



朗诗绿色生活

— LANDSEA GREEN LIFE —

Landsea Green Life Service Company Limited

朗詩綠色生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1965

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers

(in alphabetical order)



IMPORTANT

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



Landsea Green Life Service Company Limited

朗詩綠色生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	not more than HK\$4.16 per Offer Share and not less than HK\$2.86 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK\$0.01 per Share
Stock code	:	1965

Sole Sponsor, Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers
(in alphabetical order)



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

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

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 30 June 2021 and, in any event, not later than 12:00 noon on Friday, 2 July 2021. The Offer Price will be not more than HK\$4.16 and is currently expected to be not less than HK\$2.86 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$4.16 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$4.16.

The Sole Global Coordinator, on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the Offer Price Range below that stated in this prospectus (which is HK\$2.86 to HK\$4.16 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notice of the reduction in the number of Offer Shares in the Global Offering and/or the Offer Price Range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.landseawwy.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares in the Global Offering and/or the Offer Price Range is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before Friday, 2 July 2021, the Global Offering (including the Hong Kong Public Offering) will lapse and will not proceed. Further details are set out in "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") as amended or any state securities law of 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 and in accordance with any applicable state securities laws of the United States. The Offer Shares are being offered and sold in offshore transactions outside the United States in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.landseawwy.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

25 June 2021

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.landseawy.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (a) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8690 on the following dates:

Friday, 25 June 2021	– 9:00 a.m. to 9:00 p.m.
Saturday, 26 June 2021	– 9:00 a.m. to 6:00 p.m.
Sunday, 27 June 2021	– 9:00 a.m. to 6:00 p.m.
Monday, 28 June 2021	– 9:00 a.m. to 9:00 p.m.
Tuesday, 29 June 2021	– 9:00 a.m. to 9:00 p.m.
Wednesday, 30 June 2021	– 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

IMPORTANT

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
1,000	4,201.92	20,000	84,038.41	100,000	420,192.03	800,000	3,361,536.26
2,000	8,403.84	25,000	105,048.01	150,000	630,288.05	900,000	3,781,728.29
3,000	12,605.76	30,000	126,057.61	200,000	840,384.06	1,000,000	4,201,920.32
4,000	16,807.68	35,000	147,067.21	250,000	1,050,480.08	1,500,000	6,302,880.48
5,000	21,009.60	40,000	168,076.81	300,000	1,260,576.10	2,000,000	8,403,840.64
6,000	25,211.52	45,000	189,086.41	350,000	1,470,672.11	2,500,000	10,504,800.80
7,000	29,413.45	50,000	210,096.02	400,000	1,680,768.13	3,000,000	12,605,760.96
8,000	33,615.36	60,000	252,115.22	450,000	1,890,864.14	3,500,000	14,706,721.12
9,000	37,817.28	70,000	294,134.42	500,000	2,100,960.16	4,000,000	16,807,681.28
10,000	42,019.20	80,000	336,153.63	600,000	2,521,152.19	4,500,000	18,908,641.44
15,000	63,028.80	90,000	378,172.83	700,000	2,941,344.22	5,000,000 ⁽¹⁾	21,009,601.60

⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.landseawy.com if there is any change in the following expected timetable of the Hong Kong Public Offering.

2021

(Note 1)

Hong Kong Public Offering commences 9:00 a.m. on Friday, 25 June

Latest time to complete electronic applications under

White Form eIPO service through the designated

website www.eipo.com.hk (Note 2) 11:30 a.m. on Wednesday, 30 June

Application lists open (Note 3) 11:45 a.m. on Wednesday, 30 June

Latest time to give **electronic application instructions**

to HKSCC (Note 4) 12:00 noon on Wednesday, 30 June

Latest time to complete payment of **White Form eIPO**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Wednesday, 30 June

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close (Note 3) 12:00 noon on Wednesday, 30 June

Expected Price Determination Date (Note 5) Wednesday, 30 June

Announcement of the final Offer Price, the level of applications

in the Hong Kong Public Offering, the level of indication of interest in the International Offering, the basis of allotment of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering to be published on the websites of the Stock Exchange at www.hkexnews.hk and

our Company at www.landseawy.com on or before Wednesday, 7 July

Announcement of results of allocations in the Hong Kong Public Offering

(with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at www.landseawy.com and the website of the Stock Exchange at www.hkexnews.hk (for further details, please see "How to apply for Hong Kong Offer Shares –

11. Publication of Results") from Wednesday, 7 July

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering
will be available at

www.iporesults.com.hk (alternatively:

English <https://www.eipo.com.hk/en/Allotment>;

Chinese <https://www.eipo.com.hk/zh-hk/Allotment>)

with a “search by ID Number/Business Registration

Number” function from 8:00 a.m. on Wednesday, 7 July
to 12:00 midnight on
Tuesday, 13 July 2021

The allocation results telephone enquiry

by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on
Wednesday, 7 July,
Thursday, 8 July,
Friday, 9 July and
Monday, 12 July

Despatch/Collection of White Form e-Refund payment instructions/

refund cheques in respect of wholly or partially successful applications

if the final Offer Price is less than the price payable on application

(if applicable) and wholly or partially unsuccessful applications pursuant

to the Hong Kong Public Offering on or before (*Note 7 to 8*) Wednesday, 7 July

Despatch/Collection of Share certificates in respect of

wholly or partially successful applications under the

Hong Kong Public Offering on or before (*Note 6 to 7*) Wednesday, 7 July

Dealings in the Shares on the Stock Exchange expected to

commence at (*Note 6*) 9:00 a.m. on Thursday, 8 July

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If Extreme Conditions caused by a super typhoon or a “black” rainstorm warning is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 June 2021, the application lists will not open on that day. For details, please see “How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists”.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to apply for Hong Kong Offer Shares – 6. Applying through CCASS EIPO” in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 30 June 2021. If, for any reason, the Offer Price is not agreed by 12:00 noon on or before Friday, 2 July 2021 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse accordingly.

EXPECTED TIMETABLE

6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, 7 July 2021 but will only become valid certificates of title at 8:00 a.m. on Thursday, 8 July 2021 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.
7. Applicants who apply on **White Form eIPO** for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2021 or such other date as notified by us as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to “How to Apply for Hong Kong Offer Shares – 14. Despatch/collection of share certificates and refund monies – Personal Collection – If you apply through CCASS EIPO service” for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions; Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the application instructions. For further information, applicants should refer to “How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

8. Refund cheques/e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$4.16 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed “Structure and Conditions of the Global Offering” in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering.

Page

EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	33
GLOSSARY AND TECHNICAL TERMS	51
FORWARD-LOOKING STATEMENTS	55
RISK FACTORS	57
WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES	94
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING .	97

CONTENTS

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	101
CORPORATE INFORMATION	108
INDUSTRY OVERVIEW	110
REGULATORY OVERVIEW	120
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	140
BUSINESS	160
DIRECTORS AND SENIOR MANAGEMENT	244
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	261
SUBSTANTIAL SHAREHOLDERS	277
CONTINUING CONNECTED TRANSACTIONS	280
SHARE CAPITAL	291
CORNERSTONE INVESTOR	294
FINANCIAL INFORMATION	300
FUTURE PLANS AND USE OF PROCEEDS	377
UNDERWRITING	394
STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING	409
HOW TO APPLY FOR HONG KONG OFFER SHARES	420
APPENDIX I — ACCOUNTANT’S REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary is intended to provide you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus, including the appendices, in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in 2005, we are a growing property management service provider well-established in the Yangtze River Delta that provides diversified types of property management services and value-added services. According to CIA, we ranked the 24th among the “2021 Top 100 Property Management Companies in the PRC (2021中國物業服務百強企業)” in terms of overall strength, considering factors including respective property management scale, operational performance, service quality and growth potential. We strive to provide high quality and featured property management and value-added services to various customers. Our competitiveness and service quality have earned us numerous recognitions. We received the “China Property Management Company Providing Featured Services” (中國物業服務特色品牌企業) and “Leading Property Management Service Brand Enterprise in East China” (中國華東物業服務領先品牌) in 2017, and we have been bestowed these two honours for four consecutive years. We received “Top 100 Property Management Companies in China by Service Quality” (中國物業服務百強—服務質量領先企業) in 2018, and we have been conferred this honour for three consecutive years. We are also an established property management service provider in providing property management services for green buildings. According to CIA, the term “green building(s)” is commonly used to refer to properties that have been awarded the “Green Building Labels” (綠色建築標識) by MOHURD and its local administrative authorities in the PRC or properties that are recognised by internationally recognised environmental and building sustainable certification evaluation systems (including BREEAM In-Use V6 and LEED). For further details, please refer to “Industry Overview – The PRC Property Management Industry – Future Development Trends of the PRC Property Management Industry – Fresh development opportunities for property management of green buildings” in this prospectus. In terms of the GFA under management ratio of green buildings with an accreditation of two stars or above, we ranked third among the Top 100 Property Management Companies in the PRC according to CIA. Based on the CIA Report, we ranked seventh among the Top 100 Property Management Companies in the PRC in terms of the GFA under management of green buildings in 2020.

As of 31 December 2020, our property management services covered 21 cities, including 15 cities in the Yangtze River Delta and six other cities in the PRC. Our total GFA under management amounted to 17.3 million sq.m. with a total of 123 managed properties, including 102 residential properties and 21 non-residential properties, serving over 120,000 households as at 31 December 2020. Further, our total contracted GFA amounted to 23.7 million sq.m. as at 31 December 2020.

SUMMARY

Apart from our business, Mr. Tian, our Controlling Shareholder, chairman of the Board and non-executive Director, is also interested in 50% of the total number of issued shares of Landsea Group Company and 57.94% of the total number of issued shares of Landsea Green Properties (stock code: 0106). Landsea is principally engaged in the businesses of property development (including provision of property development entrustment services), decoration engineering, architectural technologies, sales of construction materials, management of staffing and human resources for property projects, asset management and investment, provision of retirement and fitness services and operation of rental apartments. During the Track Record Period, all of Landsea's property development business was conducted through Landsea Green Properties Group, which focuses on the development of green residential properties.

Since our establishment, we have worked to develop a long and close working relationship between our Group and Landsea. During the Track Record Period, our Group provided property management services to a large majority of the properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest. As at 31 December 2018, 2019 and 2020, the total GFA of properties under our management which were developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest amounted to 7.6 million sq.m., 8.6 million sq.m. and 10.0 million sq.m., respectively, representing 83.4%, 57.1% and 57.7% of our total GFA under management as at the same dates, respectively. As at 31 December 2018, 2019 and 2020, the proportion of properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest to which we provided property management services in terms of GFA under management was 97.7%, 98.0% and 98.3%, respectively.

In addition to property management services, during the Track Record Period, we were also engaged by Landsea Group and Landsea Green Properties Group (and their joint ventures and associates) to provide value-added services, including preliminary property management services for properties prior to their delivery to property owners, property management services for car park units and unsold, self-use or investment properties, house repairing services, property agency services, preliminary consultancy services and sales assistance services. The business relationship between our Group and Landsea has been mutually beneficial and complementary, which is common among property management service providers and their related property development companies in the PRC. For further details, see “– Landsea, Our Controlling Shareholders and Continuing Connected Transactions” in this section and “Relationship with Controlling Shareholders” in this prospectus.

SUMMARY

OUR BUSINESS MODEL

We provide diversified property management services to property owners and residents, mainly serving residential properties with an expanding portfolio of non-residential properties. We also offer value-added services to non-property owners, primarily property developers, to address their various needs for property management. With an aim in providing quality property management services, we also provide a range of community value-added services to our property owners and residents of our managed residential properties. Our community value-added services complements our property management services and enhance the satisfaction and loyalty of property owners and residents.

During the Track Record Period, we generated revenue primarily from three business lines, namely (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

- ***Property management services.*** We provide property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. Our project portfolio includes both residential and non-residential properties, the latter type including (i) office buildings, (ii) rental apartments, (iii) public facilities, (iv) industrial parks, (v) hospitals and (vi) branches of bank.
- ***Value-added services to non-property owners.*** We offer value-added services to non-property owners to address their various needs on property management, including (i) sales assistance services, which mainly include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage; (ii) preliminary consultancy services and other pre-delivery services, such as cleaning, inspection, repair and maintenance services at the pre-delivery stage, and to a lesser extent, repair and maintenances services after delivery where such services are required by property developers based on inspection of relevant properties; (iii) property agency services for sales and leases of properties owned by property developers.
- ***Community value-added services.*** We offer a wide range of community value-added services in its residential properties under management to cater to the evolving needs of customers and improve their quality of life. The services primarily consist of (i) home-living services such as house cleaning, home repair and maintenance services; (ii) public resource management services, which primarily include public spaces leasing and advertising activities; and (iii) property agency services, for second-hand properties which relates to the sales and leases of second-hand properties and use rights of car park spaces.

SUMMARY

The table below sets forth the breakdown of our total revenue from each of our business lines by revenue source for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services .	197,863	63.8	296,971	68.6	409,829	68.2
Value-added services to non-property owners	87,885	28.3	98,256	22.7	140,910	23.4
Community value-added services	24,375	7.9	37,562	8.7	50,167	8.4
Total	310,123	100.0	432,789	100.0	600,906	100.0

During the Track Record Period, we also provide property management services for green buildings. When engaged to manage green buildings, our Group will undertake to learn extensively about the architectural characteristics and environmental protection features of green buildings, and then devise and implement property management measures and procedures that make good use of the characteristics and features of the green buildings to reduce the ecological footprint in relation to maintaining and upkeeping the communal areas of such properties and to create a more eco-friendly, comfortable and sustainable living environment that fulfils the various certification requirements necessary for obtaining and maintaining the “Green Building Labels” or recognitions obtained from internationally recognised environmental and building sustainable certification evaluation systems, such as installing intelligent sensors in communal areas that will turn off lighting systems when certain areas are not in use, putting signs next to elevators to promote the health benefits of stair climbing, setting up collection points for recyclables and reusable materials and supporting recycling by decorating the communal areas with art exhibits made of unwanted objects. For further details, please refer to “Relationship with Controlling Shareholders – Delineation of business – Other Businesses of our Controlling Shareholders – Technological Systems Operation Business” in this prospectus. We believe that our history of managing green buildings, which began in 2010, also helps sharpen our competitive edge. According to CIA, our Company ranked the 12th among the Top 100 Property Management Companies in the PRC in terms of years of experience in management of green buildings in 2020. In addition, the experience among the Top 100 Property Management Companies in the PRC in 2020 in managing green buildings ranges from 4 years to 12 years according to CIA and our Group, with 10 years of experience, falls on the higher-end of such range. As confirmed by CIA, the know-how and experience required for implementing active measures to protect the environment are nurtured over time. By way of example, the management of green buildings requires property management companies to understand and adapt their operations to the various certification requirements necessary for obtaining and maintaining the “Green Building Labels” or recognitions obtained from internationally recognised environmental and building sustainable certification evaluation systems. As advised by CIA, property management companies with longer histories of managing green buildings would have accumulated more relevant know-how and experience and thus can provide better property management services for green buildings.

SUMMARY

The table below sets out the breakdowns of (i) the revenue (in absolute amount and as a percentage of the total revenue from property management services), (ii) gross profit, (iii) gross profit margin, (iv) number of projects under management and (v) GFA under management in relation to green buildings as at the dates/for the years indicated:

	As at/for the year ended 31 December		
	2018	2019	2020
Revenue (<i>RMB'000</i>)	93,184	119,945	143,204
Percentage of the total revenue from property management services (%)	47.1	40.4	34.9
Gross profit (<i>RMB'000</i>)	18,486	19,921	28,958
Gross profit margin (%)	19.8	16.6	20.2
Number of projects under management . .	29	33	36
GFA under management (<i>'000 sq.m.</i>)	4,375	5,165	5,961

During the Track Record Period, our gross profit margin for our property management services in relation to green buildings were 19.8%, 16.6% and 20.2%, respectively. The gross profit margin for our property management services in relation to green buildings decreased from 19.8% for FY2018 to 16.6% for FY2019, primarily due to more costs incurred in FY2019 to enhance the quality of our service when we acquired new projects, such as purchasing of different types of supplies and training of new staff incurred during the early stage of projects. Afterwards, it increased to 20.2% in FY2020, which was primarily attributable to (i) higher costs incurred in FY2019 to support the early stage of those newly managed properties and (ii) the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures, leading to lower employee benefit expenses for FY2020.

The table below sets forth a breakdown of our total revenue, gross profit and gross profit margin by type of customers for the periods indicated:

	FY2018				FY2019				FY2020			
	Revenue		Gross profit margin		Revenue		Gross profit margin		Revenue		Gross profit margin	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Landsea.	61,113	19.7	21,749	35.6	58,683	13.6	18,937	32.3	97,711	16.3	40,212	41.2
Landsea's joint ventures and associates ^{Note}	22,356	7.2	7,779	34.8	35,460	8.2	10,263	28.9	52,640	8.7	19,137	36.4
Independent Third Parties	226,654	73.1	53,136	23.4	338,646	78.2	71,901	21.2	450,555	75.0	101,381	22.5
Total/Overall	310,123	100.0	82,663	26.7	432,789	100.0	101,100	23.4	600,906	100.0	160,730	26.7

SUMMARY

Note: Refer to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.

Gross profit margin among different types of our customers is primarily affected by (i) the mix of our services provided to each type of customers; and (ii) the gross profit margin of the type of services provided. In general, gross profit margin of Landsea and its joint ventures and associates (on the one hand) is higher than that of the Independent Third Parties (on the other hand) primarily because most of our revenue from Landsea and its joint ventures and associates (i.e. 87.4%, 80.9% and 80.7% of the total revenue from Landsea and its joint ventures and associates for FY2018, FY2019 and FY2020, respectively) is derived from provision of value-added services to non-property owners (which has a relatively higher gross profit margin) whilst most of our revenue from Independent Third Parties (i.e. 82.8%, 82.6% and 84.6% of the total revenue from Independent Third Parties for FY2018, FY2019 and FY2020, respectively) is derived from provision of property management services (which has a relatively lower gross profit margin).

During the Track Record Period, the gross profit margin of (i) Landsea; and (ii) Landsea's joint ventures and associates decreased from 35.6% and 34.8% in FY2018 to 32.3% and 28.9% in FY2019, respectively, primarily because of a decrease in the gross profit margin of value-added services to non-property owners, including sales assistance services and preliminary consultancy services and other pre-delivery services in the same year; and increased to 41.2% and 36.4% in FY2020, respectively, primarily due to an increase in the gross profit margin of value-added services to non-property owners in the same year resulted from the increase in contribution from property agency services for properties owned by property developer which has a relatively higher gross profit margin. Meanwhile, the gross profit margin of Independent Third Parties remained relatively stable at 23.4%, 21.2% and 22.5% during the Track Record Period. For further details of our gross profit margin of different service types, please refer to the section headed "Financial Information – Gross profit and gross profit margin" in this prospectus.

SUMMARY

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

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services						
(a) Landsea	10,105	3.3	17,081	4.0	25,821	4.3
(b) Landsea's joint ventures and associates	91	—*	103	—*	2,751	0.4
(c) Independent Third Parties	187,667	60.5	279,787	64.6	381,257	63.5
Sub-total:	197,863	63.8	296,971	68.6	409,829	68.2
Value-added services to non-property owners						
<i>(i) Sales assistance services</i>						
(a) Landsea	13,348	4.3	11,644	2.7	17,672	2.9
(b) Landsea's joint ventures and associates.	11,802	3.8	18,122	4.2	14,680	2.4
(c) Independent Third Parties	13,114	4.2	14,000	3.2	15,912	2.6
<i>Sub-total:</i>	<i>38,264</i>	<i>12.3</i>	<i>43,766</i>	<i>10.1</i>	<i>48,264</i>	<i>7.9</i>
<i>(ii) Preliminary consultancy services and other pre-delivery services</i>						
(a) Landsea	37,335	12.0	22,455	5.2	6,465	1.1
(b) Landsea's joint ventures and associates.	10,463	3.4	17,225	4.0	21,956	3.7
(c) Independent Third Parties	1,823	0.6	8,122	1.9	3,603	0.6
<i>Sub-total:</i>	<i>49,621</i>	<i>16.0</i>	<i>47,802</i>	<i>11.1</i>	<i>32,024</i>	<i>5.4</i>
<i>(iii) Property agency services for properties owned by property developers</i>						
(a) Landsea	—	—	6,678	1.5	47,369	7.9
(b) Landsea's joint ventures and associates.	—	—	10	—*	13,253	2.2
(c) Independent Third Parties	—	—	—	—	—	—
<i>Sub-total:</i>	<i>—</i>	<i>—</i>	<i>6,688</i>	<i>1.5</i>	<i>60,622</i>	<i>10.1</i>
Sub-total:	87,885	28.3	98,256	22.7	140,910	23.4
Community value-added services						
<i>(i) Home-living services</i>						
(a) Landsea	325	0.1	825	0.2	384	0.1
(b) Landsea's joint ventures and associates.	—	—	—	—	—	—
(c) Independent Third Parties	16,164	5.2	22,110	5.1	24,796	4.1
<i>Sub-total:</i>	<i>16,489</i>	<i>5.3</i>	<i>22,935</i>	<i>5.3</i>	<i>25,180</i>	<i>4.2</i>
<i>(ii) Public resource management services</i>						
(a) Landsea	—	—	—	—	—	—
(b) Landsea's joint ventures and associates.	—	—	—	—	—	—
(c) Independent Third Parties	7,844	2.6	14,241	3.3	15,579	2.6
<i>Sub-total:</i>	<i>7,844</i>	<i>2.6</i>	<i>14,241</i>	<i>3.3</i>	<i>15,579</i>	<i>2.6</i>
<i>(iii) Property agency services</i>						
(a) Landsea	—	—	—	—	—	—
(b) Landsea's joint ventures and associates.	—	—	—	—	—	—
(c) Independent Third Parties	42	—*	386	0.1	9,408	1.6
<i>Sub-total:</i>	<i>42</i>	<i>—*</i>	<i>386</i>	<i>0.1</i>	<i>9,408</i>	<i>1.6</i>
Sub-total:	24,375	7.9	37,562	8.7	50,167	8.4
Total:	310,123	100.0	432,789	100.0	600,906	100.0

* Amount less than 0.5%

SUMMARY

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

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Landsea						
(a) Property management services	10,105	3.3	17,081	4.0	25,821	4.3
(b) Value-added services to non-property owners						
(i) Sales assistance services	13,348	4.3	11,644	2.7	17,672	2.9
(ii) Preliminary consultancy services and other pre-delivery services	37,335	12.0	22,455	5.2	6,465	1.1
(iii) Property agency services for properties owned by property developers	–	–	6,678	1.5	47,369	7.9
Sub-total:	50,683	16.3	40,777	9.4	71,506	11.9
(c) Community value-added services						
(i) Home-living services	325	0.1	825	0.2	384	0.1
(ii) Public resource management services	–	–	–	–	–	–
(iii) Property agency services	–	–	–	–	–	–
Sub-total:	325	0.1	825	0.2	384	0.1
Sub-total:	61,113	19.7	58,683	13.6	97,711	16.3
Landsea's joint ventures and associates						
(a) Property management services	91	–*	103	–*	2,751	0.4
(b) Value-added services to non-property owners						
(i) Sales assistance services	11,802	3.8	18,122	4.2	14,680	2.4
(ii) Preliminary consultancy services and other pre-delivery services	10,463	3.4	17,225	4.0	21,956	3.7
(iii) Property agency services for properties owned by property developers	–	–	10	–*	13,253	2.2
Sub-total:	22,265	7.2	35,357	8.2	49,889	8.3
(c) Community value-added services						
(i) Home-living services	–	–	–	–	–	–
(ii) Public resource management services	–	–	–	–	–	–
(iii) Property agency services	–	–	–	–	–	–
Sub-total:	–	–	–	–	–	–
Sub-total:	22,356	7.2	35,460	8.2	52,640	8.7
Independent Third Parties						
(a) Property management services	187,667	60.5	279,787	64.6	381,257	63.5
(b) Value-added services to non-property owners						
(i) Sales assistance services	13,114	4.2	14,000	3.2	15,912	2.6
(ii) Preliminary consultancy services and other pre-delivery services	1,823	0.6	8,122	1.9	3,603	0.6
(iii) Property agency services for properties owned by property developers	–	–	–	–	–	–
Sub-total:	14,937	4.8	22,122	5.1	19,515	3.2
(c) Community value-added services						
(i) Home-living services	16,164	5.2	22,110	5.1	24,796	4.1
(ii) Public resource management services	7,844	2.6	14,241	3.3	15,579	2.6
(iii) Property agency services	42	–*	386	0.1	9,408	1.6
Sub-total:	24,050	7.8	36,737	8.5	49,783	8.3
Sub-total:	226,654	73.1	338,646	78.2	450,555	75.0
Total:	310,123	100.0	432,789	100.0	600,906	100.0

* Amount less than 0.5%

SUMMARY

During the Track Record Period, the growth in our total revenue was primarily attributable to a general increase in revenue from our business lines; among which, the majority was generated from our property management services, which accounted for 63.8%, 68.6% and 68.2%, of our total revenue respectively. To diversify our service offerings in response to customer needs, we have launched our property agency services for properties owned by property developers in late FY2019, leading to an increase in revenue derived from our value-added services to non-property owners during the Track Record Period. During the Track Record Period, our revenue derived from providing property agency services for properties owned by property developers was solely from selling properties owned or developed by Landsea, its joint ventures and associates. As at the Latest Practicable Date, the Group had entered into two contracts to provide property agency services for properties owned by independent third-party property developers. Revenue derived from our community value-added services increased continuously during the Track Record Period, primarily driven by the increase in the number of projects we managed and the widening of the scope of services we offered after we have obtained the relevant broker licence in late 2019 and commenced the provision of property agency services for second-hand properties. As we expect to provide more property agency services for properties owned by Landsea, its joint ventures and associates, we expect that the transaction amounts with Landsea, its joint ventures and associates will substantially increase after Listing. For further details, please refer to “Continuing Connected Transactions” in this prospectus.

