejing Youhuo pursuant to which Ningjun Property agreed to transfer the entire equity interest in Guanli Property to Hejing Youhuo at nil consideration;

(g) an equity transfer agreement dated January 7, 2020 entered into between Total Super and Hejing Youhuo pursuant to which Total Super agreed to transfer the entire equity interest in Fuyu Property to Hejing Youhuo at nil consideration;

(h) an equity transfer agreement dated March 3, 2020 entered into between Total Super and KWG Living (HK) pursuant to which Total Super agreed to transfer the entire equity interest in Hejing Youhuo to KWG Living (HK) at nil consideration;

(i) an equity transfer agreement dated March 20, 2020 entered into between Total Super and Hejing Youhuo pursuant to which Total Super agreed to transfer 10% of the equity interest in Ningjun Property to Hejing Youhuo at a consideration of RMB34.55 million;

(j) the Deed of Non-competition;

(k) the Deed of Indemnity; and

(l) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registration number	Class	Name of registered proprietor	Place of registration	Date of registration	Expiry date
1.	宁骏物业 LIEGE PROPERTY SERVICES	18291645	9, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	Ningjun Property	PRC	February 21, 2017	February 20, 2027
2.	宁骏	18291255	9, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45,	Ningjun Property	PRC	December 14, 2016	December 13, 2026
3.		10613780	36	Yijia Chuangsheng	PRC	May 14, 2013	May 13, 2023

As of the Latest Practicable Date, our Group was the applicant of the following applications for trademarks which, in the opinion of our Directors, are or may be material to our business:

No.	Trademark	Application number	Class	Name of applicant	Place of application	Date of application
1.	KWG LIVING	305260897	16, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	The Company	Hong Kong	April 29, 2020
2.	合景悠活	305260905	16, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	The Company	Hong Kong	April 29, 2020
3.		305284323	16, 35, 36, 37, 39, 40, 41, 42, 43, 44, 45	The Company	Hong Kong	May 26, 2020
4.	宜家创生	44310394	36	Yijia Chuangsheng	PRC	March 2, 2020

(b) Domain name

As of the Latest Practicable Date, our Group had registered the following domain name which are material to our business:

No.	Domain name	Name of registered proprietor	Date of registration	Expiry date
1.	kwgliving.com	Hejing Youhuo	December 17, 2019	December 17, 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our Company and our associated corporations

Immediately following completion of the [REDACTED] and the Spin-off and assuming that the [REDACTED] is not exercised, the interests or short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED], will be as follows:

Interest in our Company

Name of Director	Nature of interest	Number of Shares interested(1)	Approximate percentage of interest
Mr. Kong Jianmin	Interest in controlled corporation(2)(4)	[REDACTED]	[REDACTED]
Mr. Kong Jiannan	Interest in controlled corporation(3)(4)	[REDACTED]	[REDACTED]

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Plus Earn and Hero Fine are wholly-owned by Mr. Kong Jianmin. By virtue of the SFO, Mr. Kong Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(3) Peace Kind is wholly-owned by Mr. Kong Jiannan. By virtue of the SFO, Mr. Kong Jiannan is deemed to be interested in the Shares in which Peace Kind is interested.

(4) Pursuant to the shareholders' agreement entered into between Plus Earn, Right Rich and Peace Kind on •, the parties thereto shall vote at general meetings of our Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtual of the SFO, each of Mr. Kong Jianmin and Mr. Kong Jiannan is deemed to be interested in the total Shares directly held by Plus Earn, Right Rich and Peace Kind.

Interest in associated corporations of our Company

Immediately following completion of the [REDACTED] and the Spin-off and assuming that the [REDACTED] is not exercised, none of our Directors or chief executive of our Company will have interests or short positions in the shares, underlying shares and debentures 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 they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are [REDACTED].

(b) Particulars of service agreements and letters of appointment

Each of our executive Directors [has entered] into a service agreement with our Company for a 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.

Each of our non-executive Director and independent non-executive Directors [has entered] into a letter of appointment with our Company for a 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.

(c) Directors' remuneration

Each of our executive Directors and non-executive Director is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the three years ended December 31, 2019, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our Directors was approximately nil, RMB0.8 million and RMB1.1 million, respectively. For details, please refer to Note 8 of the Accountants' Report set out in Appendix I to this document.