SUMMARY

The table below sets out the breakdown of our revenue, gross profit and gross profit margin from property management services by property types and the relevant GFA for the periods indicated:

As at or for the year ended 31 December																															
	2018				2019				2020																						
	Revenue	Gross profit	Gross profit margin	GFA under management	Contracted but undelivered GFA	Revenue	Gross profit	Gross profit margin	GFA under management	Contracted but undelivered GFA	Revenue	Gross profit	Gross profit margin	GFA under management	Contracted but undelivered GFA																
	RMB'000	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	RMB'000	%	'000 sq.m.	%	
Residential properties																															
(a) Properties developed by Landsea ⁽¹⁾	144,686	73.1	27,255	74.7	18.8	6,509	71.7	1,372	26.0	165,630	55.8	23,359	49.9	14.1	7,107	47.3	779	11.6	189,080	46.1	35,042	48.5	18.5	7,696	44.4	190	3.0	19,300	44.4	190	3.0
(b) Jointly developed properties ⁽²⁾	12,963	6.6	2,214	6.1	17.1	1,011	11.1	2,015	38.1	24,492	8.2	3,427	7.3	14.0	1,262	8.4	2,913	43.2	38,000	9.3	6,988	9.7	18.4	1,965	11.3	3,746	59.3	3,746	59.3	3,746	59.3
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾	11,547	5.8	2,285	6.3	19.8	750	8.3	1,277	24.1	22,203	7.5	4,616	9.9	20.8	933	6.2	1,238	18.4	24,759	6.0	4,531	6.3	18.3	1,125	6.5	1,075	17.0	1,075	17.0	1,075	17.0
(d) Properties developed by other independent third-party property developers ⁽⁴⁾	8,906	4.5	816	2.2	9.2	545	6.0	444	8.4	44,729	15.0	5,249	11.2	11.7	4,015	26.7	1,010	15.0	106,980	26.2	14,479	20.0	13.5	5,672	32.7	591	9.4	591	9.4	591	9.4
Sub-total/Overall:	178,102	90.0	32,570	89.3	18.3	8,815	97.1	5,108	96.6	257,064	86.5	36,651	78.3	14.3	13,317	88.6	5,940	88.2	358,819	87.6	61,040	84.5	17.0	16,458	94.9	5,602	88.7	5,602	88.7	5,602	88.7
Non-residential properties																															
(a) Properties developed by Landsea ⁽¹⁾	7,274	3.7	2,494	6.8	34.3	50	0.6	6	0.1	17,992	6.1	5,634	12.0	31.3	112	0.7	295	4.4	22,663	5.5	6,867	9.5	30.3	139	0.8	295	4.7	295	4.7	295	4.7
(b) Jointly developed properties ⁽²⁾	-	-	-	-	-	-	-	173	3.3	1,793	0.6	542	1.2	30.2	106	0.7	473	7.0	3,519	0.9	(124) ⁽⁵⁾	(0.2)	(3.5)	211	1.2	417	6.6	417	6.6	417	6.6
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(d) Properties developed by other independent third-party property developers ⁽⁴⁾	12,487	6.3	1,423	3.9	11.4	207	2.3	-	-	20,132	6.8	3,998	8.5	19.9	1,492	10.0	29	0.4	24,828	6.0	4,432	6.2	17.9	538	3.1	-	-	-	-	-	-
Sub-total/Overall:	19,761	10.0	3,917	10.7	19.8	257	2.9	179	3.4	39,917	13.5	10,174	21.7	25.5	1,710	11.4	797	11.8	51,010	12.4	11,175	15.5	21.9	888	5.1	712	11.3	712	11.3	712	11.3
Residential properties and Non-residential properties																															
(a) Properties developed by Landsea ⁽¹⁾	151,960	76.8	29,749	81.5	19.6	6,559	72.3	1,378	26.1	183,622	61.9	28,993	61.9	15.8	7,219	48.0	1,074	16.0	211,743	51.6	41,909	58.0	19.8	7,835	45.2	485	7.7	485	7.7	485	7.7
(b) Jointly developed properties ⁽²⁾	12,963	6.6	2,214	6.1	17.1	1,011	11.1	2,188	41.4	26,285	8.8	3,969	8.5	15.1	1,368	9.1	3,386	50.2	41,519	10.2	6,864	9.5	16.5	2,176	12.5	4,163	65.9	4,163	65.9	4,163	65.9
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾	11,547	5.8	2,285	6.3	19.8	750	8.3	1,277	24.1	22,203	7.5	4,616	9.9	20.8	933	6.2	1,238	18.4	24,759	6.0	4,531	6.3	18.3	1,125	6.5	1,075	17.0	1,075	17.0	1,075	17.0
(d) Properties developed by other independent third-party property developers ⁽⁴⁾	21,393	10.8	2,239	6.1	10.5	752	8.3	444	8.4	64,861	21.8	9,247	19.7	14.3	5,507	36.7	1,039	15.4	131,808	32.2	18,911	26.2	14.3	6,210	35.8	591	9.4	591	9.4	591	9.4
Total/Overall:	197,863	100.0	36,487	100.0	18.4	9,072	100.0	5,287	100.0	296,971	100.0	46,825	100.0	15.8	15,027	100.0	6,737	100.0	409,829	100.0	72,215	100.0	17.6	17,246	100.0	6,314	100.0	6,314	100.0	6,314	100.0

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers in which Landsea held a controlling interest (i.e. over 50%).
- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (3) Refers to properties solely developed by independent third-party property developers which entrusted Landsea as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise five members) for selecting the property management service providers of these properties was appointed by Landsea, and the relevant independent third-party property developers will not appoint any member to the tender evaluation committees in addition to the one appointed by Landsea. As such, our Directors considered that such arrangements did not amount to a control of Landsea over the selection process. As advised by our PRC Legal Advisers, according to relevant PRC laws and regulations, the members of the tender evaluation committee as a whole will review and rank the submitted tenders according to the bidding evaluation criteria stipulated in the bidding documents and shortlist no more than three bidders to the tenderer with basis for the consideration of the tenderer. Therefore, Landsea does not have any special role in evaluating the tender of these projects other than appointing a member in a tender evaluation committee, which will review and rank the tenders as a whole.
- (4) Refers to properties solely developed by independent third-party property developers which did not engage Landsea as a service provider to provide property development entrustment services.
- (5) The loss was attributable to a property which our Group was responsible for the transformation and upgrading of the water meters, as well as the extra water and electricity fee in respect of such construction work.

SUMMARY

Revenue generated from residential property management services generally increased during the Track Record Period, primarily driven by an increase in our total GFA under management, resulting from more newly developed residential properties developed by Landsea were delivered to us and our continuous effort in expanding our customer base and managing more projects developed by independent third-party property developers. Our Group also diversified our project portfolio through obtaining more projects of various types of non-residential properties, resulting in their contribution in our revenue from property management services increasing slightly from 10.0% for FY2018 to 12.4% for FY2020.

We have been making consistent efforts to establish and actively cultivate relationships with independent third-party property developers since 2015. For example, during the Track Record Period, we managed to significantly increase our GFA under management for residential properties projects sourced from independent third-party property developers at a CAGR of approximately 128.7% from 1.3 million sq.m. as at 31 December 2018 to 6.8 million sq.m. as at 31 December 2020. For non-residential properties projects, our GFA has increased at a CAGR of approximately 58.1% from 0.2 million sq.m. as at 31 December 2018 to 0.5 million sq.m. as at 31 December 2020. We also experienced corresponding growth in revenue from Independent Third Parties, from RMB226.7 million for FY2018 to RMB338.6 million for FY2019, and further to RMB450.6 million for FY2020.

Going forward, to further develop our relationship with independent third-party property developers, we intend to make aggressive efforts to participate in more tender biddings organised by independent third-party property developers. We also intend to use approximately 56.8% or HK\$164.8 million of net proceeds from the Global Offering to acquire not more than four other property management companies, which we expect to help increase the contracted GFA and revenue generated from properties developed by Independent Third Parties. We believe that, with our strong business development capabilities and market reputation, our revenue attributable to independent third-party property developers will continue to grow.

The following table sets out a breakdown of our revenue of value-added services to non-property owners by type for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	38,264	43.5	43,766	44.5	48,264	34.3
Preliminary consultancy services and other pre-delivery services	49,621	56.5	47,802	48.7	32,024	22.7
Property agency services for properties owned by property developers	—	—	6,688	6.8	60,622	43.0
Total	87,885	100.0	98,256	100.0	140,910	100.0

SUMMARY

The following table sets out a breakdown of our revenue of community value-added services by type for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Home-living services	16,489	67.6	22,935	61.1	25,180	50.2
Public resources management services .	7,844	32.2	14,241	37.9	15,579	31.1
Property agency services for second-hand properties	42	0.2	386	1.0	9,408	18.7
Total	24,375	100.0	37,562	100.0	50,167	100.0

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

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	36,487	18.4	46,825	15.8	72,215	17.6
Value-added services to non-property owners	31,310	35.6	29,317	29.8	55,727	39.5
Community value-added services . . .	14,866	61.0	24,958	66.4	32,788	65.4
Total/Overall	82,663	26.7	101,100	23.4	160,730	26.7

During the Track Record Period, our overall gross profit margin was 26.7%, 23.4% and 26.7%, respectively. Our overall gross profit margins are affected by the gross profit margins for each of our business lines as well as fluctuations in our business mix.

SUMMARY

The following table sets out a breakdown of our gross profit and gross profit margin from property management services by property type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Residential properties						
– Properties developed by Landsea . .	27,255	18.8	23,359	14.1	35,042	18.5
– Jointly developed properties ⁽¹⁾	2,214	17.1	3,427	14.0	6,987	18.4
– Properties developed by independent third-party property developers	3,101	15.2	9,865	14.7	19,009	14.4
	32,570	18.3	36,651	14.3	61,040	17.0
Non-residential properties						
– Properties developed by Landsea . .	2,494	34.3	5,634	31.3	6,867	30.3
– Jointly developed properties ⁽¹⁾ . . .	–	–	542	30.2	(124) ⁽²⁾	(3.5) ⁽²⁾
– Properties developed by independent third-party property developers	1,423	11.4	3,998	19.9	4,432	17.9
	3,917	19.8	10,174	25.5	11,715	21.9
Total/Overall	36,487	18.4	46,825	15.8	72,215	17.6

Notes:

- (1) Refer to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (2) The loss was attributable to a property which our Group was responsible for the transformation and upgrading of the water meters, as well as the extra water and electricity fee in respect of such construction work.

SUMMARY

Property management services: Gross profit margin for our property management services is, to a large extent, dependent on the average property management fees charged by us and our cost of sales and services for providing such services. Conforming with the industry norm, our property management services provided for non-residential properties, such as office buildings, have a relatively higher average property management fees (when compared to residential properties), and resulted in a relatively higher gross profit margin for non-residential properties. During the Track Record Period, the overall gross profit margin for property management services decreased from 18.4% for FY2018 to 15.8% for FY2019, primarily attributable to more costs incurred in FY2019 such as expenses incurred for purchase of different types of supplies and training of new staff, when our total GFA under management increased from 9.1 million sq.m. as at 31 December 2018 to 15.0 million sq.m. as at 31 December 2019. Afterwards, it increased to 17.6% for FY2020, such increase was primarily attributable to economies of scale as our management infrastructure matured and our GFA under management increased over such periods; our enhanced operating capabilities to improve cost-efficiency by subcontracting; and the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures.

In respect of residential properties, the gross profit margin for our property management services provided for properties developed by Landsea and jointly developed properties (on the one hand) is relatively higher than those developed by independent third-party property developers (on the other hand) primarily because (i) the average property management fees for properties developed by independent third-party property developers are lower because a larger portion of such projects, especially those where Landsea did not provide any property development entrustment services, (a) are located in third-tier cities, or (b) have over 12 years of history with limited auxiliary facilities and service scope; and (ii) more costs were incurred to improve our service quality for properties developed by independent third-party property developers to improve our competitiveness as we further expand our management portfolio to such projects. Except for FY2019 where the gross profit margin for both types of properties are of similar level primarily because more costs were incurred in FY2019 for both types of projects to enhance our service quality when we acquired projects newly developed by Landsea as well as properties developed by independent third-party property developers.

In respect of non-residential properties, the gross profit margin for our property management services provided for properties developed by Landsea and jointly developed properties (on the one hand) is relatively higher than those developed by independent third-party property developers (on the other hand) primarily because the average property management fees for properties developed by Landsea are relatively higher as more customised services are provided to such properties. Such customised services include pre-conference preparation and catering services (for office buildings) and maintenance services regarding exhibits and display areas and docent tour and guide services (for industrial parks). Except for FY2020 where we recorded a gross loss for a jointly developed property which we were responsible for the transformation and upgrading of the water meters, as well as the extra water and electricity fee in respect of such construction work.

SUMMARY

Residential properties developed by independent third-party property developers include (a) properties where Landsea was engaged to provide property development entrustment services; and (b) properties without such entrustment arrangement. Properties without such entrustment arrangement (i.e. category (b) of the above) had a lower gross profit margin (when compared to category (a) of the above) primarily because the average property management fees charged are lower as a larger portion of such properties (i) are located in third-tier cities, or (ii) have over 12 years of history with limited auxiliary facilities and service scope. As the contribution of properties without such entrustment arrangement (which has a lower gross profit margin) increased continuously in terms of both revenue and GFA under management during the Track Record Period, the overall gross profit margin of residential properties developed by independent third-party property developers decreased from 15.2% for FY2018 to 14.7% for FY2019 and further decreased to 14.4% for FY2020.

In respect of non-residential properties developed by independent third-party property developers, the gross profit margin increased from 11.4% for FY2018 to 19.9% for FY2019, primarily because we have gradually improved our business management as we further expand our management portfolio to non-residential properties and was able to secure more profitable non-residential projects. Afterwards, the gross profit margin decreased to 17.9% in FY2020, which was primarily attributable to the delay in resources allocation when three industrial park projects were terminated before expiration but we continued to incur labour costs for staff who were previously assigned to these projects.

The following table sets out a breakdown of our gross profit and gross profit margin of value-added services to non-property owners by type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales assistance services . . .	11,868	31.0	12,479	28.5	13,395	27.8
Preliminary consultancy services and other pre-delivery services	19,442	39.2	14,198	29.7	10,538	32.9
Property agency services for properties owned by property developers	—	N/A	2,640	39.5	31,794	52.4
Total/Overall	31,310	35.6	29,317	29.8	55,727	39.5

Value-added services to non-property owners: Its gross profit margin decreased from 35.6% for FY2018 to 29.8% for FY2019, primarily attributable to decrease in gross profit margin from sales assistance services and preliminary consultancy services and other pre-delivery services as certain projects in FY2018 were with higher contract value, may

SUMMARY

allow us to achieve economies of scale and leading to higher profitability in FY2018. Afterwards, it increased to 39.5% for FY2020, primarily attributable to increase in contribution from property agency services for property owned by property developer that we newly launched in late FY2019.

The following table sets out a breakdown of our gross profit and gross profit margin of community value-added services by type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Home-living services	6,998	42.4	10,476	45.7	10,740	42.7
Public resources management services	7,844	100.0	14,241	100.0	15,579	100.0
Property agency services for second-hand properties . .	24	57.1	241	62.4	6,469	68.8
Total/Overall.	14,866	61.0	24,958	66.4	32,788	65.4

Community value-added service: Its gross profit margin increased from 61.0% for FY2018 to 66.4% for FY2019, primarily attributable to increase in contribution from public resources management services, which was relatively less labour-intensive and accordingly entailed higher gross profit margin as compared to home-living services and was in line with increase in number of properties we managed. Afterwards, it remained relatively stable at 65.4% for FY2020.

OUR STRENGTHS

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

- We are a growing property management service provider well-established in managing green buildings;
- Well-established in the highly attractive regional markets in the Yangtze River Delta;
- Close cooperation with Landsea and our strong independent business development capability accelerate our business growth;
- Diversified value-added services to cater for the needs of various customer groups; and
- We possess quality management system and management tool.

SUMMARY

OUR STRATEGIES

Our business strategies for our continuous development in the property management service industry are as follows:

- Expand our business scale through multiple channels;
- Continue to enrich our value-added services;
- Continue to enhance our user-centric and data-driven operation ability;
- Continue to incentivise, retain and recruit talents in order to better our human resources management; and
- Enhance brand awareness and professionalise our service.

OUR CUSTOMERS AND SUPPLIERS

Our customer base primarily consists of property developers, property owners' associations and owners or residents of our managed properties. In FY2018, FY2019 and FY2020, revenue derived from our largest customer, Landsea, amounted to RMB61.1 million, RMB58.7 million and RMB97.7 million, respectively, representing 19.7%, 13.6% and 16.3%, respectively, of our total revenue. During the same period, revenue from our five largest customers collectively amounted to RMB79.0 million, RMB80.9 million and RMB129.1 million, respectively, representing 25.4%, 18.7% and 21.5%, respectively, of our total revenue. Please see "Business – Our customers" for further details.

Our major suppliers are primarily subcontractors for our property management services which provide security, cleaning and gardening and landscaping services. In FY2018, FY2019 and FY2020, purchase from our largest supplier amounted to RMB4.6 million, RMB8.1 million and RMB12.6 million, representing 6.2%, 6.9% and 8.6%, respectively, of our total purchase. During the same period, purchase from our five largest suppliers amounted to RMB19.2 million, RMB29.8 million and RMB36.4 million, respectively, representing 25.7%, 25.4% and 25.0%, respectively, of our total purchase. Please see "Business – Our suppliers" for further details.

LANDSEA, OUR CONTROLLING SHAREHOLDERS AND CONTINUING CONNECTED TRANSACTIONS

Immediately upon completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), Honor Limited, which is wholly owned by Mr. Tian, will, in aggregate, directly or indirectly, be interested in approximately 34.16% of the total number of issued Shares. Hence, Honor Limited and Mr. Tian will be our Controlling Shareholders under the Listing Rules. Apart from our business, Mr. Tian is also interested in 50% of the total number of issued shares of Landsea Group Company and 57.94% of the total number of issued shares of Landsea Green Properties (stock code: 0106). Landsea is principally engaged in the businesses of property development (including provision of property development

SUMMARY

entrustment services), decoration engineering, architectural technologies, sales of construction materials, management of staffing and human resources for property projects, asset management and investment, provision of retirement and fitness services and operation of rental apartments. During the Track Record Period, all of Landsea's property development business was conducted through Landsea Green Properties Group, which focuses on the development of green residential properties.

The business relationship between our Group and Landsea has been mutually beneficial and complementary, which is common among property management service providers and their related property development companies in the PRC. Over years of cooperation, our Group and Landsea have developed deep understanding of each other's business operations and shared a similar service philosophy. Given the long and close relationship between our Group and Landsea, our familiarity with Landsea's specific requirements and expected deliverables has enabled us to reduce communication costs, build mutual trust and consistently provide quality services that meet Landsea's specific demands and requirements for its properties. Going forward, we consider that it may also not be in the best interest of Landsea to engage a new service provider in place of our Group, taking into account the time required and the uncertainties involved for Landsea to engage a new service provider which is able to provide equally satisfactory services. For further details, please see "Relationship with Controlling Shareholders" in this prospectus.

We expect that our Group will continue to be engaged by Landsea to provide services after Listing. See "Continuing Connected Transactions" in this prospectus for details.

PRE-IPO INVESTMENT

South Capital, our pre-IPO investor, acquired 1% of the equity interest in Landsea Property Management at a consideration of RMB729,590 on 23 December 2019. After completion of the Capitalisation Issue and the Global Offering, South Capital will hold 0.69% of the number of issued Shares in our Company. See "History, Reorganisation and Corporate Structure" in this prospectus for details.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our combined financial statements, including the accompanying notes, set forth in the Accountant's Report attached as Appendix I to this prospectus, as well as the information set forth in "Financial Information."

SUMMARY

Selected Combined Statements of Comprehensive Income

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	310,123	432,789	600,906
Cost of sales and services ⁽¹⁾	(227,460)	(331,689)	(440,176)
Gross profit	82,663	101,100	160,730
Profit before income tax ⁽²⁾	41,586	47,576	85,258
Profit for the year	30,961	34,307	65,560
Attributable to:			
Equity owners of our Company	25,265	34,005	65,560
Non-controlling interests	5,696	302	–

Notes:

- (1) During FY2018, FY2019 and FY2020, our cost of sales and services primarily consists of (i) employee benefit expenses of RMB140.7 million, RMB198.1 million and RMB225.3 million, respectively; and (ii) subcontracting costs for services, such as cleaning, security, greening and gardening and maintenance, of RMB66.9 million, RMB103.8 million and RMB156.8 million, respectively.
- (2) Prior to and during the Track Record Period, as part of Landsea Group, our Group entered into ABS 2016 and ABS 2018 for the purpose of providing financing to Landsea Group at the time and Landsea Group centralised all the funding needs of its subsidiaries and affiliates, and allocated funds among them based on a centralised fund management mechanism. For the risk in relation to our interest-bearing loans to related parties by using proceeds from the issuance of ABS 2016 and ABS 2018, see “Risk Factors – Risks relating to our business and industry – We charged interest on advances made to other parties during the Track Record Period” in this prospectus for further details. These arrangement are non-recurring in nature and our Directors confirm that our Group has no intention to enter into similar arrangements after the Listing.

During FY2018, FY2019 and FY2020, we provided certain interest-bearing loans to related parties using the proceeds from the issuance of ABS 2016 and ABS 2018 at an interest ranging from 7.71% to 7.88% per annum and recorded interest income from related parties, as part of other income, of RMB22.0 million, RMB61.7 million and RMB32.4 million, respectively, and interests on ABS, as part of net finance costs, of RMB21.4 million, RMB46.9 million and RMB23.1 million, respectively. ABS 2016 and ABS 2018 have been redeemed by us in August 2019 and December 2020, respectively. The net interest income from related parties after netting off the interest expenses on ABS was generated by activities outside the ordinary and usual course of business under Rule 8.05(1)(a) of the Listing Rules. Despite the interest-bearing loans to related parties involved using the proceeds from issuance of ABS 2016 and ABS 2018, the interest income from related parties was higher than the interest expenses on ABS 2016 and ABS 2018 during FY2018, FY2019 and FY2020, as the ABS 2016 and ABS 2018 would not be entitled to input value-added tax deduction and Landsea Group decided to compensate us for the above with slightly higher interest income. Such interest income was higher than the compensation of the value-added tax because, in addition to the abovementioned ABS arrangements, we had provided funding to the Landsea Group with our operating surplus cash and recognised interest income for such funding. For details, please refer to “Financial Information – Related party transactions”, Notes 24 and 31 of the Accountants’ Report in Appendix I in this prospectus.

SUMMARY

Non-HKFRS Measures

Prior to and during the Track Record Period, the Landsea Group centralised all the funding needs of its subsidiaries and affiliates, and allocated funds among them based on a centralised fund management mechanism. Such fund management and financing measures may include ABS arrangements, bank borrowings and inter-company borrowings and loans. As we are a member of the Landsea Group, we had, amongst others, entered into ABS 2016 and ABS 2018 for the purpose of providing financing to the Landsea Group and provided funding to the Landsea Group with our operating surplus cash. As confirmed by our Directors, these arrangements are non-recurring in nature and we have no intention to enter into similar arrangements after the Listing.

To supplement our combined financial statements which are presented in accordance with HKFRSs, we also presented adjusted net profit, adjusted total equity and adjusted bank and other borrowings and lease liabilities as additional financial measures, which are not required by, nor presented in accordance with, HKFRSs. These non-HKFRS measures eliminate the effect of borrowings and loans due from/to related parties and borrowings related to the ABS arrangement and their tax effects, which are not related to our ordinary course of business and are non-recurring in nature. We believe that these measures provide more useful information to investors and others in understanding and evaluating our combined results of operations and financial position in the same manner as our management. Nonetheless, the use of these measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs. Please refer to the section headed “Financial Information – Non-HKFRS Measures” in this prospectus for further details.

SUMMARY

The following table reconciles our adjusted net profit in each period of the Track Record Period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of profit and total comprehensive income for the year to adjusted net profit			
Profit and total comprehensive income for the year.....	30,961	34,307	65,560
Less:			
Other income – Interest income from related parties.....	(21,998)	(61,704)	(32,436)
Add:			
– Finance costs – Interests on ABS..	21,381	46,949	23,072
– Finance costs – Interests on amount due to related parties ...	–	4,656	11,263
– Finance costs – Interests on bank borrowings.....	920	1,954	11
Tax effects ^(Note)	<u>(76)</u>	<u>2,036</u>	<u>(478)</u>
Adjusted net profit	<u>31,188</u>	<u>28,198</u>	<u>66,992</u>

Note: Including tax effects on income and costs related to borrowings and loans due from/to related parties, which are calculated with tax rates of 25% for the Track Record Period.

SUMMARY

During the Track Record Period, our adjusted net profit margin, defined as adjusted net profit divided by revenue for the relevant period, is 10.1%, 6.5% and 11.1% , respectively. The following table reconciles our adjusted total equity as of the dates indicated to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of total equity to adjusted total equity			
Total equity	142,643	62,757	128,383
Less:			
Income and costs related to borrowings and loans due from/to related parties and their tax effects.....	227	(6,109)	1,432
Adjusted total equity	142,870	56,648	129,815

The following table reconciles our adjusted bank and other borrowings and lease liabilities as of the dates indicated to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of sum of long-term and short-term interest-bearing bank and other borrowings and lease liabilities to adjusted bank and other borrowings and lease liabilities			
Sum of long-term and short-term interest-bearing bank and other borrowings and lease liabilities ...	647,351	449,051	1,091
Less:			
Secured bank borrowings (ABS 2016, ABS 2018 and bank borrowings).....	(646,081)	(448,443)	—
Adjusted bank and other borrowings and lease liabilities .	1,270	608	1,091

SUMMARY

As at 31 December 2018, 2019 and 2020, our adjusted gearing ratio, defined as adjusted bank and other borrowings and lease liabilities divided by adjusted total equity and multiplied by 100%, is 0.9, 1.1 and 0.8, respectively.

Selected Combined Balance Sheets

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	19,547	26,019	23,324
Current assets	1,009,022	956,508	592,587
Current liabilities	375,886	543,689	487,386
Net current assets	633,136	412,819	105,201
Non-current liabilities	510,040	376,081	142
Total equity/net assets	142,643	62,757	128,383
– Non-controlling interests	11,797	–	–

Our net current assets decreased from RMB633.1 million as at 31 December 2018 to RMB412.8 million as at 31 December 2019, mainly due to (i) changes in balances with related parties of RMB764.1 million, (ii) increase in our trade payables, contract liabilities and current income tax liabilities, in line with increase in our business growth, being partially offset by (iii) the increase in trade receivables and (iv) the repayment of ABS 2016 being redeemed in advance by our Group. Our net current assets decreased to RMB105.2 million as at 31 December 2020, mainly due to (i) changes in balances with related parties of RMB160.9 million, (ii) the decrease in cash and cash equivalents of RMB342.0 million to redeem our ABS in advance, being partially offset by the decrease in current portion of our borrowings as ABS 2018 was redeemed in advance by our Group, and (iii) the increase in trade receivables.

Our net assets decreased from RMB142.6 million as at 31 December 2018 to RMB62.8 million as at 31 December 2019, mainly due to acquisition of subsidiaries at a total cash consideration of RMB115.5 million as part of the Reorganisation and such cash consideration is deemed as distribution to the then shareholder of our Group and recognised as deduction of other reserves. Our net assets increased to RMB128.4 million, mainly due to the accumulation of profit of FY2020 of RMB65.6 million.

SUMMARY

Summary Combined Statements of Cash Flows Data

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– <i>Operating cash flow before changes in working capital</i>	50,076	38,121	94,484
– <i>Changes in working capital</i>	44,459	82,606	24,469
– <i>Income tax paid</i>	(702)	(3,481)	(26,032)
Net cash from operating activities	93,833	117,246	92,921
Net cash (used in)/from investing activities	(423,564)	733,266	119,629
Net cash from/(used in) financing activities	397,157	(278,463)	(554,641)
Net increase/(decrease) in cash and cash equivalents	67,426	572,049	(342,091)
Cash and cash equivalents at beginning of year	16,815	84,241	656,290
Effect of foreign exchange rate changes ..	–	–	66
Cash and cash equivalents at end of year	<u>84,241</u>	<u>656,290</u>	<u>314,265</u>

Key financial ratios

	As at 31 December/FY		
	2018	2019	2020
Return on equity	28.6	33.4	68.6
Return on total assets	4.1	3.4	8.2
Current ratio	2.7	1.8	1.2
Gearing ratio	459.8	874.2 ^(Note)	24.9

Note: We recorded higher gearing ratio in 2019, primarily attributable to the decrease in our total equity as at respective dates because of the acquisition of subsidiaries from the then shareholder of our Group for the Reorganisation, being partially offset by the decrease in our total debts, mainly because certain ABS were redeemed in advance by our Group in August 2019.

For details, please refer to “Financial Information – Key Financial Ratios” in this prospectus for the definitions and analysis of key financial ratios in the table above.

SUMMARY

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 100,000,000 Offer Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 400,000,000 Shares are in issue upon completion of the Global Offering.

	Based on an Offer Price of HK\$2.86 per Offer Share	Based on an Offer Price of HK\$4.16 per Offer Share
Market capitalisation of our Shares	HK\$1,144.0 million	HK\$1,664.0 million
Unaudited pro forma adjusted combined net tangible assets value per Share ^(Note)	HK\$0.71	HK\$1.02

Note: The unaudited pro forma adjusted combined net tangible assets value per Share is calculated after making the adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information.”

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation. The dividends declared and settled by our Group to its then shareholders was nil, nil and nil for FY2018, FY2019 and FY2020, respectively. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and our constitutional documents, our Company may in general meeting declare dividends in any currency to be paid to the shareholders, but no dividend may be declared in excess of the amount recommended by our Board.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC operating subsidiaries may also be subject to any restrictive covenant in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

For details, please refer to “Financial Information – Dividend” in this prospectus.

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$290.1 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$3.51 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 56.8% or HK\$164.8 million, will be used for strategic acquisitions and investments;
- approximately 15.3% or HK\$44.4 million, will be used for further upgrading the software and hardware of our digitalised smart systems, improving customer data security and establishing a strategy analysis platform, developing and upgrading our internal management systems and continuing to upgrade our Landsea e Cloud and the IT tools and software for running our WeChat service accounts;
- approximately 10.2% or HK\$29.6 million, will be used for enriching community living and cultural activities, expanding and further promoting our property agency services, enriching and promoting our community value-added services, establishing a WeChat Mini Program;
- approximately 7.7% or HK\$22.3 million, will be used for continuing to incentivise, retain and recruit talents in order to better our human resources management; and
- approximately 10.0% or HK\$29.0 million, will be used for working capital and other general corporate purposes.

According to CIA, increasing numbers of property management companies have been pursuing access to capital markets as a means of broadening their financing channels. As at 31 December 2020, there were 38 property management companies listed on the Stock Exchange, 35 of which allocated part of their net proceeds for strategic acquisitions and/or investments. There is therefore a risk that we may face fierce competition in exploring suitable acquisition/investment targets and materialising our acquisition/investment plans. Please see “Risk Factors – Risks relating to our business and Industry – Future acquisitions could expose us to risks that may have a material adverse effect on our business, financial condition and results of operations” for further details. According to CIA, as at 31 December 2020, there were 350 property management companies in the PRC that match our criteria for potential acquisition targets, among which 120 were located in the Yangtze River Delta, 50 were located in South China, 80 were located in Southwest China and the remaining were located in other regions in the PRC. Among the 350 property management companies, all of them provide services to both residential and non-residential properties and provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services and 40 of them provide property management services to green buildings.

SUMMARY

As at the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds received by our Company from the Global Offering. When determining the amount of approximately HK\$164.8 million, or 56.8% of the net proceeds, allocated to potential acquisitions and investment in other property management companies, assuming an Offer Price of HK\$3.51 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this document), we have considered (i) the acquisition or investment in majority equity interests of potential targets at a price-earning ratio of approximately 8.0 to 15.0 times; (ii) the acquisitions or investments in not more than four potential targets; and (iii) our criteria for strategic acquisitions and investments as disclosed in “Future plans and use of proceeds – Criteria for strategic acquisitions and investments – (a) Acquire other property management companies” in this prospectus. We do not plan to acquire or invest in minority equity interests of potential targets. The abovementioned considerations under the allocation of the net proceeds may be subject to changes based on market conditions. In the event that the net proceeds received by our Company from the Global Offering are less than the capital expenditure needed for strategic acquisitions, we plan to finance such shortfall with cash generated from operations and/or commercial bank loans, as and when appropriate.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed in short-term demand deposits with licensed banks or financial institutions.

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

LISTING EXPENSES

Assuming the Offer Price of HK\$3.51 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the total amount of expenses in relation to the Listing including the underwriting commission and other listing expenses and fees are estimated to be RMB50.0 million, as 17.4% of gross proceeds, which shall be borne by our Company. For FY2019 and FY2020, we incurred listing expenses of RMB5.7 million, RMB8.2 million, respectively. It is estimated that RMB15.8 million will be charged to the Group’s profit and loss for the year ending 31 December 2021, and RMB16.3 million is estimated to be directly attributable to the issue of the new Shares and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after Listing.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Business Operations and Financial Position

Our contracted GFA amounted to 24.1 million sq.m. as at the Latest Practicable Date, including 54 projects developed by Landsea with an aggregate contracted GFA of 8.3 million sq.m., 45 projects jointly developed by Landsea and independent third-party property developers with an aggregate contracted GFA of 6.3 million sq.m., and 62 projects developed by independent third-party property developers with an aggregate contracted GFA of 9.5 million sq.m. Among such aggregate contracted GFA as at the Latest Practicable Date, the aggregate GFA delivered for our management was 17.5 million sq.m., including projects developed by Landsea with an aggregate GFA under management of 7.8 million sq.m., projects jointly developed by Landsea and independent third-party property developers with an aggregate GFA under management of 2.3 million, and projects developed by independent third-party property developers with an aggregate GFA under management of 7.4 million sq.m. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded eight new property management projects, all of which were developed by independent third-party property developers, with an aggregate contracted GFA of approximately 0.8 million sq.m. Six of the projects are for the provision of property management services to residential properties, while the remaining two are for the provision of property management services to an industrial park and rental apartment, respectively.

As at the Latest Practicable Date, we were contracted to provide property management services for 52 properties which were still under development. Among these properties, 35 of them with an aggregate undelivered GFA of 4.5 million sq.m. were developed by Landsea or its associates or joint ventures, the majority of which (i.e. 82.2%, being 3.7 million sq. m. undelivered GFA) is expected to be delivered by the year ending 31 December 2022; the remaining 17 with an aggregate undelivered GFA of 2.1 million sq.m. were developed by independent third-party property developers, the majority of which (i.e. 57.1%, being 1.2 million sq. m. undelivered GFA) is expected to be delivered by the year ending 31 December 2021.

Effect of COVID-19

Impact on our business operation

An outbreak of respiratory illness caused by a novel coronavirus, which has been named as COVID-19 by the World Health Organisation (“WHO”) was identified in December 2019 and spread globally in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, the PRC government has imposed measures across the PRC including, but not limited to, travel restrictions and mandatory quarantine measures across various cities, the extended shutdown of business operations, and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

SUMMARY

To the best of our Directors' knowledge, there had been no confirmed cases of COVID-19 infection of our staff as of the Latest Practicable Date. Our Directors confirmed that, in relation to the provision of our services in general, (i) arrangement had been made to ensure that sufficient workforce was available for our business operations during and after the outbreak of the disease and that our frontline staff did not experience material disruption in carrying out their responsibilities for the provision of our services; and (ii) our major suppliers are subcontractors which provide services such as security, cleaning and maintenance services, and the workers assigned by our subcontractors to our managed properties did not experience material disruption in performing their duties for the subcontracting services following the outbreak of the disease. Our Directors also confirmed that since the outbreak of COVID-19 and up to the Latest Practicable Date, our Group had not encountered and is not expected to experience any shortage in labour or disruption to the supply of subcontracting services or materials as a result of the outbreak of COVID-19.

As at the Latest Practicable Date, the COVID-19 outbreak had not materially affected our property management services. However, the travel restrictions and mandatory quarantine measures in response to the COVID-19 outbreak in the first half of 2020 had affected our progress of market expansion. Our contracted GFA had increased from 14.4 million sq.m. as at 31 December 2018 to 21.8 million sq.m. as at 31 December 2019, representing a growth of 51.4%. However, our contracted GFA as at 31 December 2020 amounted to 23.7 million sq.m., representing a growth of 8.7% from 21.8 million sq.m. as at 31 December 2019.

Some of our community value-added services were affected by the COVID-19 outbreak. In FY2020, we experienced a slower growth in respect of our home-living services, mainly due to the mandatory quarantine measures adopted in the early 2020 which disrupted our provision of house cleaning, home repair and maintenance services.

We believe that the above impact was immaterial on our overall business operation and financial performance as we achieved growth in terms of revenue for our property management services, value-added services to non-property owners and community value-added services in FY2020 as compared to FY2019, which increased from RMB432.8 million to RMB600.9 million.

Impact on our financial condition

The ongoing outbreak of COVID-19 has inevitably increased our costs in managing properties and providing other related services. For instance, we have needed to incur an additional expense for the disinfection of managed properties and the purchase of personal protective equipment and sanitising materials and additional labour costs and expenses in relation to overtime wages, employment stabilisation subsidies and other related employee benefits and compensation. For FY2020, our cost of procurement of anti-epidemic supplies amounted RMB0.8 million, while the additional labour costs amounted to RMB1.7 million. On the other hand, we had received government grants from the PRC local authorities to support our business operations and ease our financial burden in light of the outbreak of COVID-19 and we had also become entitled to certain social insurance contribution exemptions in 2020, which we believe will help alleviate our increased operating costs following the outbreak.

SUMMARY

Our Directors confirmed that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability. Also, our Group has sufficient cash and cash equivalents to maintain our operation and our Directors confirmed that we will utilise the net proceeds from the Global Offering in accordance with “Future Plans and Use of Proceeds” in this prospectus.

Given the nature of our business operations, our Directors are of the view that the risk of our Group having to suspend our operations is remote. In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources (including cash and bank balances and amounts due from related parties to be repaid before Listing) as at 31 December 2020 could satisfy our necessary costs for over 12 months. We also estimate that, in the unlikely event mentioned above and based on the assumptions below except that there would be 10.0% of the proceeds from the Global Offering as allocated for general business operations and working capital, our Group will remain financially viable for over 12 months.

Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any income due to the suspension of business; (ii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) we may incur one-month staff cost to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (iv) we will continue to incur the rental related payments including rentals, management fees and other miscellaneous charges that are paid monthly; (v) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic headquarter office maintenance cost, utilities expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vi) the expansion plan is delayed under such condition; (vii) there will be no further internal or external financing from our Shareholders or financial institutions; (viii) no further dividend will be declared and paid under such situation; (ix) our trade receivables will be settled based on historical settlement pattern while trade payables will be settled when due; and (x) there are no material changes in the near future that would significantly affect the aforementioned key assumptions. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote. The actual impact from the outbreak of COVID-19 will depend on its subsequent development; therefore, there is a possibility that such impact to our Group may be out of our Director’s control and beyond our estimation and assessment.

SUMMARY

No Material Adverse Change

After due and careful consideration, our Directors confirm that, since 31 December 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2020 (being the date to which our Company's latest combined financial results were prepared), and there has been no events since 31 December 2020 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

NON-COMPLIANCE MATTERS

During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our qualified employees. See "Business – Legal proceedings and non-compliance – Legal compliance" for further details.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorised into: (i) risks related to our business and industry; (ii) risks related to doing business in China; and (iii) risks related to the Global Offering. Some of the risks generally associated with our business and industry include the following:

- A significant portion of our revenue is generated from property management services we provide to the property development projects of Landsea;
- Our future growth may not materialise as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations;
- Termination or non-renewal of our preliminary property management agreements or property management agreements could have a material adverse effect on our business, financial position and results of operations;
- We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis;
- Increase in labour costs, staff costs and subcontracting costs could slow down our growth, harm our business and reduce our profitability; and
- We may not be able to collect property management fees from our customers and as a result, may incur impairment losses on receivables.

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 prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" in this prospectus in deciding whether to invest in our Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

“Accountant’s Report”	the accountant’s report on our Group for the Track Record Period set out in Appendix I to this prospectus
“Anju Landsea”	Anju Landsea Property Management Service (Yangzhou) Co., Ltd. (安居朗詩物業服務(揚州)有限公司), a company established in the PRC with limited liability on 22 April 2021 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 51% by Langtuo Property Management, 40% by Baoying County Anju Property Service Co., Ltd. (寶應縣安居物業服務有限公司) and 9% by Baoying County Chengtuo Property Management Service Center (General Partnership) (寶應縣城拓物業服務中心(普通合夥)), the latter two being Independent Third Parties
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 15 June 2021 which will come into effect upon the Listing, a summary of which is set out in Appendix III to this prospectus, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 299,891,305 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in “Statutory and General Information – A. Further Information about our Company – 4. Written resolutions of our Shareholders passed on 15 June 2021” in Appendix IV to this prospectus

DEFINITIONS

“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap 22 (Act 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 EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changzhou Huilin Yiju”	Changzhou Huilin Yiju Real Estate Brokerage Co., Ltd. (常州市匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 16 March 2020 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Chengdu Fulang”	Chengdu Fulang Property Services Co., Ltd. (成都福朗物業服務有限公司), a company established in the PRC with limited liability on 16 January 2020 which is owned as to 51% by Chengdu Dexinshangyu Property Management Co., Ltd. (成都德新尚裕物業管理有限公司), an Independent Third Party, and 49.0% by Langtuo Property Management
“Chengdu Huilin Yiju”	Chengdu Huilin Yiju Real Estate Brokerage Co., Ltd. (成都匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 20 March 2020 and an indirect wholly-owned subsidiary of our Company
“CIA”	China Index Academy, our industry consultant and an Independent Third Party
“CIA Report”	an independent market research report prepared by CIA, which was commissioned by our Company for the purpose of this prospectus
“Circular 13”	Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知)
“Circular 37”	Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
“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
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	Landsea Green Life Service Company Limited (朗詩綠色生活服務有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 1 December 2020
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Mr. Tian and Honor Limited
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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 17 June 2021 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in “Statutory and General Information – E. Other Information – 1. Tax and Other Indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 17 June 2021 and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), details of which are set out in “Relationship with our Controlling Shareholders – Deed of Non-competition” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“EIT Law”	the PRC Enterprises Income Tax Law (《中華人民共和國企業所得稅法》), which was promulgated on 16 March 2007 and was amended on 24 February 2017 and 29 December 2018
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

DEFINITIONS

“FY2018”	the financial year ended 31 December 2018
“FY2019”	the financial year ended 31 December 2019
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ending 31 December 2021
“FY2022”	the financial year ending 31 December 2022
“FY2023”	the financial year ending 31 December 2023
“Ginkgo Gofar”	Shenzhen Ginkgo Gofar Enterprise Co., Ltd. (深圳市盈信國富實業有限公司), a company established in the PRC with limited liability on 30 July 2014 which is owned as to 79.48% by Mr. Lin Jinfeng (林勁峰), 9.17% by Mr. Liang Dehui (梁德惠), 6.71% by Ms. Lin Zhaohong (林朝虹), 1.12% by Mr. Wan Liying (萬里營), 0.89% by Mr. Zhang Yue (張躍), 0.89% by Mr. Zhou Yaoming (周耀明), 0.75% by Mr. Zhu Chuting (朱楚廷), 0.54% by Mr. Sun Xinrui (孫新銳), 0.39% by Mr. Liu Weilin (劉維林) and 0.06% Ms. Peng Jinying (彭金映), all of whom are Independent Third Parties save for Mr. Lin Jinfeng
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Green Life Trust”	a trust established on 18 January 2021, with Green Sailing (PTC) being appointed as the trustee, for the purpose of a share incentive scheme to be adopted by our Company at least six months after Listing
“Green Sailing (PTC)”	Green Sailing (PTC) Limited, a private trust company incorporated in the BVI with limited liability on 4 January 2021 and wholly owned by Honor Limited as a special purpose vehicle to hold shares as the trustee of the Green Life Trust

DEFINITIONS

“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guangxi Landsea Meiju”	Guangxi Landsea Meiju Information Consultancy Co., Ltd. (廣西朗詩美居信息諮詢有限公司), a company established in the PRC with limited liability on 30 September 2020 and an indirect wholly-owned subsidiary of our Company
“Guangxi Landsea Shenlu”	Guangxi Landsea Shenlu Information Technology Consulting Services Co., Ltd. (廣西朗詩深綠信息技術諮詢服務有限公司), a company established in the PRC with limited liability on 29 September 2020 and an indirect wholly-owned subsidiary of our Company
“Hangzhou Huilin Yiju”	Hangzhou Huilin Yiju Real Estate Brokerage Co., Ltd. (杭州匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 5 March 2020 and an indirect wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong New Tourism”	Hong Kong New Tourism Corporation Limited (香港新旅國際有限公司), a company incorporated in Hong Kong with limited liability on 12 December 2019 which is wholly owned by Nanfang Holdings and is one of our Substantial Shareholders

DEFINITIONS

“Hong Kong Offer Shares”	10,000,000 Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described in “Structure and Conditions of the Global Offering”
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the GREEN Application Form
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering named in “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 24 June 2021 and entered into by our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“Honor Limited”	Honor Limited, a company incorporated in the BVI with limited liability on 27 September 2019 which is wholly owned by Mr. Tian and is one of our Controlling Shareholders
“Huizhou Landsea”	Huizhou Landsea Dezhou Property Management Co., Ltd. (惠州朗詩德洲物業管理有限公司), a company established in the PRC with limited liability on 13 April 2021, which is owned as to 49% by Langtuo Property Management and 51% by Huizhou Daya Bay Dezhou Property Service Co., Ltd. (惠州大亞灣德洲物業服務有限公司), an Independent Third Party
“Independent Third Party(ies)”	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company

DEFINITIONS

“International Offering”	the conditional placing of the International Offer Shares at the Offer Price to professional, institutional and other investors, as described in “Structure and Conditions of the Global Offering”
“International Offer Shares”	90,000,000 Shares (subject to reallocation) initially offered by our Company for subscriptions under the International Offering together, when relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, as described in “Structure and Conditions of the Global Offering”
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the international underwriting agreement expected to be entered into on or around 30 June 2021 by our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters relating to the International Offering
“Jiangsu Landsea”	Jiangsu Landsea Sea Lake Property Management Co., Ltd. (江蘇朗詩海湖物業管理有限公司), a company established in the PRC with limited liability on 10 May 2021, which is owned as to 40% by Langtuo Property Management, 30% by Jiangsu Sea Lake Real Estate Co., Ltd. (江蘇海湖地產有限公司), 11% by Jiangsu Gaoyuan Property Management Co., Ltd. (江蘇高遠物業管理有限公司) and 11% by Shanghai Oujie Culture Communication Co., Ltd. (上海歐捷文化傳播有限公司), the latter three being Independent Third Parties
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and Parties Involved in the Global Offering” in this prospectus

DEFINITIONS

“Landleaf Technology”	Shanghai Landleaf Architecture Technology Co., Ltd. (上海朗綠建築科技股份有限公司), a joint stock company established in the PRC with limited liability on 15 August 2013 which was listed on the National Equities Exchange and Quotations Co., Ltd. (stock code: 870998) from January 2017 to March 2020 and is indirectly controlled as to 65.67% by Mr. Tian
“Landsea”	Landsea Group and Landsea Green Properties Group
“Landsea Community Service”	Landsea Community Service Co., Ltd., an exempted company incorporated in the Cayman Islands with limited liability on 18 October 2019 which is owned as to 49.50% by Honor Limited, 25.93% by Hong Kong New Tourism, 15.84% by Cliff Lin, 2.20% by Jianhe Holdings Limited, 1.83% by Lovet Limited, 1.39% by Dreamer Limited, 1.34% by Wisdom Holding Limited, 0.22% by Inner Limited, 0.18% by BELL Limited, 0.18% by Orange Holding Limited, 0.15% by Carrying Limited, 0.11% by Optimis Limited, 0.08% by Ween Holdings Limited, 0.05% by Suntony Holdings Limited, 0.01% by Jurry Limited and 1.00% by South Capital
“Landsea e Cloud”	Landsea e Cloud (朗e雲) is a digitalised internal online management platform, on which our staff perform daily routine property operation and management, including but not limited to property management fees collection, customer complaint management, security and order management and gardening and landscaping management
“Landsea Equipment”	Nanjing Landsea Equipment Management Co., Ltd. (南京朗詩設施管理有限公司), a company established in the PRC with limited liability on 25 December 2019 and a wholly-owned subsidiary of Landsea Group Company
“Landsea Green Properties”	Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司), a company incorporated in Bermuda with limited liability on 30 May 1990 and the shares of which are listed on the Main Board (stock code: 106)
“Landsea Green Properties Group”	Landsea Green Properties and its subsidiaries