Each of our independent non-executive Directors [has been appointed] for a term of three years. We intend to pay a director's fee of RMB300,000 per annum to each of Ms. Liu Xiaolan, Mr. Fung Che Wai, Anthony and Ms. Ng Yi Kum. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2020 is estimated to be no more than RMB5.9 million.

2. Substantial shareholders

(a) Interest of the substantial Shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this document, so far as our Directors are aware, immediately following the completion of the Spin-off (assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), no person (other than our Directors and chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(b) Interest of the substantial shareholder of a member of our Group

As of the Latest Practicable Date, so far as our Directors are aware, the following person (other than our Directors or chief executive of our Company) was entitled to exercise, or control the exercise of, 10% or more of the voting power at the general meeting of a member of our Group:

Name of member of our Group	Name of shareholder	Percentage of equity interest
Xingyu Property	Foshan Xingfu Investment Co., Ltd.* (佛山市星富投資有限公司)	40%

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are [REDACTED];

(b) none of our Directors or experts referred to under the paragraph headed "D. Other information — 8. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this 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) taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and

(f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the total number of issued Shares has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation or taxation claims resulting from income, profits or gains earned, accrued or received as well as any property claim or estate duty to which any member of our Group may be subject and payable on or before the [REDACTED]; and (ii) any claims, penalties or other indebtedness resulting from any insufficient contribution to social insurance and housing provident fund during the Track Record Period as disclosed in "Business — Employees — Social Insurance and Housing Provident Fund Contributions"; save (a) to the extent that specific provision or reserve has been made for such taxation or non-compliance incidents in the audited consolidated financial statements of our Group as set out in Appendix I; (b) to the extent that the liability for such taxation would not have arisen but for any act or omission of, or delay by, any member of our Group after the [REDACTED]; and (c) to the extent such loss arises or is incurred only as a result of a retrospective change in law or regulations or the interpretation or practice thereof by any relevant authority coming into force after the [REDACTED].

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of [REDACTED] for acting as the joint sponsors for the [REDACTED].

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the approval for the [REDACTED] of, and permission to [REDACTED], all the Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company relating to the incorporation of our Company were approximately US$6,800.

5. No material adverse change

Saved as disclosed in this document, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since December 31, 2019 (being the date on which the latest audited combined financial information of our Group was prepared).

6. Promoter

Our Company has no promoter. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from [REDACTED] the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or [REDACTED] the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or [REDACTED] Shares or exercise of any rights attaching to them.

8. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
ABCI Capital Limited	Licensed corporation to conduct Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 6 (Advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO
Ernst & Young	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisors to our Company as to the PRC law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

9. Consents of experts

Each of the experts named in the paragraph headed "8. Qualifications and consents of experts" above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its names included herein in the form and context in which they respectively appear.

10. Interests of experts in our Company

None of the persons named in the paragraph headed "8. Qualifications and consents of experts" above is interested beneficially or otherwise in any Shares or 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 shares or securities in any member of our Group.

11. Binding effect

This document shall have the effect, in an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in the section headed "History, Reorganization and corporate structure" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;

(b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) the principal register of members of our Company will be maintained in the 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 share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) our Directors have been advised that under Cayman Islands Companies Law the use of a Chinese name by our Company in conjunction with its English name does not contravene the Cayman Islands Companies Law;

(g) our Company has no outstanding convertible debt securities or debentures; and

(h) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

13. Bilingual document

The English language 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.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and 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 section headed "Statutory and general information — D. Other information — 8. 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 section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;

(d) the audited [combined] financial statements of our Group for the three years ended December 31, 2019;

(e) the legal opinion dated the document date issued by Jingtian & Gongcheng, our legal advisors as to PRC law, in respect of certain aspects and general corporate matters of our Group;

(f) the letter of advice issued by Conyers Dill & Pearman, our legal advisors as to Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;

(g) the industry report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited;

(h) the opinion letter on the reasonableness of the rent of leasing properties issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited;

(i) the Cayman Islands Companies Law;

(j) copies of the material contracts referred to in the section headed "Statutory and general information — B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document;

(k) service agreements and letters of appointment entered into between our Company and each of the Directors (as applicable); and

(l) the written consents referred to in the section headed "Statutory and general information — D. Other information — 8. Qualifications and consents of experts" in Appendix IV to this document.