DEFINITIONS

“Landsea Green Life”	Landsea Green Life Holdings Company Limited, a company incorporated in Hong Kong with limited liability on 5 November 2019 and an indirect wholly-owned subsidiary of our Company
“Landsea Greenlive”	Landsea Greenlive International Company Limited, a company incorporated in the BVI with limited liability on 23 October 2019 and a wholly-owned subsidiary of our Company
“Landsea Group”	Landsea Group Company and its subsidiaries (excluding Landsea Green Properties Group for the purpose of this prospectus)
“Landsea Group Company”	Landsea Group Co., Ltd. (朗詩集團股份有限公司), a joint stock company established in the PRC with limited liability on 24 December 2001 which is controlled as to 50.0% by Mr. Tian, 26.20% by Nanfang Holdings, 20.12% by Ginkgo Gofar, 2.22% by Suzhou Yuanda Investment Co., Ltd. (蘇州遠大投資有限公司), 1.41% by Mr. Yan Xiaoyang (顏曉陽) and 0.05% by Mr. Sun Chao (孫超), of whom the latter three are Independent Third Parties
“Landsea Homes”	Landsea Homes Corporation, a company incorporated in the State of Delaware, the United States and listed on the Nasdaq Stock Market (symbols: “LSEA”, “LSEAW”), and a subsidiary of Landsea Green Properties
“Landsea Property Management”	Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司), a company established in the PRC with limited liability on 12 January 2005 and an indirect wholly-owned subsidiary of our Company
“Landsea Sports”	Nanjing Landsea Sports and Cultural Development Co., Ltd. (南京朗詩體育文化發展有限公司), a company established in the PRC with limited liability on 12 July 2011 and an indirect wholly-owned subsidiary of our Company
“Langhong Management”	Langhong (Nanjing) Enterprise Management Co., Ltd. (朗鴻(南京)企業管理有限公司), a company established in the PRC with limited liability on 18 December 2019 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Langtuo Property Management”	Nanjing Langtuo Property Management Co., Ltd. (南京朗拓物業管理有限公司), a company established in the PRC with limited liability on 20 November 2019 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	16 June 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date expected to be on or around Thursday, 8 July 2021, on which the Shares are first listed and from which dealings in the Shares are permitted to take place on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“M&A Rules”	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and re-issued by MOFCOM on 22 June 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Meijia Engineering”	Nanjing Meijia Environment Engineering Co., Ltd. (南京美家環境工程有限公司), a company established in the PRC with limited liability on 16 March 2018 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, adopted on 15 June 2021 with immediate effect, a summary of which is set out in Appendix III to this prospectus and as amended from time to time
“Mianyang Langyue”	Mianyang Langyue Property Management Co., Ltd. (綿陽朗悅物業管理有限公司), a company established in the PRC with limited liability on 16 April 2021, which is owned as to 50% by Langtuo Property Management and 50% by Chengdu Dafa Property Service Co., Ltd. (成都大發物業服務有限公司), an Independent Third Party
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD” or “Ministry of Construction”	the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中國建設部)
“Mr. Tian”	the chairman of the Board, a non-executive Director and one of our Controlling Shareholders
“Nanfang Holdings”	Nanjing Textiles Import & Export Corporation Limited (南京紡織品進出口股份有限公司), a joint stock company established in the PRC with limited liability on 30 June 1992 and the shares of which are listed on the Shanghai Stock Exchange (stock code: 600250)
“Nanjing Huilin Yiju”	Nanjing Huilin Yiju Real Estate Brokerage Co., Ltd. (南京匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 17 March 2020 and an indirect wholly-owned subsidiary of our Company
“Nanjing Linglan”	Nanjing Linglan Human Resources Co., Ltd. (南京領藍人力資源有限公司), a company established in the PRC with limited liability on 9 June 2017 and an indirect wholly-owned subsidiary of Landsea Group Company
“Nanjing SASAC”	the State-owned Assets Supervision and Administration Commission of Nanjing Municipal Government (南京市人民政府國有資產監督管理委員會)

DEFINITIONS

“Nanjing State-owned Assets Investment Management”	Nanjing State-owned Assets Investment Management Holdings (Group) Co., Ltd. (南京市國有資產投資管理控股(集團)有限責任公司), a company established in the PRC with limited liability on 3 September 2002 which is wholly owned by Nanjing SASAC
“Nanjing Tourism Group”	Nanjing Tourism Group Co., Ltd. (南京旅遊集團有限責任公司), a company established in the PRC with limited liability on 12 December 2017 which is owned as to 60.0% by Nanjing Urban Construction and 40.0% by Nanjing State-owned Assets Investment Management
“Nanjing Urban Construction”	Nanjing Urban Construction Investment Holdings (Group) Co., Ltd. (南京市城市建設投資控股(集團)有限責任公司), a company established in the PRC with limited liability on 28 November 2002 which is wholly owned by Nanjing SASAC
“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)
“ODI Rules”	the Administrative Measures for Overseas Investment by Enterprise (《企業境外投資管理辦法》), the Administrative Measures for Overseas Investment (《境外投資管理辦法》), the Circular 13 and other relevant rules
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$4.16 and expected to be not less than HK\$2.86, such price to be determined by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or around the Price Determination Date
“Offer Price Range”	HK\$2.86 to HK\$4.16 per Offer Share
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares

DEFINITIONS

“Over-allotment Option”	the options expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by Sole Global Coordinator (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover the over-allocations (if any) in the International Offering, as described “Structure and Conditions of the Global Offering”
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC” or “China”	the People’s Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Legal Advisers”	King & Wood Mallesons, the legal advisers to our Company as to the laws of the PRC
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or around the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date expected to be on or around 30 June 2021, but no later than 2 July 2021, on which our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price for the purpose of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group in preparation of the Listing, details of which are set out in “History, Reorganisation and Corporate Structure” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the State Administration for Market Regulation (國家市場監督管理總局) pursuant to the Circular of the State Council on Establishment of Institutions (國務院關於機構設置的通知) (Guo Fa 2018 No.6) issued by the State Council on 22 March 2018, and, if the context requires, includes its local counterparts
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Huilin Yiju”	Shanghai Huilin Yiju Real Estate Brokerage Co., Ltd. (上海匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 24 March 2020 and an indirect wholly-owned subsidiary of our Company
“Shanghai Langxing”	Shanghai Langxing Business Management Co., Ltd. (上海朗行商業管理有限公司), a company established in the PRC with limited liability on 30 April 2020 and an indirect wholly-owned subsidiary of our Company
“Shanghai Shilan”	Shanghai Shilan Culture Communications Co., Ltd. (上海詩藍文化傳播有限公司), a company established in the PRC with limited liability on 2 February 2021 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 15 June 2021, the principal terms of which are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Shenlu Property Management”	Nanjing Landsea Shenlu Property Management Co., Ltd. (南京朗詩深綠物業管理有限公司), a company established in the PRC with limited liability on 16 May 2014 and an indirect wholly-owned subsidiary of our Company
“Sichuan Langshang”	Sichuan Langshang Property Management Co., Ltd. (四川朗商物業管理有限公司), a company established in the PRC with limited liability on 9 July 2020 which is owned as to 50% by Langtuo Property Management and 50% by Chengdu Hengge Enterprise Management Co., Ltd. (成都恒格企業管理有限公司), an Independent Third Party
“Sole Global Coordinator” or “Haitong International Securities”	Haitong International Securities Company Limited
“Sole Sponsor” or “Haitong International Capital”	Haitong International Capital Limited
“South Capital”	South Capital Investment Holding Limited (南都投資集團有限公司), a company incorporated in the BVI with limited liability on 8 July 2014 which is wholly owned by Mr. Zhou Qingzhi, whose background is set out in “History, Reorganisation and Corporate Structure – Pre-IPO Investment – Information about South Capital” in this prospectus
“Southern City Holdings”	Southern City Holdings Company Limited, a company incorporated in Hong Kong with limited liability on 21 November 2019 and an indirect wholly-owned subsidiary of our Company
“Southern Land International”	Southern Land International Company Limited, a company incorporated in the BVI with limited liability on 7 November 2019 and a wholly-owned subsidiary of our Company
“Stabilising Manager”	Haitong International Securities Company Limited
“Stock Borrowing Agreement”	The stock borrowing agreement expected to be entered into between Honor Limited and the Stabilising Manager on or about the Price Determination Date

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context requires otherwise
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and details of which are set out in “Substantial Shareholders” in this prospectus
“Suzhou Huiyaju”	Suzhou Huiyaju Real Estate Brokerage Co., Ltd. (蘇州匯雅居房地產經紀有限公司), a company established in the PRC with limited liability on 4 March 2020 and an indirect wholly-owned subsidiary of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three years ended 31 December 2018, 2019 and 2020
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended or supplemented from time to time
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be registered in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Wuhan Huixianju”	Wuhan Huixianju Real Estate Brokerage Co., Ltd. (武漢匯賢居房地產經紀有限公司), a company established in the PRC with limited liability on 3 July 2020 and an indirect wholly-owned subsidiary of our Company
“Wuxi Huilin Yiju”	Wuxi Huilin Yiju Real Estate Brokerage Co., Ltd. (無錫匯鄰驛居房地產經紀有限公司), a company established in the PRC with limited liability on 17 April 2020 and an indirect wholly-owned subsidiary of our Company
“Xuzhou Langshibao”	Langshibao (Xuzhou) Property Management Co., Ltd. (朗詩寶物業管理(徐州)有限公司), a company established in the PRC with limited liability on 16 January 2020 and an indirect non-wholly owned subsidiary of our Company, which is owned as to 51% by Langtuo Property Management and 49% by Huasheng Group Enterprise (Xinyi) Co., Ltd. (華盛集團實業(新沂)有限公司), an Independent Third Party
“%”	per cent

In this prospectus, the English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, awards, certificates, property projects and titles, etc. are translations from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

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

GLOSSARY AND TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“ABS”	asset-backed securities
“ABS 2016”	an asset-back special agreement entered into between our Group and Bosera Capital Management Co., Ltd. in the form of asset securitisation in September 2016
“ABS 2018”	an asset-back special agreement entered into between our Group and CITIC Securities Co., Ltd. in the form of asset securitisation in December 2018
“asset-light strategy”	according to CIA, it is the strategy of realising leadership or participation in real estate development and operational projects by exporting diversified resources and capabilities (including product resources, brand resources, management capabilities of development projects, sales capabilities, operational capabilities, financing guarantees, etc.) from partners
“average property management fee”	calculated as the sum of the property management fees charged during a specified period divided by the weighted average GFA under management during that same period
“BREEAM”	Building Research Establishment Environmental Assessment Method
“BREEAM In-Use V6”	according to CIA, BREEAM In-Use V6 is one of the most widely used evaluation systems across the globe for assessing the operational performance of green buildings in the world by evaluating various indicators, including but not limited to resources, energy and land use
“CAGR”	compound annual growth rate
“common area”	common area in properties jointly-owned by the property owners

GLOSSARY AND TECHNICAL TERMS

“contracted GFA”	GFA managed or to be managed by our Group under our operating property management service contracts, including both GFA under management and undelivered GFA
“ESG”	Environmental, Social, and Corporate Governance
“GFA”	gross floor area
“GFA under management”	GFA of properties that have been 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
“green building(s)”	according to CIA, this term is commonly used to refer to properties that have been awarded the “Green Building Labels” (綠色建築標識) by MOHURD and its local administrative authorities in the PRC or properties that are recognised by internationally recognised environmental and building sustainable certification evaluation systems (including BREEAM In-Use V6 and LEED)
“ISO”	the International Organisation of Standardisation, world-wide federation of national standard system
“ISO 9001”	a quality management system model published by ISO with guidance and tools for companies and organisations who want to ensure that their products and services consistently meet customers’ requirements, and that quality is consistently improved
“ISO 14001”	a set of standards published by ISO, which specifies a framework of control for an environmental management system
“ISO 45001”	a set of standards published by ISO, which sets out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business

GLOSSARY AND TECHNICAL TERMS

“ISO 50001”	a set of standards published by ISO, which supports organisations in all sectors to use energy more efficiently through the development of an energy management system
“IT”	information technology
“LEED”	according to CIA, Leadership in Energy and Environmental Design is a green building rating certification system developed by the U.S. Green Building Council
“lump sum basis”	when the management fees are charged on a lump sum basis, all property management fees collected will be recorded as revenue and all expenses incurred in providing property management services will be recorded as costs or expenses
“OHSAS”	Occupational Health and Safety Assessment Series
“OHSAS 18001”	an international standard setting out requirements for an occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“property development entrustment services”	services provided by property developers to owners of property development projects, under which such owners entrust their property projects to property developers to lead and oversee the whole process of development and construction, ranging from design, operation, sales, procurement, construction, completion to acceptance and delivery of properties
“renewal rate”	calculated as the number of renewed property management agreements in a given period divided by the number of expiring property management agreements
“retention rate”	calculated as the aggregate number of properties under management as at the end of a period divided by the aggregate number of properties under management as at the end of such period and the number of properties we cease to manage during such period
“sq.m.”	square metres

GLOSSARY AND TECHNICAL TERMS

“Top 100 Property Management Companies”	an annual ranking of China-based property management companies by overall strength published by CIA solely or jointly with other institution(s) based on a number of key indicators, including respective property management scale, operational performance, service quality and growth potential of such companies in the preceding year. The number of companies included in 2016, 2017, 2018, 2019 and 2020 are 200, 200, 220, 244 and 244, respectively. The number of companies for 2016, 2017, 2018, 2019 and 2020 exceeded 100 as multiple companies with the same or very close scores were assigned the same ranking. Top Ten and Top 20 Property Management Companies have the similar meanings as Top 100 Property Management Companies
“WeChat service accounts”	we have created a service account under WeChat for a majority of our residential property project under management to serve as an interaction and information distribution channel between owners and residents of our managed residential properties on one hand and us on the other hand
“Yangtze River Delta”	an economic region in China encompassing Shanghai, parts of Zhejiang province, Jiangsu province and Anhui province, including but not limited to Shanghai, Hangzhou, Huzhou, Jiaxing, Nanjing, Suzhou, Wuxi, Yangzhou, Changzhou and Hefei, for the purpose of this prospectus

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “propose”, “seek”, “should”, “target”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the us or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in “Risk Factors” and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in the PRC, including the sustainability of the economic growth in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

FORWARD-LOOKING STATEMENTS

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

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

RISK FACTORS

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be categorised as (i) risks relating to our business and industry, (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A significant portion of our revenue is generated from property management services we provide to the property development projects of Landsea

As at 31 December 2018, 2019 and 2020, the total GFA under management of properties solely developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest was 7.6 million sq.m., 8.6 million sq.m. and 10.0 million sq.m., representing 83.4%, 57.1% and 57.7% of our GFA under management, respectively. Any adverse development in the operations of Landsea or its ability to develop new projects may affect our ability to procure new property management agreements.

We do not have control over Landsea's management strategy, nor the macro-economic or other factors that affect their business operations. We cannot assure that Landsea will engage us as their property management service provider for any property they develop, particularly because the appointment of property management companies is generally subject to the tender and bidding process prescribed under the relevant PRC laws and regulations. If we are not able to maintain the number of our managed properties developed by Landsea, our results of operations and growth prospects may be materially and adversely affected.

Our future growth may not materialise as planned, and any failure to manage our future growth effectively may have a material adverse effect on our business, financial position and results of operations

We have experienced rapid growth and expanded our business in recent years. The total GFA under management of our managed properties increased from 9.1 million sq.m. as at 31 December 2018 to 15.0 million sq.m. as at 31 December 2019 and further to 17.3 million sq.m. as at 31 December 2020. Our revenue grew from RMB310.1 million in FY2018 to RMB432.8 million in FY2019 and further to RMB600.9 million in FY2020.

RISK FACTORS

We seek to continue our expansion through increasing the total contracted GFA and the number of properties we are contracted to manage in existing and new markets, including properties solely or jointly developed by Landsea and independent third-party property developers. Please refer to the paragraph headed “Business – Our strategies – Expand our business scale through multiple channels” in this prospectus.

However, our expansion is based on our forward-looking assessment of the property management service market. There is no assurance our assessment will always turn out to be correct or we can expand as planned. Our growth may be affected by a number of factors beyond our control, such as (i) the economic conditions in the PRC; (ii) developments in the property market; (iii) supply and demand of the property management services and community value-added services; (iv) changes in government regulations; and (v) our ability to obtain adequate financing for our growth.

We recorded an overall gross profit margin of 26.7%, 23.4% and 26.7% for FY2018, FY2019 and FY2020, respectively. There is no guarantee that we would maintain our gross profit margin in the future. During the Track Record Period, we recorded different levels of gross profit margin in different service types, property types and property source. For further details, please refer to the section headed “Financial Information — Gross profit and gross profit margin” in this prospectus. Moreover, our gross profit margin is subject to a number of factors beyond our control, including but not limited to (i) the continuous increase in labour and subcontracting costs in the PRC; (ii) the additional costs incurred for purchase of supplies and training of new staff when undertaking new property management projects; (iii) the difficulties in raising property management fees due to, amongst others, geographical location and condition of the properties and the price control pursuant to local laws and regulations; (iv) the change of our business mix to services with lower gross profit margin; and (v) the change of our property management portfolio to properties with lower gross profit margin. Going forward, should we fail to maintain our gross profit margin or experience the same growth rate of gross profit when compared to our historical results of operations, our future growth may not materialise as planned and our business, financial position and results of operations may be materially and adversely affected.

In circumstances where we expand into a new market, we may have limited knowledge of the local property management service market, which could be substantially different from those in our established markets. We may not have established relationships with local subcontractors, suppliers and other business partners as we do in our established markets. We may not be able to leverage our goodwill in a new market as we have done so in our established markets, and may face intense competition from the local property management service providers which might have more resources and experience than we do.

To accomplish our strategies and manage the future growth of our operations, we will be required to enhance our service quality, improve our operational and financial systems, and hire, train, retain and manage our growing employee base. We will also need to maintain and expand our relationships with our customers, subcontractors, suppliers, business partners and other third parties.

RISK FACTORS

The selection of a property management company depends on a number of factors, including but not limited to, the quality of services provided, the level of pricing and the operating history of the property management company. There is no assurance that we will be able to procure new property management agreements in the future. If we are unable to expand as planned or manage our future growth effectively, we may not be able to take advantage of the market opportunities which may have a material adverse effect on our business, financial position and results of operations.

We may not be able to maintain our historical growth rate and our results of operations during the Track Record Period may not be indicative of our future financial performance

We experienced rapid growth in profitability historically. Our revenue increased by 39.6% from RMB310.1 million in FY2018 to RMB432.8 million in FY2019 and further increased by 38.8% to RMB600.9 million in FY2020. Our gross profit increased by 22.2% from RMB82.7 million in FY2018 to RMB101.1 million in FY2019, and further increased by 59.0% to RMB160.7 million in FY2020. Our net profit also increased by 10.6% from RMB31.0 million in FY2018 to RMB34.3 million in FY2019 and further increased by 91.3% to RMB65.6 million in FY2020. Our gross profit margins were 26.7%, 23.4% and 26.7% and our net profit margins were 10.0%, 7.9% and 10.9% during the Track Record Period.

Our gross profit margin is primarily affected by the average service fees charged by us and our cost of sales and services for providing such services, both of which are dependent on factors beyond our control. Moreover, our gross profit margin varies depending on our service types, property types and property source. During the Track Record Period, our value-added services to non-property owners and community value-added services had a relatively higher gross profit margin than that of our property management services. In terms of our property management services, we generally recorded a higher gross profit margin from non-residential properties (when compared to residential properties) and from properties developed by Landsea and jointly developed properties (when compared to properties developed by independent third-party property developers) during the Track Record Period. For further details, please refer to the section headed “Financial Information – Gross profit and gross profit margin” in this prospectus.

Although we endeavour to maintain our gross profit margin, we cannot assure you that our gross profit margin recorded during the Track Record Period can be achieved in the future as the same is affected by a number of factors beyond our control. For example, our gross profit margin may be adversely affected by, amongst other, (i) the continuous increase in labour and subcontracting costs in the PRC; (ii) the additional costs incurred for purchase of supplies and training of new staff when undertaking new property management projects; (iii) the difficulties in raising property management fees due to, amongst others, geographical location and condition of the properties and the price control pursuant to local laws and regulations; (iv) the change of our business mix to services with lower gross profit margin; and (v) the change of our property management portfolio to properties with lower gross profit margin. Therefore, there is no guarantee that we would maintain our gross profit margin or experience the same growth rate of gross profit in the future.

RISK FACTORS

Moreover, there is no guarantee that we will continue to be able to increase the number of our property management agreements or our GFA under management, nor that we will be able to succeed in our business development going forward. Moreover, we will continue to face challenges related to rising labour and subcontracting 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. Therefore, investors should not rely on our historical results of operations to predict our future financial performance.

Termination or non-renewal of our preliminary property management agreements or property management agreements could have a material adverse effect on our business, financial position and results of operations

Revenue from our property management services amounted to RMB197.9 million, RMB297.0 million and RMB409.8 million, representing 63.8%, 68.6% and 68.2% of our total revenue in FY2018, FY2019 and FY2020, respectively. Our property management services are primarily provided in accordance with the preliminary property management agreements we enter into with property developers or property management agreements we enter into with the property owners' associations.

Our preliminary property management agreements are transitional in nature to facilitate the transfer of legal and actual control of the properties from property developers to property owners. Such preliminary property management agreements generally expire when the property owners' associations are established and enter into new property management agreements. There is no assurance that the relevant property owners' associations will decide to enter into property management agreements with us instead of other property management companies. Once the property owners' associations enter into property management agreements with other companies, our preliminary property management agreements will automatically terminate.

In relation to our property management agreements, some of them have fixed terms which will need to be renewed upon expiry. There is no assurance that such agreements will not be terminated prior to expiration for cause or renewed upon expiration. As both termination and non-renewal may be detrimental to our reputation, we may experience material adverse effects to our brand value. In the event of such termination or non-renewal, our business, financial position and results of operations could be materially and adversely affected.

Furthermore, the growth of our community value-added services depends in part on the number of communities we manage under our property management services. As a result, termination or non-renewal of our preliminary property management agreements or property management agreements could also adversely affect the performance of our community value-added services.

RISK FACTORS

We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis

All of our revenue derived from property management services was generated on a lump sum basis, for FY2018, FY2019 and FY2020. Under the lump sum basis, we are generally paid a pre-determined amount of property management fee per GFA for all units, which represents an “all-inclusive” fee for all the property management services provided by us and our subcontractors. Thus, we have to bear all costs involved in providing our property management services as specified in our property management agreements. If any excess expenditure is incurred, we are generally not entitled to request our customers to pay us the shortfall. Hence, under the lump sum basis, our costs-saving ability through the course of our provision of the property management services, has a direct correlation to our profitability. For further details, please see “Business – Property Management Services – Revenue model of property management services” in this prospectus.

As at 31 December 2018 and 2019 and 2020, we had certain property management projects managed on a lump sum basis which had incurred losses in respect of our property management services during the Track Record Period. Please see “Business – Property management services – Revenue model of property management services” for further details. We had continued to manage certain of those projects with a view to gradually improving their profitability through enhancing our service quality in order to raise our fee while at the same time control our cost. However, we cannot ensure that these measures will be effective for improving the profitability of such projects.

We can negotiate with property owners to raise the property management fees upon contract renewal or through obtaining approval from the requisite number of property owners under applicable PRC laws and regulations. However, we may not be successful in raising property management fees. In such cases and when there is a shortfall in working capital after deducting the property management costs, our profit margins would be adversely affected. In such events, we may seek different measures to cut costs with a view to reduce the shortfall. However, such mitigating measures may not be successful in raising our profit margin, and our cost-saving efforts may negatively affect the quality of our property management services, which in turn would further reduce customers’ willingness to pay us higher property management fees and, accordingly, adversely affect our reputation, business operations and financial position.

Increase in labour costs, staff costs and subcontracting costs could slow down our growth, harm our business and reduce our profitability

The property management service industry is a labour-intensive industry. Our labour costs amounted to RMB140.7 million, RMB198.1 million and RMB225.3 million, representing the largest component of our costs of sales and accounted for 61.9%, 59.7% and 51.2% of our cost of sales in FY2018, FY2019 and FY2020, respectively. Our staff costs amounted to RMB29.5 million, RMB41.7 million and RMB42.3 million, representing the largest component of our administrative expenses and accounted for 84.3%, 68.7% and 64.7% of our administrative expenses in FY2018, FY2019 and FY2020, respectively. In addition, we

RISK FACTORS

outsource certain services, including cleaning, security, gardening and landscaping, and some of our daily repair and maintenance services, to our subcontractors. In FY2018, FY2019 and FY2020, subcontracting costs amounted to RMB66.9 million, RMB103.8 million and RMB156.8 million, respectively, representing 29.4%, 31.3% and 35.6% of our costs of sales, respectively.

To maintain and improve our profitability, it is important for us to control and manage our labour costs, staff costs and subcontracting costs. However, we face increasing pressure in relation to such costs from various aspects. During the Track Record Period and up to the Latest Practicable Date, we charged our property management fees on a lump sum basis under which we bear all the expenses associated with providing our property management services, including labour and staff costs and subcontracting costs. To the extent we are unable to increase the level of our property management fees sufficiently to pass the increases in labour and staff costs or subcontracting costs onto our customers or effectively control and manage our labour and staff costs and subcontracting costs, our business, financial position and results of operations may be materially and adversely affected.

As we continue to expand our operations, we also expect to increase our total headcount by retaining and continuously recruiting qualified employees. The competition for recruiting qualified and experienced employees in the property management service industry in the PRC is intense and could require us to pay higher wages for recruitment and retention of our employees. Any future inability to recruit and retain qualified employees and subcontractors may delay our growth, and could also materially and adversely impact our property management operations at our managed properties.

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

We may encounter difficulties in collecting property management fees from our customers especially in communities with relatively low occupancy rate, since it would be more difficult for our Group to contact the owners of the vacant properties, and also we believe that such property owners are generally more reluctant to pay the property management fees as they might consider that they could not benefit from our property management services. Even though we seek to collect overdue property management fees through various collection measures, we cannot assure you that such measures will be effective. Though before accepting new engagements, we assess the historical collectability of management fees in these properties, there is no assurance that such assessment would enable us to accurately predict our future collection rate. We are exposed to the credit risks of our customers. Any financial difficulties experienced by our customers may expose us to higher credit risks. Moreover, property management fees are regulated by PRC laws and regulations and any change in the relevant laws and regulations may also affect our ability to successfully collect our property management fees.

RISK FACTORS

Our provision for impairment of trade receivables amounted to RMB2.8 million, RMB5.0 million and RMB9.9 million as at 31 December 2018, 2019 and 2020, respectively. For FY2018, FY2019 and FY2020, our impairment loss recognised on trade receivables amounted to RMB1.3 million, RMB2.2 million and RMB4.9 million, respectively. Please see “Financial Information – Description of certain items of combined statements of financial position – Trade receivables” for further details. Although our management’s estimation and the related assumptions have been made in accordance with the information currently available to us, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past provision for impairment of trade receivables in relation to trade receivables becomes insufficient in light of the new information, we may need to make more provision for impairment of trade receivables, which may in turn materially and adversely affect our business, financial condition and results of operations.

We engage subcontractors to perform some of our services to customers, and we may be exposed to liabilities arising from or relating to disputes and claims in relation to services provided by our subcontractors which are beyond our control

We engage subcontractors to perform some of our property management services and community value-added services including cleaning, security, gardening and landscaping and some of our daily repair and maintenance services. In FY2018, FY2019 and FY2020, our subcontracting costs amounted to RMB66.9 million, RMB103.8 million and RMB156.8 million, respectively, representing 29.4%, 31.3% and 35.6% of our cost of sales, respectively.

We may not be able to monitor such services as directly and efficiently as with our own services. Subcontractors may take actions contrary to our instructions or requests, or be unable or unwilling to fulfil their obligations in accordance with the subcontracting agreements. The substandard services provided by our subcontractors could damage our reputation, result in additional expenses and business disruptions and potentially expose us to litigation and damage claims from our customers. In addition, we could also be required to indemnify customers for work performed by our subcontractors. There is no guarantee that we will be able to do so. In addition, when our existing subcontracting agreements expire, there can be no assurance that we will be able to renew such agreements or find suitable replacements in a timely manner, on terms favourable to us, or at all. 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.

Moreover, we may become, or may be joined as, a defendant in litigation or other proceedings brought against our subcontractors. These proceedings could involve claims alleging, among other things, the failure of services provided by our subcontractors to conform to required quality standards, false or misleading representations made by our subcontractors in relation to the services provided, property damage or personal injuries arising from the services provided by our subcontractors and infringement of third parties’ intellectual property rights by our subcontractors in connection with the services provided. We may be required to pay damage as a result of such litigation or other proceedings. We may also be subject to administrative fines and ordered to cease provision of the relevant services.

RISK FACTORS

In the event of serious offences, our business licence may be suspended or revoked, and we may be investigated or even prosecuted under PRC criminal laws. Any of the foregoing events could harm our brand and reputation, divert our management's attention and other resources and have a material adverse effect on our business, financial position and results of operations.

Our community value-added services may not grow as planned and we may not be able to attract and retain sufficient interest from property owners and residents of our managed residential properties, which could adversely affect our profitability

For FY2018, FY2019 and FY2020, revenue generated from our community value-added services amounted to RMB24.4 million, RMB37.6 million and RMB50.2 million, respectively, representing 7.9%, 8.7% and 8.4% of our total revenue for the respective years/period.

We plan to attract increased usage of our community value-added services by property owners and residents in the residential properties we manage and we also regularly seek to introduce different products and services through our WeChat service accounts.

We must stay abreast of the emerging lifestyle and customer preferences that will appeal to existing and potential users. However, we cannot assure you that we will be able to successfully grow our community value-added services or generate the same level of profit or revenue as before. As we may have limited experience with new products and services, there can be no assurance that property owners and residents will respond favourably to them in the future. New products and services, or entrance into new markets, may require substantial time and resources and profitability targets may not be achieved. If we fail to provide satisfied products and services at attractive price to attract or retain sufficient interests from property owners and residents of our managed residential properties as planned, they may lose interest in our community value-added services. If we are not successful in developing our community value-added services or fail to introduce more revenue-generating community value-added services and other services, our profitability could be adversely affected.

Our pricing of property management fees under preliminary property management agreements is subject to PRC laws and regulations

The PRC property management industry and our operations are substantially affected by the relevant regulatory measures governing the PRC property management and real estate industries. 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. We seek to comply with the regulatory regime of the property management service in conducting our business operations. For more details, see "Regulatory Overview – Legal supervision over property management services – Fees charged by property management enterprises". 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 (the "Circular") (《國家發展改革委關於放開部分服務價格意見的通知》) (發改價格[2014]2755號), which requires provincial-level price administration

RISK FACTORS

authorities to abolish all price control or guidance policies on residential properties other than affordable housing and preliminary property management agreements. Property management fees for affordable housing, housing-reform properties and properties in old residential area and management fees under preliminary property management agreements remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. We expect the price controls on residential properties to relax over time pursuant to the Circular. However, our property management fees will continue to be subject to price controls until local regulations implementing the Circular are passed and we cannot guarantee that the PRC government may not reverse its policy and re-impose limits on property management fees. Government price control policies may have a negative impact on our profitability as such restrictions may lower the prices we may charge. In addition, since we charge our property management fees on a lump sum basis, our business, financial position and results of operations may be materially and adversely affected if we are unable to increase the level of our property management fees sufficiently to pass any increases in costs to our customers.

Our future growth depends on whether we are able to pass any increase in costs to our customers

We review and evaluate our property management fees from time to time, and we assess whether we should adjust our property management fees when property management agreements are renewed. We may have to bear the increased costs upfront before we can increase our property management fees in the next adjustment when renewing the property management agreements. In the event that we fail to accurately anticipate our actual costs prior to negotiating and entering into our property management agreements and the property management fees we collect are insufficient to cover all the property management expenses incurred, we may be unable to collect the shortfall from property developers and owners. We also cannot guarantee that we will be able to adequately control our costs in the course of providing our property management services. Our ability to mitigate against such losses through cost-saving initiatives may not be successful. Any losses we sustain may materially and adversely affect our profitability, financial position and results of operations.

We operate in a highly competitive industry with numerous competitors and we may not be able to compete successfully against our competitors

According to CIA, the property management service industry is highly fragmented and competitive. By the end of 2020, there were a total of nearly 140,000 property service companies nationwide. We compete against other property management companies in the PRC with respect to a wide range of factors including, among others, service quality, brand recognition, level of pricing, innovation, cost efficiency and financial resources.

Competition in our industry may intensify as our competitors expand their products or service offerings, or as new competitors enter our existing or new markets. Our competitors may have longer operating histories and greater financial, technical and other resources. They may also have better track records, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion

RISK FACTORS

and sale of their services. Our competitors may seek to replicate our business model and we may lose our competitive edge if we fail to continue to evolve. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position, and such failure could have a material adverse effect on our business, financial position and results of operations.

The property agency services industry is a highly competitive industry and we face increasing competition from both online and offline competitors

As the PRC property agency services industry is a highly competitive industry, we face constant pressures from our competitors. According to CIA, as at 31 December 2020, there were more than 0.2 million brands providing property agency services nationwide. Our competitors may be able to provide higher quality services, coupled with better locations, greater experience, more capital resources, a more extensive customer and property database as well as stronger brand recognition.

Furthermore, there is an emergence of online property agency. Some leading online property agencies may be able to collect and present wider choices and more efficient ways of reviewing available houses or unties and stronger brand recognition due to wider exposure via the Internet. Our attempts to remain competitive in the market by expanding our offline network and promoting our brand recognition offline may not succeed and may increase our costs. If our attempts to remain competitive fail and our market share in the property agency market shrinks, our business and financial condition may be adversely affected.

A significant portion of our operations is concentrated in the Yangtze River Delta, and we are susceptible to trends and developments in these regions

We focus on cities with high population densities in economically developed regions, and a significant majority of our operations is concentrated in the Yangtze River Delta. As at 31 December 2018, 2019 and 2020, the GFA under management of our projects located in the Yangtze River Delta represented 90.8%, 88.8% and 85.2% of the GFA under management, respectively. Our revenue from property management services generated from our managed properties in the Yangtze River Delta amounted to 92.0%, 89.2% and 86.6% of the total revenue from property management services, respectively, in FY2018, FY2019 and FY2020. Though we have further expanded our managed properties to other cities such as Shenzhen, Chongqing, Chengdu, Wuhan and Changsha, we expect the Yangtze River Delta will continue to account for a significant portion of our operations in the near future. If the Yangtze River Delta experiences any adverse economic conditions, such as economic downturns, natural disasters or terrorist attacks, or if the local government adopts regulations that place additional restrictions or burdens on us or on the property management service industry in general, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

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

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

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 the land for property development, control of foreign exchange, property financing, taxation. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties we service. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations.

Also, according to the symposium jointly held by the MOHURD and the PBOC in August 2020, the MOHURD and the PBOC proposed restrictive rules that limit the growth of real estate companies’ interest-bearing debt and financing activities. The rules lay out three red line standards on debt-to-asset ratio, net gearing ratio and cash to short-term debt ratio applicable to property developers. Please see “Industry Overview – The PRC Property Management Industry – Proposed regulations on three red line standards” of this prospectus for details. These rules may slow down the growth of the whole real estate sector, affecting the expansion of property developers such as Landsea and in turn imposing adverse impact on our growth. Given that (i) all of Landsea Green Properties’ relevant financial ratios as at 30 June 2020 did not exceed any of the aforementioned three red line standards based on the interim results of Landsea Green Properties for the six months ended 30 June 2020; and (ii) the Group has been expanding its portfolio of property management projects developed by independent third-party property developers during the Track Record Period, the GFA under management of which accounted for 16.6%, 42.9% and 42.3% of our total GFA under management for the corresponding years, respectively, our Directors are of the view that the above proposed rules will not have material adverse impact on our Group’s business operation and financial performance. Nevertheless, in the event that Landsea or other property developer customers are unable to obtain sufficient financing to support their expansion of business which results in a delay in the delivery of new properties to be managed by us, the growth of our GFA under management may be adversely affected.

RISK FACTORS

Damage to the common area of our property management projects could adversely affect our business, financial position and results of operations

The common areas of the properties we manage may suffer damage as a result of events beyond our control, including but not limited to natural disasters, accidents or intentional damage. Although PRC laws and regulations mandate that each residential community establishes a special fund to pay the repair and maintenance costs of common 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, typhoons, fires, accidents or intentional harms, the damage caused may be extensive. At times additional resources may have to be allocated to assist the 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 common 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 pay for the difference with our own resources first. We would need to 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.

We may be subject to fines for our failure to register for and/or contribute to social insurance fund and housing provident fund on behalf of our employees

Under relevant PRC laws and regulations, we are required to make social security fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make in full the social security fund and housing provident fund contributions for employees of our Group. As at 31 December 2018, 2019 and 2020, the carrying amount of our provisions for social security fund and housing provident fund contributions amounted to RMB29.5 million, RMB36.6 million and RMB32.9 million, respectively. As advised by our PRC Legal Advisers, in respect of outstanding social security contributions, the relevant PRC authorities may demand us to pay the outstanding social security funds within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be demanded by the relevant authorities to pay the underpaid amount to the housing provident funds within a prescribed time limit. If we still fail to do so upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for compulsory enforcement. As at the Latest Practicable Date, we had not received any notifications from the relevant authorities demanding payment of the social security fund and housing provident funds.

RISK FACTORS

As advised by our PRC Legal Advisers, the risks that we would be penalised for not making the contributions in full as mentioned above are low. However, we cannot assure you that we will not be subject to any orders to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social security fund and housing provident funds against us, or that we will not receive any claims in respect of the social security fund and housing provident funds under PRC laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

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

We may not be able to fulfil our obligation in respect of the contract liabilities which may have impact on our cash position. Our contract liabilities mainly represent property management fees received upfront as at the beginning of a billing cycle but not recognised as revenue. See “Financial Information – Description of certain items of combined statements of financial position – Contract liabilities.” We may fail to fulfil our obligations under our contracts with customers for various reasons within or beyond our control. For example, property owners may not be satisfied with our services during the contract period, and we may be terminated by our customers including the property developer or property owners’ associations for quality or other reasons, which may require us to refund the cash we have received upfront, which could materially adversely affect our cash position.

We are exposed to risks in relation to work safety and occurrence of accidents, which could materially and adversely affect our reputation, business, financial condition and results of operations

Work injuries and accidents may occur when providing our property management services. There are inherent occupational risks or accidents occurring due to the nature of the services being performed, such as handling of machinery and tools in providing repair and maintenance services in residential communities managed by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any work injury incident or accident in the course of our operations that resulted in a material and adverse effect on our business, financial position and results of operations. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to the property owners, residents or our employees will not occur in the future. In such event, we may be held liable for the losses and such occurrence will also damage our reputation within the property management service industry. We may also be exposed to claims of negligent or reckless behaviour on the part of our employees. We may also experience interruptions to our business operations and may be required by government authorities to change the manner in which we operate following any incidents or accidents. Any of the foregoing could materially and adversely affect our reputation, business, financial position and results of operations.

RISK FACTORS

Our business may be adversely affected if we fail to obtain or renew, or experience material delays in obtaining, requisite qualifications, government approvals, permits licences or certificates necessary for our business operations

We are required to obtain and maintain certain government approvals, permits, licences or certificates in order to provide certain services that we currently offer. We must meet the specific conditions for the government authorities to issue or renew any certificates or permits. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our services or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. In the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing the necessary government approvals for 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 intend to adopt a share incentive scheme at least six months after the Listing, which may lead to share based compensation expenses that may materially and adversely affect our results of operations

For the purpose of incentivising and motivating our key management and any other person who have made contributions to our Group, in January 2021, Green Sailing (PTC) was incorporated as a special purpose vehicle to hold Shares to be granted to eligible grantees under a share incentive scheme that we intend to adopt at least six months after the Listing. See “History, Reorganisation and Corporate Structure – Reorganisation – Incorporation of Green Sailing (PTC)” in this prospectus for further details on Green Sailing (PTC) and the proposed share incentive scheme.

Going forward, we expect to incur expenses based on the fair value of share-based payment measured at the date of grant under the proposed share incentive scheme, which will be recognised in our consolidated financial statements. Depending on the specific terms and conditions under which the Shares were granted, such as the vesting period, the fair value of the share-based compensation may be expensed immediately within the current financial reporting period or over the vesting period. In the event that we decide to grant a large number of Shares under the share incentive scheme pursuant to terms and conditions that require our share-based compensation to be expensed within a single financial reporting period or a short vesting period, such that our share-based compensation expenses become significant or increase over time, we may experience material adverse impact on our results of operations.

Negative publicity and adverse information 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,

RISK FACTORS

and we cannot assure you that other types of negative publicity will not arise in the future. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms. Our subcontractors may also become the subject of negative publicity of various reasons, such as customer complaints about the quality of their services. Such occurrences may damage our reputation and we may lose customer confidence. In the long term, this would affect our future ability to attract and retain new customers and employees and may suffer material adverse effects to our business and brand.

Risks relating to natural disasters, epidemics, acts of terrorism or war in the PRC and globally may materially and adversely affect our business

Natural disasters, epidemics, acts of terrorism or war or other factors that are beyond our control may materially and adversely affect the economy, infrastructure and livelihood of people in the areas where we have or plan to have business operations. In particular, due to their geographic regions, some of these areas are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as Ebola, SARS, H1N1, H5N1, H7N9 or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Any of such events could result in tremendous proprietary damages and losses, personnel injuries and life losses, as well as disruption or destruction of our business operations.

In particular, the COVID-19 virus, which was first identified in December 2019, had spread across the world in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. While most of the lockdown measures and related restrictions imposed by the PRC Government had been lifted by the end of April 2020, various restrictions still remain in place in the PRC and the world to continue to contain the spread of the COVID-19. COVID-19 had spread around the world, with death toll and number of infected cases continuing to rise. Our business operations in China, including the properties under our management, have been affected due to such travel and other related restrictions. For further details, please refer to "Business – Effects of the COVID-19 outbreak on our business strategies" in this prospectus. Therefore, we are subject to certain risks, which include among others:

- we may not be able to collect property management fees from property developers, property owners and residents in the cities subject to lockdown due to COVID-19 as scheduled on time in the near future;
- we may not be able to provide certain services to non-property owners such as our sales assistance services in cities where the PRC Government imposed lockdown or other containment measures;
- we may not be able to provide some of our community value-added services due to the lockdown and other containment measures;

RISK FACTORS

- we may not be able to further expand in cities subject to lockdown due to COVID-19 in the near future as planned and our tender or bidding process may be postponed which may adversely affect our business expansion;
- any transmission within the community under our management may harm our reputation;
- we may incur extra costs in relation to our precautionary measures and disinfection works carried out by us which may result in losses under our lump sum charge;
- the delivery of properties for which we have been contracted to provide property management services may be delayed; and
- we may be required to quarantine some or all of our employees, or disinfect the community to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease.

Therefore, any of these and other factors that are beyond our control may create uncertainties within the overall economic environment, thereby causing our business to suffer in ways that we cannot predict, which could materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to retain our key management team and to recruit, train and retain qualified and experienced personnel

Our success depends upon the efforts of our Directors, senior management and other key employees. Our management team comprises knowledgeable and experienced professionals with a proven track record in the property management service industry, which is invaluable to the development of our business in the property management service industry in the PRC. Our management team members possess in-depth knowledge in the property management service industry, demographics and customer preferences in the PRC. Our experienced management team is led by Mr. Wu Xu, who is primarily responsible for overseeing our daily operations, community value-added services, customer relations management, formulating our business strategies and development plans. Please see the section headed “Directors and Senior Management” for further details.

If any of our Directors, senior management and other key employees leaves and we are unable to promptly identify and appoint or employ a qualified replacement, our business, financial condition and results of operations may be materially and adversely affected. In addition, the future growth of our business will also depend on our ability to recruit, train and retain qualified and experienced personnel in all aspects of our business. If we are unable to recruit, train and retain qualified personnel, our growth may be limited and our business, financial condition and operating results could be materially and adversely affected.

RISK FACTORS

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

As we expand our business operations into new geographic regions and broaden the range of services we provide, we are subject to an increasing number of provincial and local rules and regulations. In addition, because the size and scope of our operations increased significantly during the Track Record Period, our difficulty in ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If we fail to comply with applicable local regulations, we may be subject to penalties by the competent authorities. The laws and regulations applicable to our business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on our business, financial position and results of operations.

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

We may become subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business from time to time. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an adverse determination, we may be compelled to pay substantial damages or to seek licences from third parties and pay ongoing royalties on unfavourable 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 protect our intellectual property rights.

We consider our intellectual property rights, and those of Landsea of which we are granted the licence to use, to be crucial business assets, key to customer loyalty and essential to our future growth. The success of our business depends substantially upon our continued ability to use our brand, trade names and trademarks to increase brand recognition and to further develop our brand. The unauthorised reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. Although we are not aware that any such instances occurred during the Track Record Period, we cannot guarantee that our measures to protect our intellectual property will be sufficient. 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. Litigation to protect our intellectual property may be time-consuming, costly and divert management attention from our customers. If we were unable to detect unauthorised use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Interruptions and security risks to our IT systems, including security breaches and identity theft, may result in disruption of our operations and reduced use of our relevant service platforms by our customers, and expose us to the risk of litigation which could negatively affect our business, financial position, results of operations and our reputation

Our business relies on the proper functioning of our IT system. We employ various automation devices, such as remote video surveillance cameras, building access systems and carpark security systems in our operation. If we are unable to detect any system errors, continue to upgrade our IT systems and network infrastructure and take other steps to improve the efficiency of our IT systems, there may be system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays that could make any of our relevant online applications and their services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce the attractiveness of our applications and even incur losses to our customers who may bring legal proceedings against us. Although we did not experience any material IT system breakdown during the Track Record Period, we cannot assure you that our IT will always operate without interruption. Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our IT system can withstand intrusions from or prevent improper usage by third parties. Any malfunction to a particular part of our IT system may result in a breakdown throughout our network and our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our results of operations.

Future acquisitions could expose us to risks that may have a material adverse effect on our business, financial condition and results of operations

In the future, we plan to evaluate opportunities to acquire other companies that complement our existing businesses to expand our business scale and integrate their operations into our business. We plan to explore acquisition targets in the Yangtze River Delta, South China and Southwest China with a portfolio of properties under management comprising both residential and non-residential properties. We can consolidate the respective specialties of these acquisition targets and provide complementary services to our customers.

However, we cannot assure that we will be able to identify suitable opportunities, especially in light of the competitive market environment of the property management industry in the PRC. We may face fierce competition for high-quality property management companies that could be our potential targets for acquisitions and investment, and we may not be able to acquire suitable targets and seek investment opportunities in a competitive market environment. Also, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities in connection with the acquisition targets, inability to apply our business model or standardised business processes on the acquisition targets, failure to achieve the intended acquisition objectives or benefits, diversion of resources and management attention from managing our existing business operations, and increase in depreciation and amortisation costs arising from the acquired property, plant and equipment and intangible assets as a result of the acquisition.

RISK FACTORS

Even if we can identify suitable acquisition targets, we may not be able to acquire suitable targets and seek investment opportunities in a competitive market environment in the PRC. In addition, we may not be able to complete the acquisitions on terms favourable to us, in a timely matter, or at all. As a result, our competitiveness and growth prospects could be materially and adversely affected. Furthermore, we may face difficulties in integrating acquired operations as we continue to expand our operations through acquisition. Such post-acquisition difficulties could disrupt our business operations, distract our management or increase our operating expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

56.8%, or HK\$164.8 million, of net proceeds from this Global Offering will be used to pursue strategic acquisition opportunities. Please see “Business – Our strategies” and “Future Plans and Use of Proceeds – Use of proceeds” for further details. If we fail to identify suitable acquisition opportunities or fail to compete effectively for such acquisition opportunities with other property management companies, or our future acquisition transactions fail to consummate for other reasons beyond our control, our proceeds from this Global Offering may not be effectively used.

Acquisition of other companies may result in goodwill recorded in our future consolidated financial statements. However, if we fail to achieve our desired objectives with respect to our acquisition, we may need to record impairment losses on our goodwill, which may materially and adversely reduce our assets and impact our profitability that would, in turn, have an adverse effect on our financial position and results of operations. Also, there is no assurance that such acquisitions would yield the expected level of return.

We may require additional funding to finance our operations and future acquisitions, which may not be available on terms acceptable to us or at all. On the other hand, if we are able to raise funds, the value of your investment in us may be negatively impacted.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. We may, however, 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. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in the PRC and elsewhere.

RISK FACTORS

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 adversely affected.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations

We believe our insurance coverage is in line with the industry practice in the PRC and we did not experience any material insurance claims in relation to our business during the Track Record Period and up to the Latest Practicable Date. For more details regarding our insurance policies, please see “Business – Insurance”. However, our insurance coverage may not be adequate to protect us against all potential losses and liabilities that we may incur in the course of our business operations, which may result in adverse effects on our business. Moreover, there are certain types of losses or liabilities for which there are no insurance policies in the PRC available at commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war, civil disorder or acts of terrorism. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial condition and results of operations.

We are required to adhere to national safety standards, and in the event that we are unsuccessful to meet these standards, our business, financial position, results of operations and brand image would be negatively affected

We cannot guarantee that our procedures, safeguards and training will be completely effective in meeting all relevant safety requirements. A failure to meet relevant government requirements could occur in our operations or those of our subcontractors or suppliers. This could result in fines, suspension of operations, loss of permits, and in more extreme cases, criminal proceedings against our Company and/or our management. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims. Any of these failures or occurrences could negatively affect our business, financial condition, results of operations and brand image.

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

We may, from time to time, be involved in disputes with and subject to claims from, among others, the residents, guests and owners of our managed properties. For example, property owners may take legal actions against us if they believe that our services are below the standards set out in the relevant preliminary property management agreements or property management agreements. Furthermore, our employees and subcontractors may sue us if they

RISK FACTORS

sustain injuries or damages at the premises of our managed properties. Such disputes and claims may lead to legal or other proceedings or result in negative publicity against us and damage our reputation. We may also incur substantial costs and have to divert management attention and other resources from our business operations to defend ourselves in such proceedings. Any such disputes, claims or proceedings against us, with or without merit, could result in substantial costs and divert capital resources and management attention and we may have a material adverse effect on our business, financial condition, brand value and results of operations.

We may be subject to administrative penalties if we fail to comply with the relevant regulations and requirements. Our Directors confirmed that we had been subject to administrative fine in the aggregate amount of less than RMB0.1 million for violating certain local regulations including fire safety regulations and regulations on the pricing of electricity fees during the Track Record Period. 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.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business

We have established risk management and internal control systems consisting of the relevant risk management policies and risk control procedures to identify, evaluate and manage risks arising from our operations. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially adversely affected.

We face certain risks in relation to the collection and storage of confidential customer data

We collect and store confidential information, such as names, addresses and contact details of our customers. To better manage our customers' needs, we have established a digitalised data management system which allows us to have access to multi-dimensional data including basic information about our communities, room number, name of residents, and property GFA. Through this system, we are able to analyse the data and improve our service quality accordingly. We also rely on internal process and software controls to protect the confidentiality of customer data. If we or our IT service providers do not maintain adequate controls or fail to implement new or improved controls, such data could be misappropriated or confidentiality could otherwise be breached. Confidential information may also be compromised as a result of intentional or unintentional security breach. Any failure or perceived failure to do so may result in proceedings or actions against us to fines and damages. In addition, such events would lead to negative publicity and cause customers to

RISK FACTORS

lose their trust and confidence in us, which may result in material and adverse effects on our reputation, business, financial position and results of operations.

Under the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), network operators are generally obligated to protect their networks against disruption, damage or unauthorised access, and to prevent data leakage, theft or tampering. In addition, they will also be subject to specific rules depending on their classification under the multi-level network security protection scheme. With respect to personal information protection, the Cyber Security Law requires network operators not to disclose, tamper with or damage personal information collected or generated in the business operation, and they are obligated to delete unlawfully collected information and to amend incorrect information. In addition, network operators may not collect, use or provide personal information to others without consent. Moreover, 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》) is the specialised regulation governing 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 actions, employee errors, 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.

We could be liable for any breach of security relating to the third party online payment platform we use, and concerns about the security of internet transactions could damage our reputation and have adverse impact on our business

We accept payments from our customers via third party online payment platform. In these online payment transactions, secured transmission of confidential information, such as customer credit card numbers and expiration dates, personal information and billing addresses, over public networks is essential to maintain consumer confidence. As the prevalence of using online payment methods increases, associated online crimes will likely increase as well. There is no assurance that our current security measures and those of the third party online payment platform service providers are adequate. Increasing and enhancing our security measures and efforts to allow users to have confidence in the reliability of the online payment platforms that we use may impose additional costs and expenses but still not guarantee complete safety. In addition, we do not have control over the security measures of our third party online payment platform service providers. We may also be perceived as partially responsible for failures to secure personal information and be subjected to claims. Security breaches of the online payment platforms that we use could expose us to litigation and possible liability for failing to secure confidential user information and could, among other things, damage our reputation.

RISK FACTORS

We charged interest on advances made to other parties during the Track Record Period

During the Track Record Period, we provided certain interest-bearing loans to related parties at an interest ranging from 7.71% to 7.88% per annum and recognised interest income of RMB22.0 million, RMB61.7 million and RMB32.4 million, respectively. As at 31 December 2018 and 2019, our interest-bearing loans to related parties amounted to RMB766.5 million and RMB72.2 million, respectively. As at 31 December 2020, such interest-bearing loans had been fully repaid by the related parties.

As advised by our PRC Legal Advisers, any financing arrangements or lending transactions between non-financial institutions are prohibited by Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”) which came into effect on 1 September 2015 and was amended on 19 August 2020 and 29 December 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognises the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations.

As at the Latest Practicable Date, we had not received any notice of claim or was subject to any investigations or penalties relating to the interest-bearing loans to related parties and based on the public searches conducted by our PRC Legal Advisers, we had not been subject to any administrative penalties in respect of such interest-bearing loans by government authorities as of the Latest Practicable Date. As advised by our PRC Legal Advisers, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a company's claim for interest in respect of such loans as long as the annual interest rate does not exceed four times the loan prime rate for one-year loan published by the National Interbank Funding Center when such loan agreement was entered into, or such other interest rate as specified in the Judicial Interpretations on Private Lending Cases based on the date of such loan agreement. After reviewing the materials of the loans to related parties, our PRC Legal Advisers are of the view that no invalid circumstances mentioned in Article 10 of the Judicial Interpretations on Private Lending Cases nor obvious violation of the Judicial Interpretations on Private Lending Cases have been identified. Based on the above, our PRC Legal Advisers are of the view that the risk that we would be subject to any penalties with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is low, and the interest-bearing loans to related parties do not constitute material non-compliance of laws and regulations, and do not have a material adverse impact on the Listing. However, in the event that we are ordered by the PBOC to pay the penalties, our financial condition and results of operations will be adversely affected.

RISK FACTORS

Fluctuations in amounts of government grants may lead to volatility in our profit

Our government grants amounted to RMB0.7 million, RMB0.8 million, and RMB4.5 million, for FY2018, FY2019 and FY2020, respectively. Such government grants, which is non-recurring in nature, include financial subsidies from various local governments in the PRC. Government grants fluctuated during the Track Record Period because such 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 government grants, or at all. Accordingly, we may experience additional fluctuations in our government grants, which may lead to volatility in our profit. For more information, see “Financial Information – Description of certain combined statements of comprehensive income items – Other Income” and Note 7 to the Accountant’s Report in Appendix I to this prospectus.

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

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

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

We are exposed to fraud or other misconducts committed by our employees, subcontractors, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as serious harm to our reputation. For example, theft conducted by third parties might cause us compensation if we were held negligent or reckless and might also damage our reputation in the market. In addition, where we rely on third party goods or service providers that we cooperate with to deliver goods and services to residents, any major interruptions to or failures in these third-parties’ services could prevent the timely and successful delivery of relevant goods or services. These interruptions may be due to unforeseen events that are beyond our control or the control of these third party companies, such as inclement weather, natural disasters, transportation interruptions or labour unrest or shortage. If the purchased goods are not delivered on time or are delivered in a damaged state or if the purchased services are not timely or properly rendered, customers may refuse to accept the goods or services and may claim refunds from us or the relevant suppliers, and the suppliers may lose confidence in our services. As a result, we may lose suppliers for our services and our financial position and reputation could be damaged.

RISK FACTORS

Our management information system and internal control procedures may fail to identify non-compliances and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconducts, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be risks that fraud and other misconducts may occur and cause negative publicity, which may have an adverse effect on our business, reputation, financial position and results of operations.

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

We cannot assure you that the PRC policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Certain of our subsidiaries in the PRC engaged in encouraged industries are located in western areas of the PRC and are subject to a preferential tax rate of 15% in accordance with regulations. We cannot assure you that we will continue to enjoy the aforementioned preferential income tax treatment. If the applicable PRC tax regulations change, if we fail to renew any preferential tax treatment qualification in time or at all, or if any changes or terminations of preferential tax treatment occurs, the increase in our tax change or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

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. Owners of our managed properties tend to settle outstanding property management fee balances toward the second half of the year. In general, our trade receivable balances increase throughout the year and decrease toward the end of the year when owners of our managed properties pay their outstanding property management fee balances. Consequently, a comparison of our outstanding trade receivables and collection rates between different points in time within a single financial year and any comparison of trade receivables turnover days for an interim period with that of a full financial year may not be necessarily meaningful and should not be relied upon as indicators of our financial performance. 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 could cause us to incur higher financing costs and hamper our ability to expand and grow our operations, which could in turn materially and adversely affect our business, financial position and results of operations.

Uncertainties related to the recoverability of our deferred tax assets could materially and adversely affect our results of operations

We recorded deferred tax assets of RMB7.9 million, RMB15.0 million and RMB8.7 million as at 31 December 2018, 2019 and 2020, respectively. We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates

RISK FACTORS

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 recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. 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.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial position and results of operations

All our business operations are in the PRC and all of our revenue is derived from our operations in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the economic growth in the PRC through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies.

While the Chinese economy has experienced significant growth in the past 20 years, growth has been uneven across both geographic regions and the various sectors of the economy, growth rates have begun to decelerate, and growth may not continue. We cannot predict whether our results of operations and financial condition could be materially and adversely affected by changes in economic conditions in the PRC, or the PRC governmental monetary policies, interest rate policies, tax regulations or policies and regulations.

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

Our operating subsidiaries are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. As

RISK FACTORS

substantially all of our businesses are conducted in the PRC, our operations are principally governed by the PRC laws and regulations. However, since the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and shall be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing procedures, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and EIT Implementation Rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains realised from the transfer of their Shares and dividends distributable to such foreign corporate Shareholder, if such income is regarded as income from “sources within the PRC.” According to the EIT Implementation Rules, whether income generated from transferring equity investments is to be regarded as sources within the PRC or from foreign territory shall depend upon the locations in which the enterprises accepting the equity investment are located. However, it is unclear whether income received by our Shareholders will be deemed to be income from sources within the PRC and whether there will be any exemption or reduction in taxation for our foreign corporate Shareholders due to the promulgation of the EIT Law. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of our Shares that they hold or on the gains on the sale of our Shares by them, the value of our foreign corporate Shareholders’ investments in our Shares may be materially and adversely affected.

RISK FACTORS

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 unfavourable tax consequences to us

Pursuant to the EIT Law, which came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 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 organisational 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 22 April 2009 (which was amended on 29 December 2017) setting out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC 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 1 September 2011 and amended on 1 June 2015, 28 June 2016 and 15 June 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” 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.

RISK FACTORS

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**SAT Circular No. 7**”) issued by the PRC State Administration of Taxation

On 3 February 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“**SAT Circular No. 698**”), previously issued by the State Administration of Taxation on 10 December 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“**PRC Taxable Assets**”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganisation, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

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

Most of our Directors and executive officers reside within the PRC, and all of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgements obtained from non-PRC courts unless in accordance with the provisions of the international treaties concluded or acceded to by the foreign country and the PRC. The PRC does not have treaties providing for the reciprocal

RISK FACTORS

recognition and enforcement of judgements of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgements rendered by Hong Kong courts may be recognised and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by 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 “**2006 Arrangement**”) are met.

On 18 January 2019, the Supreme People’s Court and the Hong Kong SAR Government 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 (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement discontinued the 2006 Arrangement and the 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong SAR. The 2019 Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the 2019 Arrangement becomes effective it may be difficult or impossible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Fluctuations in the value of the Renminbi and the PRC government’s control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends

Substantially all of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividends distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risks.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and the foreign exchange regime and policy in the PRC. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. From mid-2008 to mid-2010 Renminbi traded within a narrow range against U.S. Dollar. In June 2010 the People’s Bank of China announced the removal of the de facto peg. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

RISK FACTORS

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the current foreign exchange control system in the PRC, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved by or registered with SAFE or its local branch. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits or inject capital and could expose us and our PRC resident Shareholders to liability under the PRC laws

Circular 37 which was promulgated by SAFE and became effective on 4 July 2014, requires a PRC individual resident (“**PRC Resident**”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Offshore SPV**”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major changes in respect of the Offshore SPV, including, among other things, any major changes of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of Circular 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

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 the PRC

A number of PRC laws and regulations, including 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》, 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 25 August 2011 and effective from 1 September 2011 (the

RISK FACTORS

“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 the PRC more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transactions 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 the PRC, 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 licences, 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.

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.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Listing, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on the Stock Exchange. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Global Offering, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The initial issue price range was the result of, and the Offer Price will be the result of, negotiations among us and the Sole Global Coordinator on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Global Offering.

The market price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the property management service industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, the PRC and elsewhere in the world.

RISK FACTORS

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

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

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible book value per Share prior to the Global Offering. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities in the future or to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

There can be no assurance if and when we will pay dividends in the future

Distribution of dividends shall be formulated by our Board and will be subject to shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under HKFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy.

RISK FACTORS

Our management has a significant discretion as to how to use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield a favourable return to our Shareholders. By investing in our Shares, you are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from this Global Offering. For more information, please see “Future Plans and Use of Proceeds – Use of proceeds”.

Our Controlling Shareholders may exert substantial influence over our operation and may not act in the best interests of our independent Shareholders

Immediately upon completion of the Global Offering, our Controlling Shareholders will, directly or indirectly, together be interested in 34.16% of our issued share capital, without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders’ approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder actions or approval requiring a majority vote except where they are required by relevant rules to abstain from voting. Such concentration of ownership also may have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the Controlling Shareholders choose to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be disadvantaged as a result.

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 favourable 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 “Underwriting – Underwriting Arrangements and Expenses” in this prospectus. However, there is no assurance that following the expiration of the lock-up periods, these 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.

RISK FACTORS

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

This prospectus 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 prospectus, 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 materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. 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 prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

Facts and statistics in this prospectus relating to the PRC economy and the industry in which we operate may not be fully reliable, and statistics in the prospectus provided by CIA are subject to assumptions and methodologies set out in the “Industry Overview” section

Facts and statistics in this prospectus relating to the PRC and the industry in which we operate, including those relating to the PRC economy and the property management service industry in the PRC, are derived from various publications of governmental agencies or industry associations, or an industry report prepared by CIA and commissioned by us. We cannot guarantee, however, the quality or reliability of these materials. We believe that the sources of this information are appropriate sources for such information and have taken reasonable 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 material fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Investors should not place undue reliance on such facts or statistics.

RISK FACTORS

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 Cayman Islands company law on protection of minority shareholders is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law – Protection of Minorities and Shareholders’ Suits” in Appendix III to this prospectus.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industry and the Global Offering. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any other person involved in the Global Offering has authorised the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you should make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

In preparation for the Listing, 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. 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, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to, among others, the following conditions:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, Mr. Wu Xu (吳旭) (“**Mr. Wu**”), an executive Director and our chief executive officer, and Mr. Liu Chao (劉超) (“**Mr. Liu**”), an executive Director, our chief financial officer and company secretary, who will act as our Company’s principal channel of communication with the Stock Exchange. Although Mr. Wu resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. In addition, Mr. Liu is ordinarily resident in Hong Kong. Each of our authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of our authorised representatives is authorised to communicate on our behalf with the Stock Exchange. Our Company is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Liu has also been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company;
- (b) both our authorised 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, residential phone number, fax number and email address to our authorised representatives. In the event that a Director expects to travel, he/she will endeavour to provide the phone number of the place of his/her accommodation to our authorised representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorised representatives has also provided his/her mobile number, office phone number, fax number (if any) and email address to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

- (c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Rainbow Capital (HK) Limited as our compliance adviser, which shall have access at all times to our authorised representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will promptly inform the Stock Exchange of any changes of our authorised representatives and/or the compliance adviser.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, annual review, announcement and (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules. See "Continuing Connected Transactions – (B) Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements" in this prospectus for further details.

WAIVER IN RELATION TO THE AVAILABILITY OF COPIES OF THE PROSPECTUS IN PRINTED FORM

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, we are required to make available copies of the Prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Listing Rules relating to environmental, social and governance ("ESG") matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters "echo the increasing international focus on climate change and its impact on business". Electronic, in lieu of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. We further note that that the Stock Exchange will introduce a paperless listing and subscription regime which will take effect from 5 July 2021, whereby in a new application for listing, (i) all listing documents will be published solely in an electronic format; and (ii) subscriptions, where applicable, will be made through online electronic channels only.

WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Given the high and extensive use of internet gadgets (e.g. smartphones, tablet devices and computers) and easy access to internet services nowadays, it is noted that almost all applications under the Hong Kong public offerings of recent initial public offerings (both in terms of the number of applications and the number of shares applied for) were submitted electronically, instead of in paper format.

We also note that in light of the severity of the ongoing COVID-19 pandemic, the provision of a printed prospectus and printed white and yellow application forms will elevate the risk of contagion of the virus through printed materials. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date and in light of the uncertain situation in connection with the ongoing COVID-19 pandemic, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 12.04(3), 12.07 and 12.11 of the Listing Rules in respect of the availability of copies of the prospectus in printed form.

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering and will not provide printed copies of this prospectus or any application forms to the public in relation to the Hong Kong Public Offering.

Our Hong Kong Share Registrar has implemented enhanced measures to support **White Form eIPO** service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. The Hong Kong Share Registrar will also provide a step-by-step guide setting out the steps for payment and completion of application for the retail investors as well as FAQs to address potential questions from the retail investors in relation to the **White Form eIPO** service. Both the guide and the FAQs will be available in both English and Chinese and will be displayed on the designated website under the **White Form eIPO** service.

We will adopt additional communication measures to inform potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including (i) a prominent reminder to the investors about the fully-electronic offering process will be set out in the "Important" page of the Prospectus and the section headed "How to Apply for Hong Kong Offer Shares" in the Prospectus; (ii) publishing a formal notice of the Global Offering on the websites of the Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription; and (iii) the enhanced support provided by the Hong Kong Share Registrar and the White Form eIPO Service Provider in relation to the Hong Kong Public Offering (including additional enquiry hotlines for questions about the application for the Hong Kong Offer Shares and increasing its server capacity).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THIS HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering. Please see “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and conditions set out herein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as at any subsequent time.

STRUCTURE OF THE GLOBAL OFFERING AND UNDERWRITING

Please see “Structure and Conditions of the Global Offering” for further details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us. The Global Offering is managed by the Sole Global Coordinator. If, for

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. Please see “Underwriting” for further details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 11 June 2021.

No part of our share capital or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of us, the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB and US\$ amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of RMB and US\$ into Hong Kong dollars and vice versa have been made at the rate of HK\$1.00 to RMB0.82043 and US\$1.00 to HK\$7.7611 in this prospectus, respectively.

No representation is made that any amount in RMB, US\$ or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CSRC APPROVAL AND OTHER RELEVANT PRC AUTHORITIES' APPROVAL

The Listing does not require the approval of the CSRC or any other PRC government authorities under the current PRC laws, regulations and rules.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

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

Executive Directors

Ms. Zhou Qin (周勤)	Room 1902 No. 5, Lane 699 West Zhongshan Road Changning District Shanghai PRC	Chinese
-------------------	--	---------

Mr. Wu Xu (吳旭)	Room 303 No.6, Lane 108 Shangcheng Road Pudong New Area Shanghai PRC	Chinese
----------------	---	---------

Mr. Liu Chao (劉超)	Flat D, 25/F Block 31, Park Island Ma Wan, New Territories Hong Kong	Chinese
-------------------	---	---------

Non-executive Directors

Mr. Tian Ming (田明)	Room 102 Building 30, No.9 Zidong Road Nanjing, Jiangsu PRC	Chinese
--------------------	---	---------

Independent non-executive Directors

Dr. Wong Chi Wing (王志榮)	Flat D, 20/F, Block 2 Island Harbourview 11 Hoi Fai Road Kowloon West Hong Kong	Chinese
-------------------------	---	---------

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Ms. Lu Mei (魯梅)	Room 703 No. 1, Lane 68 East Xietu Road Huangpu District Shanghai PRC	Chinese
Dr. Chen Kevin Chien-wen (陳建文)	Flat LB, 66/F Tower 1, L Wing (BANFF) The Capitol, Lohas Park Tseung Kwan O New Territories Hong Kong	U.S.

See “Directors and Senior Management” in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Haitong International Capital Limited

(a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activities for the purpose of SFO)

Suites 3001-3006 and 3015-3016
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Haitong International Securities Company Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities for the purpose of the SFO)

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

BOCOM International Securities Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities for the purpose of the SFO)

9th Floor, Man Yee Building
68 Des Voeux Road Central, Hong Kong

CCB International Capital Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)

12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

China Industrial Securities International Capital Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)

32/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CLSA Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities for the purpose of the SFO)

18/F, One Pacific Place
88 Queensway
Hong Kong

CMB International Capital Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)

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

CRIC Securities Company Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of the SFO)

Room 2403, Great Eagle Centre
23 Harbour Road
Wan Chai, Hong Kong

Essence International Securities (Hong Kong) Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities for the purpose of the SFO)

39/F, One Exchange Square
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Futu Securities International (Hong Kong) Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities for the purpose of the SFO)

Unit C1-2, 13/F, United Centre
No. 95 Queensway, Hong Kong

Orient Securities (Hong Kong) Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities for the purpose of the SFO)

28th and 29th Floor
100 Queen's Road Central
Hong Kong

Sunfund Securities Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities for the purpose of the SFO)

18/F, Hip Shing Hong Centre
55 Des Voeux Road Central
Central, Hong Kong

Joint Lead Manager

Maxa Capital Limited

(a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)

Unit 1908, Harbour Center
25 Harbour Road
Wanchai, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Company	<i>As to Hong Kong law</i> Sidley Austin Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong
	<i>As to PRC law</i> King & Wood Mallesons 17th Floor, One ICC Shanghai International Commerce Centre 999 Middle Huai Hai Road Shanghai 200031, PRC
	<i>As to Cayman Islands law</i> Conyers Dill & Pearman 29/F One Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisers to the Sole Sponsor, Sole Global Coordinator and the Underwriters	<i>As to Hong Kong law</i> Deacons 5th Floor, Alexandra House 18 Chater Road Central Hong Kong
	<i>As to PRC law</i> Commerce & Finance Law Offices 10th Floor, Jing An Kerry Centre Tower 1 1515 West Nanjing Road Shanghai, PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Auditor and Reporting
accountant**

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry consultant

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

Receiving bank

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

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands
Headquarters and principal place of business in the PRC	10-11/F, 98 Jianye Road Qinhuai District Nanjing, Jiangsu Province PRC, 210004
Principal place of business in Hong Kong	Unit 5103, 51st Floor The Center 99 Queen's Road Central Hong Kong
Company's website	<u>www.landseawy.com</u> <i>(The information contained on this website does not form part of this prospectus)</i>
Company secretary	Mr. LIU Chao (劉超) (HKICPA) Flat D, 25/F Block 31, Park Island Ma Wan, New Territories Hong Kong
Authorised representatives	Mr. WU Xu (吳旭) Room 303 No.6, Lane 108, Shangcheng Road Pudong New Area Shanghai PRC Mr. LIU Chao (劉超) Flat D, 25/F Block 31, Park Island Ma Wan, New Territories Hong Kong
Audit committee	Dr. CHEN Kevin Chien-wen (<i>Chairperson</i>) Dr. WONG Chi Wing Ms. LU Mei

CORPORATE INFORMATION

Remuneration committee	Dr. WONG Chi Wing (王志榮) (<i>Chairperson</i>) Ms. ZHOU Qin Dr. CHEN Kevin Chien-wen
Nomination committee	Ms. LU Mei (<i>Chairperson</i>) Ms. ZHOU Qin Dr. WONG Chi Wing (王志榮)
Principal Share Registrar and transfer office in the Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	Rainbow Capital (HK) Limited Room 5B, 12/F, Tung Ning Building 2 Hillier Street Sheung Wan Hong Kong
Principal banks	Industrial and Commercial Bank of China Ltd. Nanjing Jianye Road Branch 112, Jianye Road Qinhuai District, Nanjing Jiangsu Province PRC China Merchant's Bank Co., Ltd. Nanjing Branch Aoti Sub-branch 188-5, Xinglong Street Jianye District, Nanjing Jiangsu Province PRC

INDUSTRY OVERVIEW

The information in this section is derived from an independent report prepared by CIA. The industry report prepared by CIA is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of its directors, officers, affiliates, advisors or representatives, or any other party (other than CIA) involved in the Global Offering. We, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of its directors, officers, affiliates, advisors or representatives, and any other party (other than CIA) involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

CHINA INDEX ACADEMY (“CIA”) AND ITS RESEARCH METHODOLOGIES

We purchased the right to use and quote various data from CIA publications at a total cost of RMB800,000. Established in 1994, CIA is an independent research institute co-founded by an expert team of over 500 professional analysts, and a well-known real estate research institute in the PRC. CIA has extensive experience in researching and tracking the property management industry in the PRC, and has conducted research on the Top 100 Property Management Companies since 2008. In its research, CIA considers primarily such property management enterprises that have managed at least ten properties or an aggregate GFA of 500,000 sq.m. or above within the past three years. CIA uses research parameters and assumptions and collects data from multiple primary and secondary sources, which include property management enterprises (including reported statistics, websites and marketing materials), surveys and the China Real Estate Index System, public data from government authorities as well as the data collected for previous reports. CIA determines the ranking of property management enterprises based on overall strength, by primarily evaluating their respective management scale, operational performance, service quality, growth potential and social responsibility. CIA assesses the growth potential of property management enterprises mainly in relation to the growth rates of revenue, total GFA under management and total contracted GFA, as well as the total number and composition of employees. The data analysis under this section is mainly based on the data of the Top 100 Property Management Companies.

Our Directors confirm that, after making reasonable inquiries, there is no material adverse change in the market information since the date of the CIA Report which may qualify, contradict, misrepresent or otherwise adversely affect the accuracy and completeness of the information in this section in material respects.

THE PRC PROPERTY MANAGEMENT INDUSTRY

Overview and Revenue Models

The history of the PRC property management industry dates back to the early 1980s when the first property management company was established in the country. Since then, the PRC Government has worked to set up a regulatory framework in line with the growth trend of the PRC property management industry. According to the CIA report, the first of such regulatory frameworks came as the Regulations on Property Management (《物業管理條例》) promulgated in June 2003; and in 2012, the State Council promulgated the 12th Five-Year Plan for the Development of the Service Industry (《服務業發展“十二五”規劃》), proposing that “property management enterprises are encouraged to diversify their business”. Over the years, the PRC government has promulgated more regulations and established an open and fair market system for the property management industry, to further spur its rapid growth and development.

In the PRC, property management enterprises generate revenue from property management services and other value-added services, including preliminary property management services, repair and maintenance services, sales assistant and leasing agent services, engineering services and community value-added services such as housekeeping and cleaning, real estate agent, finance, elderly care and care services.

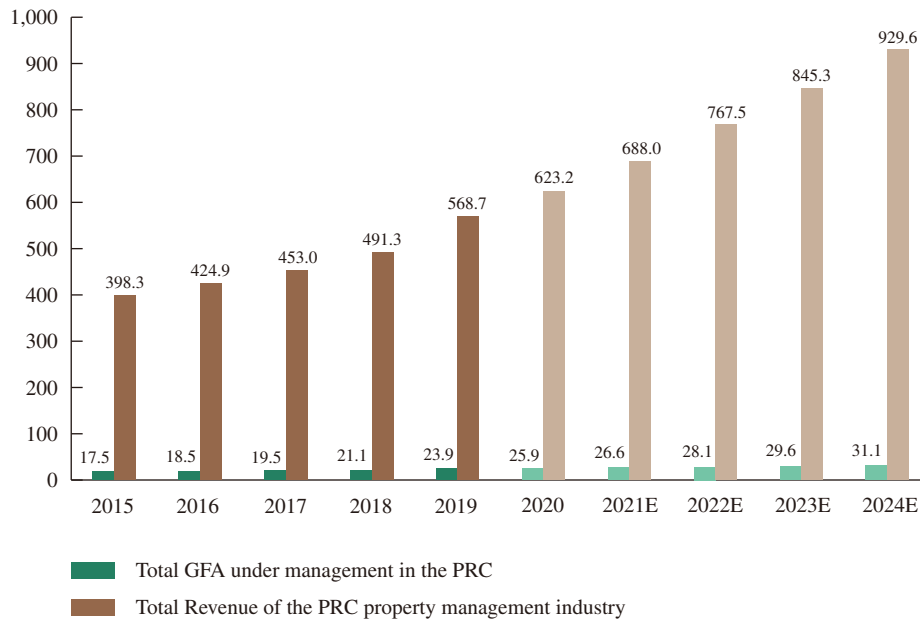
In the PRC, property management fees may be charged on either lump-sum basis or commission basis. The revenue model on lump-sum basis is the dominant method for charging

INDUSTRY OVERVIEW

property management fees in the PRC, especially in relation to residential properties. Lump-sum basis charging model can enhance efficiency by eliminating certain costly collective decision-making procedures for property owners and residents, and incentivise property management service providers to optimise their operations for higher profitability. In comparison, non-residential properties have gradually adopted the commission-based model to further engage property owners in their property management and impose more rigorous supervision on property management service providers.

Market Size of Property Management in the PRC

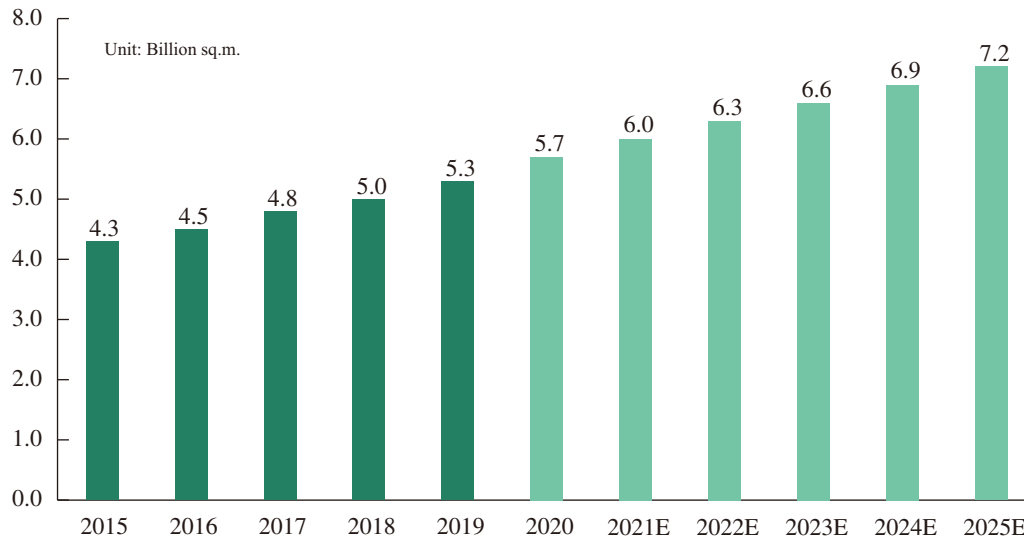
According to CIA, economic development and the rising urbanisation rate has directly contributed to the development of the urban real estate market and the property management industry. The GDP of the PRC rose from RMB68.9 trillion in 2015 to RMB101.6 trillion in 2020, representing a CAGR of 8.1%. The urbanisation rate increased from 56.1% in 2015 to over 61% in 2020. Driven by the above, the total GFA under management of the property management industry increased from 17.5 billion sq.m. in 2015 to 25.9 billion sq.m. in 2020, representing a CAGR of 8.2%, and it is expected to increase to 31.1 billion sq.m. in 2024 with a CAGR of 5.4%. Driven by the significant increase in the GFA under management of the property management industry and the expansion of value-added services, the total revenue of the property management industry in China increased from RMB398.3 billion in 2015 to RMB623.2 billion in 2020, representing a CAGR of 9.4%. According to CIA, the total revenue of the property management industry in China will continue to increase with CAGR of 10.3% to RMB929.6 billion in 2024. The chart below sets out the total GFA under management and total revenue of PRC property management industry from 2015 to 2024E.



Overview of the Property Management Market in the Yangtze River Delta

The Yangtze River Delta is one of the most economically-developed regions in China. The major cities in the region rank in the forefront of China in terms of GDP, representing a CAGR of 10.3% from 2015 to 2019. Meanwhile, the region has continued to have a net population inflow in recent years. As of the end of 2019, the total population reached 230 million. Economic development and population inflow have promoted the sustained and rapid development of the real estate and property management markets in the Yangtze River Delta. In 2019, the investment in real estate development in the Yangtze River Delta exceeded 3.3 trillion, representing 25.4% of the total domestic investment. The CAGR from 2015 to 2019 reached 9.7%, which was much higher than the national average CAGR of 6.8% for the same period. In 2019, the saleable area of commercial properties in the Yangtze River Delta exceeded 340 million sq.m., representing 19.8% of the national saleable area of commercial properties for the same year. Driven by rapid development of the economy and the real estate market, the GFA under management of the property management industry in the Yangtze River Delta increased from 4.3 billion sq.m. in 2015 to 5.7 billion sq.m. in 2020, representing a CAGR of 5.8%, and is expected to increase to 7.2 billion sq.m. in 2025 with a CAGR of 4.8%. The chart below sets out the GFA under management in the Yangtze River Delta from 2015 to 2025E.

INDUSTRY OVERVIEW



In China, property management fees, which are related to the livelihood of people, have always been well controlled and remain generally stable while increasing slowly along with the economic development. In the Yangtze River Delta, the main region where the Group has business presence, the historical sample average prices of property management fees from several representative cities could also present such characteristics as shown in the following table:

Historical sample average prices of property management fees from major cities of the Yangtze River Delta (RMB per sq.m. per month)

Year/City	Shanghai	Hangzhou	Nanjing	Suzhou
2017	2.44	2.29	1.78	2.05
2018	2.43	2.34	1.90	2.12
2019	2.44	2.48	1.91	2.06
2020	2.55	2.68	1.88	2.16

Industry Growth Drivers

The growth of the PRC property management industry hinges on a number of key drivers.

Faster urbanisation and increasing per capita disposable income

According to the CIA report, the accelerated urbanisation drive and higher per capita disposable income have become principal growth drivers for the PRC property management industry. The country saw its urbanisation rate (i.e. the percentage of permanent urban residents in the total population) increase from 33.4% as of 31 December 1998 to over 61% as of 31 December 2020, as the property management industry grew in tandem. The industry experienced swift development, as stimulated by the quickened urbanisation drive, urban population growth and property market expansion, which generated considerable demand for property management services. The Yangtze River Delta City Cluster is one of the most economically dynamic and open regions in the PRC.

Continuous growth of real estate sales and new construction area

With accelerating urbanisation process and growing per capital disposable income, the supply of properties developed for sale, including residential and non-residential properties has increased accordingly. Based on the CIA report, the total GFA of sold residential and non-residential properties developed for sale in the PRC increased from 1.3 billion sq.m. as of 31 December 2015 to 1.7 billion sq.m. as of 31 December 2019, representing a CAGR of 7.5%. The total new construction GFA of residential and non-residential properties developed for sale in the PRC rose from 1.5 billion sq.m. as of 31 December 2015 to 2.3 billion sq.m. as of 31 December 2019 with a CAGR of 10.1%.

Favourable policies

In recent years, a number of laws and rules have come into effect regulating various aspects of the property management industry in China, together with multiple policies issued

INDUSTRY OVERVIEW

to promote its development. According to the CIA report, the PRC government promulgated a number of policies to encourage property service companies to expand their business operations and services to rural areas. These include, but are not limited to, the Circular of the 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》) and 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》). The State Council and the Central Committee of the Communist Party of China also promulgated the Recommendations 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》) in June 2017.

The government policies mainly aim at promoting the development of the property management industry through the following channels: firstly, the restrictions on adjustments of property management fees were loosened to directly increase the revenue of property management enterprises. For example, according to the Implementation Opinions on the Implementation of Administrative Measures on the Property Management Service Fees in Jiangsu Province (《關於貫徹〈江蘇省物業服務收費管理辦法〉的實施意見》) and the Publication of the Notice on Publishing the Preliminary Public Property Service Grades and Rate Standards for Ordinary Residential Buildings in Nanjing (《關於印發〈南京市普通住宅前期物業公共服務等級和收費標準〉的通知》), which were jointly promulgated by the Nanjing Municipal Commission of Development and Reform and the Municipal Real Estate Administrative Bureau in April 2021, residential property management fees were allowed to be adjusted upward, and the adjusted property service rates had been implemented since 26 April 2021; secondly, property management enterprises were encouraged to enter into more sectors of urban services and public services in order to broaden and extend their service scope, which in turn provided more room for the growth of property management enterprises. For instance, the “Lane Chief”, “Area Chief System” and Urban Management (“巷長制” “片長制” 暨城市管理物業化工程) were rolled out in Binhu District, Wuxi on 24 April 2021, which had opened up opportunities for property management enterprises to enter into more public service sectors; thirdly, old districts without property management services were included in the scope of property management services through urban renewal and old district transformation projects, which expanded the market of the property management industry. For example, the Department of Housing and Urban-Rural Development, Jiangsu Province organised the Promotion Meeting on the Cooperation between the Government and the Banks for the Urban Renewal (Old Districts Transformation) and the Signing Ceremony for the Framework Cooperation Agreement (城市更新(老舊小區改造)政銀合作推進會暨框架合作協議簽約儀式) with the China Development Bank, Jiangsu Branch and the Agricultural Bank of China, Jiangsu Branch on 19 April 2021. It is estimated that 1,130 urban old districts in Jiangsu Province with a total of 16,000 buildings (with total GFA of approximately 38 million sq.m.) will be transformed. Approximately 428,000 households of urban residents will benefit from such proposal with a planned investment amount of approximately RMB13.9 billion. Such large-scale urban renewal projects will also provide more opportunities for property management enterprises deeply-rooted in Jiangsu Province; and fourthly, the industry of positive and standardised development with the feature of “survival of the fittest” will be promoted through a series of normative policies. For example, the Department of Housing and Urban-Rural Development of Suzhou issued the Notice on the Administrative Measure on the Credit of Property Management Enterprises in Suzhou (for Trial Implementation) (《關於印發〈蘇州市物業服務企業信用管理辦法(試行)〉的通知》) in February 2019. According to the requirements of such policy, the Department of Housing and Urban-Rural Development of Suzhou conducted an evaluation on the credit information of properties management enterprises in Suzhou in 2019, and the evaluation results were announced in December 2020. Performing credit management on property management enterprises will further facilitate the development of the credit system of property management enterprises in Suzhou, promote the integrity and self-discipline of property management enterprises, maintain fair competition in respect of the market order of property management services, and promote the development of the property management industry in Suzhou.

Promulgation of such favourable policies has also offered a strong boost to the development of smart community service, the quality of property services and standardised and diversified services. For instance,

INDUSTRY OVERVIEW

- the Ministry of Housing and Urban-Rural Development promulgated the Guide on Development of Smart Communities (Trial) (《智慧社區建設指南(試行)》) in 2014, which set out a quantitative scientific assessment system to guide the planning, construction and operation of smart communities, evaluate the effect of smart community development, and provide a guide for direction and quantitative assessment.
- The State Council promulgated the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure in 2015, which required promoting the standardisation of resident services such as property management and leasing operation.
- In May 2020, the National People's Congress of the PRC approved the Civil Code of the People's Republic of China (《中華人民共和國民法典》), and strengthened the protection of the property owners' ownership, reduced the difficulty of establishing the general meeting of property owners and the property owners' association, made major adjustments to the voting rules of the matters jointly decided by the property owners, clarified the ownership of the property owners' common part of the operating income and improved the provisions of the property management agreement, greatly promoting industry standardisation.
- The Ministry of Housing and Urban-Rural Development promulgated the Circular on Strengthening and Improving the Management of Residential Property (《關於加強和改進住宅物業管理工作的通知》) in December 2020, which promotes the upgrading of the resident service industry to high-quality and diversification, and accelerates the development of service industries such as health, elderly care, childcare, culture, tourism, sports, housekeeping and properties.

Capital market providing the driving force for rapid development of the industry

Further development of the PRC capital market has offered growth opportunities and diverse financing channels to the property management industry. Certain policies on the regulation of capital markets have come into effect to improve the regulatory environment of the capital market, such as Several Opinions on Further Regulating the Exercise of Issuance Examination Power (《關於進一步規範發行審核權力運行的若干意見》). As of 31 December 2020, there were 1, 38 and 34 property management enterprises listed on the Shanghai Stock Exchange, the Stock Exchange, and the National Equities Exchange and Quotations, respectively. The development of capital market enables property management enterprises to access more capital, diversify their sources of funding and expand their business.

Proposed Regulations on “Three Red Line” Standards

The proposed regulations on the “Three Red Line” standards are expected to speed up real estate companies' deleveraging process and promote the healthy development of the PRC real estate industry, which is expected to be favourable to real estate companies which have advantages in capital sufficiency. This may in turn positively affect the property management service providers affiliated to such real estate companies, since many of their projects are sourced from related parties. In contrast, the proposed regulations may pose challenges to companies which may no longer be able to take advantage of high financial leverage to achieve rapid expansion.

According to the symposium jointly held by the MOHURD and the PBOC in August 2020, the MOHURD and the PBOC proposed restrictive rules that limits the growth of real estate companies' interest-bearing debt and financing activities. The rules lay out three red line standards, which include:

- Red line I: the debt-to-asset ratio, excluding advances from customers, not higher than 70%;
- Red line II: the net gearing ratio not higher than 100%; and
- Red line III: the cash to short-term debt ratio not lower than 1.0 time.

In accordance with the above standards, real estate companies would be categorised into four tiers by colour, on which restrictions would be applied to different extents:

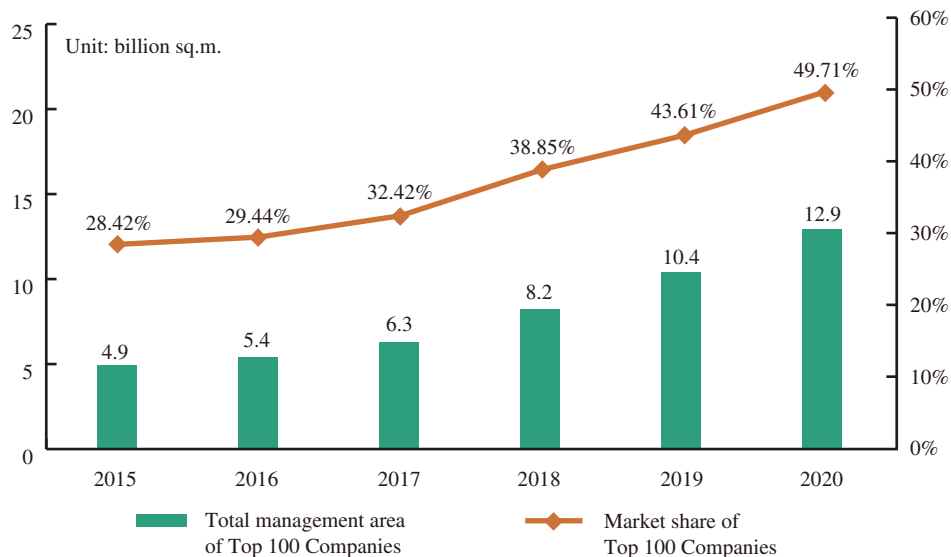
INDUSTRY OVERVIEW

- Red tier: companies whose financial ratios exceed all three red lines are not allowed to increase their interest-bearing debt;
- Orange tier: companies whose financial ratios exceed two red lines are allowed to expand their interest-bearing debt at a maximum annual rate of 5%;
- Yellow tier: companies whose financial ratios exceed one red line are allowed to expand their interest-bearing debt at a maximum annual rate of 10%; and
- Green tier: companies whose financial ratios do not exceed any of the three red lines are allowed to expand their interest-bearing debt at a maximum annual rate of 15%.

Future Development Trends of the PRC Property Management Industry

Higher market concentration

After decades of development of the property management industry, some Top 100 Property Management Companies have quickened their pace on service innovation and business expansion. Moreover, market concentration is on the rise. In a fragmented and highly competitive property management industry, large-size property management enterprises are active in improving their strategic layout and speeding up their expansion, seeking to attain more market share and better operating results through organic growth as well as merger and acquisition. The following chart sets out the total GFA of PRC property management enterprises, the total GFA under management by Top 100 Property Management Companies and their total market share by total GFA under management in the years indicated as follows.



Source: China Index Academy

Fresh development opportunities for property management of green buildings

According to the CIA report, more and more property management companies focus on energy saving and environmental protection when providing property management services. The PRC government has also promulgated policies, laws and regulations to encourage property management companies to develop their own product portfolios to better meet their environmental values. For example, in October 2019, the NDRC promulgated the “Master Plan of Action for Forging Green Living Lifestyles” (綠色生活創建行動總體方案), encouraging the increased application of and innovation in technology, renewable energy and building materials to facilitate energy conservation in property development. This policy also set forth the goal that by 2022, the GFA of “green buildings” should account for at least 60% of the total GFA of newly developed properties in various PRC towns and cities. In addition, in July 2020, MOHURD, the NDRC, the Ministry of Education of the PRC (中華人民共和國教育部), 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 PBOC, the National Government Offices Administration (國家機關事務管理局) and the China Banking and Insurance Regulatory Commission (中國銀行保險監督

INDUSTRY OVERVIEW

管理委員會) jointly promulgated the “Notice Regarding the Action Plan for Green Building Construction” (關於印發綠色建築創建行動方案的通知), which mandated that GFA for “green buildings” should account for at least 70% of the GFA of newly-developed properties by 2022, and reiterated the commitment to continue pushing for the rapid development of “green buildings”. The PRC government’s preferential policies to encourage the development of green technologies and “green buildings” are expected to further increase demand. It is calculated that the accumulative GFA of completed green buildings in China has reached approximately 1.9 billion sq.m. by the end of 2019, and will reach approximately 8.0 billion sq.m. by the end of 2025. In the Yangtze River Delta, the GFA of green buildings has exceeded 800 million sq.m. by the end of 2019, and will exceed 1.4 billion sq.m. by the end of 2025.

Green buildings are also widely recognised as green ecological buildings or sustainable buildings. In China, MOHURD and its local administration authorities are mainly responsible for monitoring “green buildings” and drafting and revising the relevant industry standards. The certification requirements for green building labels are listed in the “Green Building Evaluation Standards”. Green building label certification in China is divided into “basic”, “one-star”, “two-star” and “three-star” levels, with the “three-star” recognised as the highest level. The certification standards are based on five factors, namely the safety and durability, health and comfort, convenience, resource saving and environmental livability. Internationally recognised environmental and building sustainable certification evaluation systems include BREEAM and LEED. Among them, BREEAM is one of the most widely used green building evaluation systems across the globe. BREEAM has been adopted for Prime Minister’s Office, HSBC global headquarters and other internationally renowned landmarks. Compared with other international green building standards, BREEAM focuses on the standard of “health and comfort”, with strict evaluation mainly carried out in respect of resources and energy, social and economic welfare, land use and ecology and other indicators.

Pursuit of Access to Capital Markets as a Means of Diversifying Financing Channels

According to CIA, increasing numbers of property management companies have been pursuing access to capital markets as a means of broadening their financing channels. As at 31 December 2020, there were 38 property management companies listed on the Stock Exchange, 35 of which had allocated part of their net proceeds for strategic acquisitions and/or investments. Such listed property management companies can increase their investments in technological innovation, build smart platforms, strengthen cooperation with other property management companies, improve service quality, and improve operational efficiency with the capital they raise from their public offering. The capital they gained from access to diversified funding sources also allow property management companies to implement selective and strategic mergers and acquisitions and further expand their business scale. In this connection, we may face fierce competition in exploring suitable acquisition/investment targets and materialising our acquisition/investment plans. Please see “Risk Factors – Risks relating to our business and industry – Future acquisitions could expose us to risks that may have a material adverse effect on our business, financial condition and results of operations” for further details.

According to CIA, as at 31 December 2020, there were 350 property management companies in the PRC that match our criteria for potential acquisition targets, among which 120 were located in the Yangtze River Delta, 50 were located in South China, 80 were located in Southwest China and the remaining were located in other regions in the PRC. Among the 350 property management companies, all of them provide services to both residential and non-residential properties and provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services and 40 of them provide property management services to green buildings.

Greater IT standardisation and more IT application

Standardisation helps property management enterprises improve their service quality and serves as a foundation for the sustainable expansion of business operations in all regions. The PRC government promulgated the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure. According to the CIA report, this policy aimed at introducing the concept of standardised property management service quality, to promote the standardisation of resident services such as property management and leasing operation. Many Top 100 Property Management Companies in the PRC have set up internal operating procedures for standardisation, to guide property companies in their provision of standardised services.

INDUSTRY OVERVIEW

Information technology has played an increasingly important role in property management services in recent years. The PRC government promulgated the National Standardisation System Development Plan (2016-2020) (《國家標準化體系建設發展規劃(2016-2020年)》) with a view to preparing the new generation of information technology standard system plan and comprehensively boosting the information-based development of various industries. Quite a few property management enterprises in the PRC leverage on information technology to implement technical solutions to realise the automation of key business operations. As a result, property management will have less reliance on manual labour, which in turn will reduce the costs on hiring employees and sub-contractors. Furthermore, centralised information technology enables property management enterprises to monitor the administrative and financial operations of their branches, subsidiaries and offices, and ensure consistent application of policies, procedures and quality standards.

Bolstering profitability with diversified services powered by the Internet

More property management enterprises are willing to adjust their business model in response to residents' demand for better quality and diversified services as well as the increasing operational pressure under higher general costs. The internet and mobile applications tend to facilitate service diversification of the property management industry and the development of smart communities. Centred on the needs of residents, "smart communities" are designed to deliver digital, automatic, modern and synergic resident services through the integration of online-offline information and resources, the reflection of community characteristics, and the application of the internet, intelligent terminals and other information technologies. Upon establishing an edge in technological progress, some industry leaders plan to provide daily living services, social activities and entertainment services to expand the customer base and include non-residents.

According to the CIA report, property management service companies are expected to expand and diversify value-added services such as finance, retail, elderly caring, housekeeping and housing agency for communities). The CIA report also indicates that community value-added services have a great market potential in meeting the demands of property owners and residents.

Growing focus on service quality and cost control

Based on the CIA report, consumers place a growing emphasis on service quality when selecting property management service providers, rather than base their choices solely on cost. The demand for higher quality of life has been on the rise due to increasing middle to high-income consumers who are more willing to pay premiums for higher quality of life and consider increasing their discretionary spending.

Driven by customer demand and intense competition, property management enterprises have invested to improve service quality and stress on the demand of customers. The Top 100 Property Management Companies in the PRC have responded to this trend by, among others, optimising their traditional property management services and improving service quality through the application of technological solutions. According to the CIA report, property management enterprises have opted for innovative technological solutions and an appropriately increased proportion of subcontractor services to attain lower overall cost of sales, higher operational efficiency and better service quality. According to the CIA report, subcontracting allows property management enterprises to reduce their overall labour costs and deliver higher service efficiency by leveraging on the expertise of subcontractors in their respective fields.

Higher labour and operational costs

Given the labour-intensive nature of the property management industry, labour costs represent the largest component of service costs for a property management service enterprise. In this market, manual labour is heavily relied on in daily operations such as security, cleaning, gardening, repair and maintenance services. The percentage of labour costs to total cost of sales of Top 100 Property Management Companies in the PRC increased from 56.8% to 58.3% from 2015 to 2020. Minimum wage is formulated mainly based on the standards set by provincial and local governments in the PRC. In recent years, various regions have seen a significant rise in minimum wage, leading to a direct increase in labour costs. In addition, utilities expenses, such as electricity and water charges, have also increased in recent years. Higher labour costs and utilities expenses may result in a decline in the profit margin of property management enterprises and more pressure on companies within the market.

INDUSTRY OVERVIEW

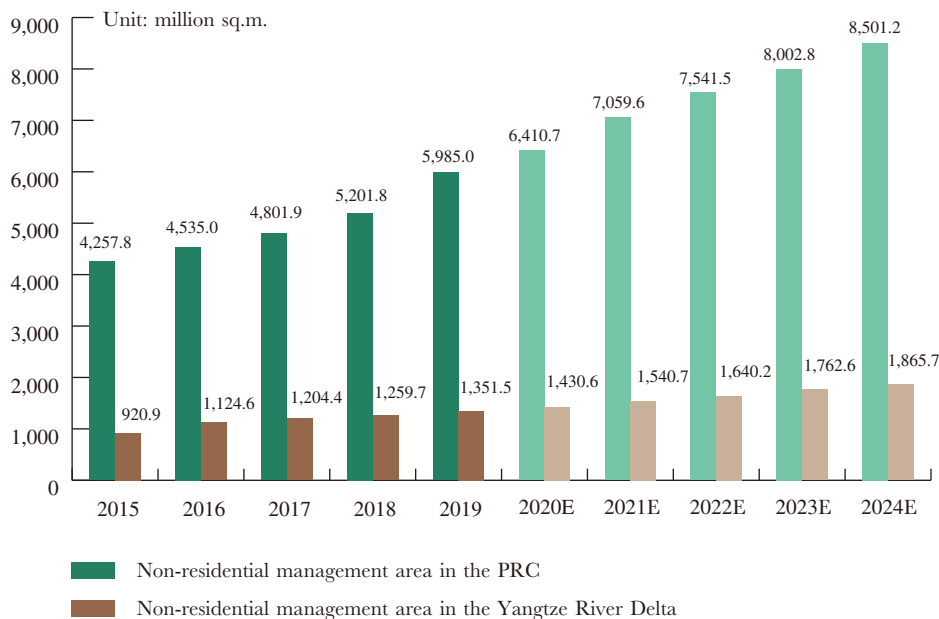
Increasing cooperation with independent property developers

In general, a property management enterprise affiliated with major property developers can better expand its business and market coverage by undertaking contracts for the properties developed by such developers. Given stiffer market competition in the property management industry and rising fees charged in line with market rates, property management enterprises find it necessary to compete for projects from independent property developers on the market in recent years.

Potential of the non-residential property management market

According to CIA, PRC property management enterprises have been working to diversify their management portfolios to include not only residential properties, but also non-residential properties such as industrial parks, office buildings and hospitals. In general, property management enterprises charge higher property management fees from non-residential properties than residential properties. For example, the average property management rates for residential properties of Top 100 Property Management Companies amounted to RMB2.05 per sq.m. per month in 2019, as compared with such average monthly rates of RMB3.29, RMB6.93 and RMB6.26 per sq.m. for industrial parks, office buildings and hospitals of property management enterprises respectively during the same year.

Expanding management portfolios to include non-residential properties will create an advantage for property management enterprises in such aspects as ramping up profit, diversifying revenue streams and gaining greater brand recognition and market share. According to CIA, there is enormous market potential for non-residential properties because of (i) the continuous rollout of various favourable laws and regulations on the management of non-residential properties to facilitate the formation of a stable regulatory framework; and (ii) a growing number of owners or operators of non-residential properties who delegate property management to professional service providers in the market. According to CIA, the market size for non-residential properties in the PRC and the Yangtze River Delta from 2015 to 2024E are as follows:



Note : Pursuant to CIA, historical figures of 2020 are not available yet.

INDUSTRY OVERVIEW

Competition

Entry barriers

According to CIA, the following entry barriers exist in the PRC property management industry:

- **Brand:** Customers have higher expectations for the quality of property services with higher resident consumption, overall improvement of the property management industry and intensified industry competition. Well-known property management companies are recognised by customers for their assured quality service with long years of operation, good market reputation and brand image. In contrast, new entrants without mature brands will face enormous difficulties when entering the market.
- **Capital barriers:** As the scale of business expands, property management enterprises focus more on automation and smart management, with efforts to ramp up management efficiency through equipment procurement, IT systems development and intelligent community management. As a result, a large amount of capital investment is needed, which will further raise the capital threshold for new entrants in the property management industry.
- **Management barriers:** Given increasingly fierce competition of the property management industry, a management team with professional experience and expertise has become an important component to the competitiveness of property management enterprises. For better control costs and consistent service quality, property management enterprises require standardised and automated operating models to improve property management capabilities. Compared with new players, large property management enterprises possess more management resource for their standardised, intelligent and automated operations.
- **Talent and technology:** In a labour-intensive industry, intermediate and senior management and professional technicians, a long-term stable mechanism for talent training and adequate human resources provide crucial guarantees for the successful operation of property management enterprises. Apart from that, with the application of big data and internet technology to the property management industry, property management enterprises have been developing innovative business models and value-added services. As such, professionals and technology will play an even more prominent role in the property management industry.

Competitive landscape

Property management is a highly fragmented and competitive industry in the PRC. In particular, the top five of the Top 100 Property Management Companies for 2020 are Country Garden Services, Greentown Service, Poly Property, A-Living Services and Evergrande Property Services, with their charging management area invariably exceeding 200 million sq.m.. Amidst of the competitive landscape in the industry, according to CIA, there was a steady year-on-year rise in our ranking from 46th in 2018 to 24th in 2021 among the Top 100 Property Management Companies in the PRC in terms of overall strength, considering factors including respective property management scale, operational performance, service quality and growth potential. We were considered as a Top 100 Property Management Company from 2018 to 2020 based on the overall strength considering factors including property management scale, business performance, service quality and development potential. According to CIA, the year-on-year growth rate of our operating income amounted to 38.8% in 2019, which was higher than that of the average 12.8% of the Top 100 Property Management Companies. Amidst rapid development, we stress on developing harmonious relationships with our neighbours and creating a caring community. In 2017, we won the honour of “China Property Management Company Providing Featured Services” (中國物業服務特色品牌企業) for four consecutive years. Our rapid development also depends on our strong business expansion capabilities. In 2019, we ranked the fourth in terms of growth rate of total GFA under management of the projects developed by independent third-parties among the property management companies listed in Hong Kong. In terms of revenue growth rate from projects developed by independent third-parties, we ranked the sixth among the property management companies listed in Hong Kong in 2019 based on the CIA Report.

REGULATORY OVERVIEW

Our business operations are subject to extensive supervision and regulation by the PRC Government. This section sets out a summary of the material laws, regulations and policies to which we are subject.

LAWS AND REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會) (the “SCNPC”) on 29 December 1993 and came into effect on 1 July 1994. The Company Law of the PRC was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018 (the latest revision became effective on 26 October 2018). The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

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

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

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organisations (collectively, the “**foreign investors**”) shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the

REGULATORY OVERVIEW

negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

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

The Catalogue of Industries for Encouraged Foreign Investment (2020 Edition) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Catalogue**”) was promulgated by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) on 27 December 2020, and will come into effect on 27 January 2021.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (Edition 2020) (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2020年版)》), which were both promulgated by the NDRC and the MOFCOM on 23 June 2020 and took effect on 23 July 2020, the property management service does not fall into such categories which foreign investment is restricted or prohibited.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

On 28 May 2020, the National People’s Congress approved the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “**Civil Code**”), which came into effect on 1 January 2021 and replaced the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code, which basically follows the current regulatory principles of property management industry, forms the legal foundation for the property management services in the PRC. Prior to the effectiveness of the Civil Code, the Provisions on Property Management (《物業管理條例》) and the Property Law of the PRC (《中華人民共和國物權法》) have laid down the basic legal framework for the property management industry in China.

On 25 December 2020, the Circular on Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》) was jointly issued by ten ministries and commissions including the MOHURD, which set forth specific requirements on the property management industry from six aspects, including (i) integration into grass-roots social governance system and building of the pattern of joint construction,

REGULATORY OVERVIEW

governance and sharing; (ii) improvement of governance structure of property owners' committee and regulating of the operation of the property owners' committee; (iii) enhancement of property management service level and improvement of pricing mechanism for property management services; (iv) promotion of development of life service industry and strengthening of construction of intelligent property management service; (v) standardisation of use and management of maintenance funds and improvement of utilisation efficiency of maintenance funds; and (vi) strengthening of supervision and management of property services and establishment of service information disclosure system and enterprise credit management system.

Qualification of property management enterprises

According to the Regulations on Property Management (《物業管理條例》) promulgated by the State Council on 8 June 2003, taking effect on 1 September 2003 and amended on 26 August 2007, 6 February 2016 and 19 March 2018, a qualification system for companies engaging in property management activities has been adopted.

In accordance with the Measures for the Administration on Qualifications of Property Management Enterprises (《物業服務企業資質管理辦法》) (formerly known as 《物業管理企業資質管理辦法》), which was promulgated by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004, was amended on 26 November 2007 and 4 May 2015, and abolished by the MOHURD on 8 March 2018, property management enterprises shall be classified into Level 1, Level 2 and Level 3 by qualifications based on relevant specific conditions.

On 19 November 2015, the General Office of the State Council promulgated the Guiding Opinions of the General Office of the State Council on Accelerating the Development of the Personal Service Industry to Promote the Upgrading of Consumption Structure (《國務院辦公廳關於加快發展生活性服務業促進消費結構升級的指導意見》), which sets out the general requirements, the main tasks and the policy measures to accelerate the development of personal services and upgrade consumption structures. Such main tasks focus on the development of the living services that are closely related to the people's livelihood with vast demand potential and strong driving forces, among others, to promote the standardisation developments of the real estate intermediary, house leasing, property management, moving and cleaning, household vehicles maintenance and other personal services.

In accordance with the Decision of the State Council on Canceling the Third Batch of Administrative Licencing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), which was promulgated by the State Council on 12 January 2017 and took effect on the same day, the examination and approval of Level 2 and Level 3 qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Batch of Administrative Licencing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on 22 September 2017 and came into effect on the same day, the examination and approval of Level 1 qualification of property management enterprises was cancelled.

REGULATORY OVERVIEW

In accordance with the Notice of the General Office of the MOHURD 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》), which was promulgated on 15 December 2017 by the MOHURD and became effective on the same day, the application, change, renewal or re-application of the qualifications of property management enterprises shall no longer be accepted, and the qualifications obtained already shall not be a requirement in any way for property management enterprises to undertake new property management projects.

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

Procedures to convene a general meeting of property owners and establish a property owners' association

According to the Regulations on Property Management (《物業管理條例》), the property owners within a single property management area shall, under the direction of street office or township people's government or the real estate administration department of the county or district people's government where the relevant real estate is situated, convene a general meeting of property owners and elect a property owners' association. However, where there is only one property owner or where there are relatively few property owners and they are all in agreement, the property owners(s) may choose not to convene a general meeting of property owners, in which case the functions assigned to both a general meeting of property owners and property owners' association shall be performed by the owner(s). The Circular on Issuing the Guidance Rules of the General Meeting of the Property Owners and the Property Owners' Association (關於印發《業主大會和業主委員會指導規則》的通知) (JF[2009] No.274) (promulgated by MOHURD on 1 December 2009, which came into effect on 1 January 2010) provides a practical guideline for the establishment and governance of the general meeting of property owners and property owners' association, and the supervision of the real estate administrative department of the local government.

According to the Civil Code, the general meeting of property owners may vote to establish a property owners' association. The property owners' association is elected by the property owners, and represents their interest in matters related to property management, and the association's decisions are binding on the property owners. Property owners of non-residential properties are not required to establish a property owners' association under the relevant PRC laws and regulations.

Appointment of Property Management Enterprises

According to the Civil Code, a quorum for the general meeting of the property owners to engage or dismiss a property management enterprise, to change the usage of common space or to conduct operating activities in common space or to decide for certain other matters shall consist of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than two-thirds of the total number of property owners. A general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting. For other matters, such as changing the usage of common space or conducting operating activities in common space, the approvals requires the affirmative votes of property owners who participate in the voting and hold more than 75% of the total GFA of the exclusive area owned by the voting owners and who represent more than 75% of the total number of property owners participating in the voting. In addition, the Civil Code explicitly requires that any income generated from the usage of common space in properties under management, net of any reasonable operating costs, shall belong to the property owners. Under the Civil Code, the income from the buildings and ancillary facilities shall be distributed according to the property owners' agreement or based on their respective proportion of the total area of the buildings if there is no agreement or the agreement is ambiguous.

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

According to the Regulations on Property Management (2018 Revision) and the Interim Measures for Tender and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》), which were promulgated by the Ministry of Construction on 26 June 2003 and took effect on 1 September 2003, developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by inviting bid. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprises by signing an agreement with the approval of the real estate administrative department of the local

REGULATORY OVERVIEW

government of the place where the property is located. Where the developer fails to hire the property management enterprise through a tender and bidding process or hire the property management enterprise by signing agreement without the approval of relevant government authority, the competent real estate administrative department of the local government at the county level or above shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of no more than RMB100,000.

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

According to the Civil Code, the preliminary property management service contract entered into between the property developer and the property management service provider according to the law, or the property management service contract entered into between the property owners' association and the property management service provider selected by the property owners' general meeting according to the law, shall be legally binding on the property owners.

Fees Charged by Property Management Enterprises

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

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

REGULATORY OVERVIEW

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

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

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

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

REGULATORY OVERVIEW

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755), which was promulgated by the NDRC and became effective on 17 December 2014, the competent price departments of all provinces, autonomous regions and municipalities directly under the PRC Government are supposed to perform relevant procedures to liberalise the prices of the following types of services that have met the relevant conditions:

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

According to the Circular of the NDRC and the Ministry of Construction on Issuing the Measures for the Supervision and Examination of Pricing Costs of Property Services (Trial) (《國家發展改革委、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 jointly issued by the NDRC and the Ministry of Construction on 10 September 2007 and came into effect on 1 October 2007, competent pricing department of people's government shall formulate or regulate property management charging standards and implements pricing cost supervision and examination on relevant property management enterprises. Property management pricing cost is determined according to the social average cost of property management services verified by the competent pricing department of the people's government. With the assistance of a competent real estate administrative department, competent pricing department is responsible for organising the implementation of the property management pricing cost supervision and examination work. Property management service pricing cost shall include staff costs, expenses for daily operation and maintenance on public facilities and equipment, green conservation costs, sanitation fee, order maintenance cost, public facilities and equipment as well as public liability insurance costs, office expenses, shared administration fee, fixed assets depreciation and other fees approved by property owners.

REGULATORY OVERVIEW

Property Management Service Outsourcing

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

Parking Service Fees

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

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

According to the Circular of NDRC on the Opinions for Decontrolling the Prices of Some Services (《國家發展和改革委員會關於放開部分服務價格意見的通知》) (Fa Gai Jia Ge [2014] No. 2755) (promulgated by NDRC on 17 December 2014 and came into effect on the same day), price control on parking services in residence communities was also cancelled.

Fire Protection

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

LEGAL SUPERVISION OVER CLUBHOUSES

Supervision on Public Area Hygiene

According to the Public Area Hygiene Administration Regulation (《公共場所衛生管理條例》) which was promulgated by the State Council on 1 April 1987 and amended on 6 February 2016 and 23 April 2019 and according to the Implementing Measures for the Public Area Hygiene Administration Regulation (《公共場所衛生管理條例實施細則》) which was

REGULATORY OVERVIEW

promulgated by the Ministry of Health on 10 March 2011 and amended by the National Health and Family Planning Commission on 19 January 2016 and 26 December 2017, a clubhouse must obtain a public area hygiene licence before opening for business, the clubhouses failing to obtain a public area hygiene licence or comply with other requirements set forth in such regulations may be subject to the following administrative penalties depending on the seriousness of their respective activities: (i) warnings; (ii) fines between RMB500 and RMB30,000; (iii) orders to correction within a stipulated period or (iv) orders to suspend operations for rectification, or to revoke the public hygiene licence.

Supervision on High-Risk Sports Projects

According to the Administrative Measures on Business Licencing for High-Risk Sports Projects (《經營高危險性體育項目許可管理辦法》) which was promulgated by the State General Administration of Sports on 21 February 2013 and amended on 29 April 2016, a clubhouse operating high-risk sports projects must obtain administrative licencing, and shall satisfy the following requirements: (i) relevant sports facilities shall comply with the national standards; (ii) hiring social sports instructors and rescuers who reach the prescribed number and have obtained national professional qualification certificates; (iii) having security systems and measures.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Regulation on the Internet Information Services

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

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

REGULATORY OVERVIEW

gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial Internet information service without a filing, provincial telecommunication administrative department shall order it to make corrections within a prescribed time limit and to shut down the website if it refused to make corrections.

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

Regulations on Information Security and Privacy Protection

Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organisation or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

According to the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which was promulgated by the SCNPC on 7 November 2016 and came into effect on 1 June 2017, network operators shall comply with laws and regulations and fulfil their obligations to ensure the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities committed on the network, and maintain the integrity, confidentiality, and availability of network data. In addition, the network operators shall neither collect the personal information irrelevant to the services provided by them nor collect or use the personal information in violation of the provisions of any laws or administrative regulation or the agreement between both parties. On 28 December 2012, the SCNPC promulgated the Decision on Strengthening Information Protection on Networks (《關於加強網絡信息保護的決定》) to enhance the protection of information security and privacy on the Internet. On 16 July 2013, the Ministry of Industry and Information Technology (the “MIIT”) promulgated the Provisions on Protection of Personal Information of Telecommunication and the Internet Users (《電信和互聯網用戶個人信息保護規定》), which

REGULATORY OVERVIEW

became effective on 1 September 2013, to regulate the collection and use of personal information of users in the provision of telecommunication service and the Internet information service. According to the Several Provisions on Regulating the Market Order of the Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) (the “**Provisions**”), which was promulgated by the MIIT on 29 December 2011, and came into effect on 15 March 2012, without the consent of users, the Internet information service providers shall neither collect information which is relevant to users and can serve to identify users solely or in combination with other information (the “**personal information of users**”) nor shall they provide personal information of users to others, unless otherwise provided by laws and administrative regulations. The Provisions also require that the Internet information service providers shall properly preserve the personal information of users.

On 8 May 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the “**Interpretations**”), effective from 1 June 2017. The Interpretations clarify several concepts regarding the crime of “infringement of citizens’ personal information” stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including “citizens’ personal information”, “provision of citizens’ personal information” and “illegally obtaining any citizen’s personal information by other methods.” In addition, the Interpretations specify the standards for determining “serious circumstances” and “particularly serious circumstances” of this crime.

SUPERVISION OVER REAL ESTATE BROKERAGE BUSINESS

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

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

REGULATORY OVERVIEW

LEGAL SUPERVISIONS OVER LABOUR PROTECTION IN THE PRC

According to Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and was amended on 27 August 2009 and 29 December 2018, employers shall develop and improve their rules and regulations in accordance with the law to ensure that workers enjoy their labour rights and perform their labour obligations. Employers shall develop and improve the system of labour safety and sanitation, strictly implement the national protocols and procedures on labour safety, guard against labour safety accidents and reduce occupational hazards. Labour safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labour protection equipment that meets the safety and hygiene conditions stipulated under national regulations by the State, and conduct regular health checks for workers who engage in operations with occupational hazards. Labourers engaged in special operations must have received specialised training and obtained the pertinent qualifications.

According to Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, employers and employees shall enter into written labour contracts to establish their employment relationship. The labour contracts shall set forth the terms, duties, remunerations, disciplinary rules of the employment and conditions to terminate the labour contracts. With respect to a circumstance where a labour relationship has already been established but no formal contract has been made, a written labour contracts shall be entered into within one month from the date when the employee begins to work. Meanwhile, it is stipulated that labour contracts must be concluded in written forms, upon reaching an agreement after due negotiation, an employer and an employee may enter into a fixed-term labour contract, a non-fixed-term labour contract or a labour contract that concludes upon the completion of certain work assignments. After reaching an agreement upon due negotiation with employees or by fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labour contract and dismiss its employees.

According to Interim Provisions on Labor Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security of the PRC on 24 January 2014 and came into effect since 1 March 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only, and shall strictly control the number of dispatched workers which shall not exceed 10% of the total number of its employees.

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

REGULATORY OVERVIEW

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

According to Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999, and became effective on the same day, and was amended on 24 March 2002 and 24 March 2019, employers shall undertake registration at the competent administrative centre of housing fund and then, upon the verification by such administrative centre of housing fund, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees. The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration centre. With respect to companies who fail to process housing provident fund registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration centre to complete such procedures within a prescribed time limit; where failing to do so by the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. When an employer fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration centre shall order it to pay up within a prescribed time limit; where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

REGULATORY OVERVIEW

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on 24 August 1982, taking effect on 1 March 1983 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019, and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on 3 August 2002, amended on 29 April 2014, and came into effect on 1 May 2014. The trademark office under the SAMR handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorise others to use their registered trademark by signing up a trademark licence contract. For trademarks, trademark law adopts the principle of “prior application” with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others by improper means in registering a trademark which others have already begun to use and enjoyed certain degree of influence.

Patent

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

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on 7 September 1990, came into effect on 1 June 1991 and was amended on 27 October 2001, 26 February 2010 and 11 November 2020, specifies that works of Chinese

REGULATORY OVERVIEW

citizens, legal persons or other organisations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on 20 February 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licencing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognises the China Copyright Protection Center as the software registration organisation. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on 4 June 1991 and was amended on 20 December 2001, 8 January 2011 and 30 January 2013.

Provisions of the Supreme People's Court on Certain Issues Concerning the Application of Law in the Trail of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks (《最高人民法院關於審理侵害信息網絡傳播權民事糾紛案件適用法律若干問題的規定》), issued by the Supreme People's Court on 29 December 2020 and came into effect on 1 January 2021, stipulates that web users or web service providers who, through information networks, provide works, performances, or audio-video products in which the right holders enjoy the transmission right of information network without due authorisation, they shall be deemed to have infringed upon the transmission right of information network by the people's court.

Domain Name

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

REGULATORY OVERVIEW

LEGAL REGULATIONS OVER TAX IN THE PRC

Income Tax

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

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

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) on 21 August 2006 and implemented the Arrangement since 8 December 2006. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in a PRC company, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation and became effective on 20 February 2009, all of the following requirements must be satisfied for a resident enterprise to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the PRC resident enterprise directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage.

In accordance with the Measures for Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》)

REGULATORY OVERVIEW

which was promulgated by the SAT on 14 October 2019, and came into effect on 1 January 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Value-added Tax

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

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

City Maintenance and Construction Tax and Educational Surcharges

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

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

REGULATORY OVERVIEW

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

REGULATIONS RELATING TO FOREIGN EXCHANGE

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

Pursuant to the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), which was promulgated by SAFE and came into effect on 4 July 2014, (i) a PRC resident (“**PRC Resident**”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE on 9 June 2016 and came into effect on the same day, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. 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. This Notice reiterates the principle that RMB converted from foreign currency capital may not directly or indirectly used for purpose beyond its business scope and investments in securities with the exception of bank financial products that guarantee the relevant PRC regulations. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due time according to the balance of payment status.

In accordance with the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated by the SAFE on 23 October 2019, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB

REGULATORY OVERVIEW

funds according to law under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are true and compliant.

REGULATIONS ON MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which was promulgated on 8 August 2006, came into effect on 8 September 2006, and was amended and came into effect on 22 June 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity interests in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity interests in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise by agreement and injects those assets to establish a foreign invested enterprise. In the case where a domestic company or enterprise or a domestic natural person through an overseas company established or controlled by it/him, acquires a domestic company that is related to or connected with it/him, approval from MOFCOM is required.

On 19 December 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on 18 January 2021, which sets forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the security review will be established under the NDRC, who will lead the task together with the MOFCOM. Foreign investor or relevant parties in the PRC must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defence, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target even when it holds less than 50% equity interests in the target, or (iii) has material impact on target’s business decisions, human resources, accounting and technology.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our history dates back to 2005 when we began providing property management services to a property developed by Landsea, which was founded in 2001 by Mr. Tian, our Controlling Shareholder. Leveraging our long-term and close cooperation with Landsea, we have experienced significant growth in our business scale following its expansion. We have also developed strong capability and extensive experience in providing property management services for green residential buildings, benefiting from the business focus of Landsea Green Properties Group in developing green residential buildings. The provision of our property management services has also extended to properties developed by independent third-party property developers.

We mainly provided our property management services in the Yangtze River Delta with a focus on residential properties, and then gradually expanded our service scope to cover various non-residential properties including office building, rental apartments, public facilities, industrial parks, hospital and branches of bank. As of 31 December 2020, our property management services covered 21 cities, including 15 cities in the Yangtze River Delta and six other cities in the PRC. Our total GFA under management amounted to 17.3 million sq.m. with a total of 123 managed properties, including 102 residential properties and 21 non-residential properties, serving over 120,000 households as at 31 December 2020. Further, our total contracted GFA amounted to 23.7 million sq.m. as at 31 December 2020.

While property management service has historically contributed a substantial portion of our revenue, we strive to diversify our service portfolio to offer comprehensive services to property developers, as well as property owners and residents. We offer value-added services to non-property owners to address their various needs for property management, such as sales assistance services, preliminary consultancy services and other pre-delivery services. We aim to provide a convenient, caring and happy community within our managed residential properties, and offer a range of community value-added services including home-living services, public resources management services and property agency services for second hand properties.

BUSINESS DEVELOPMENT MILESTONES

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

Year	Milestones
2005	Landsea Property Management was established and commenced to provide property management services.
2007 to 2010.....	We began the expansion of our market presence in the Yangtze River Delta and commenced to provide property management services in Wuxi, and further expanded to Changzhou, Hangzhou and Suzhou.
2008	We obtained ISO 9001 quality management system certification.
2009	We obtained ISO 14001 environmental management system certification.
2015	We were ranked the 16th in terms of property management capability and the sixth in terms of community operation innovation by CRIC Research Centre (克而瑞研究中心) and China Real Estate Appraisal Centre (中國房地產測評中心) jointly.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestones
2017	We were first named as Top 100 Property Management Companies China (中國物業服務百強企業), Leading Brand of East China Property Service Companies (中國華東物業服務領先品牌) and China Property Services Featured Brand Enterprises (中國物業服務特色品牌企業) by CIA.
2018	We obtained OHSAS 18001 occupational health and safety management system certification.
2019	We were recognised as 2019 Leading Property Management Companies by Growth (2019物業服務成長性領先企業) by China Property Management Association (中國物業管理協會). Our total GFA under management in respect of properties developed by independent third-party developers increased significantly by around 5.0 million sq.m., or by over 300%, as compared to that in 2018.
2020	Shanghai Landsea Hongqiao County (上海朗詩虹橋綠郡), a property managed by us, became the first residential project in the globe to achieve the BREEAM In-Use V6 certification.
2020	We were ranked the 28th among the 2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業) by CIA.
2020	We were recognised as Enterprises with outstanding contribution in ESG in 2020 (2020 ESG 貢獻突出企業) by CIA.

OUR CORPORATE DEVELOPMENT

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 1 December 2020, and upon completion of the Reorganisation, became the holding company and listing vehicle of our Group. See “Reorganisation” in this section for details.

Our major operating subsidiaries

As at the Latest Practicable Date, our operations had been carried out by our PRC operating subsidiaries in the PRC. Set forth below are the major corporate developments of our PRC operating subsidiaries during the Track Record Period:

Landsea Property Management

Landsea Property Management is our major operating subsidiary and principally engaged in the provision of property management services. It was established in the PRC with limited liability on 12 January 2005 with an initial registered capital of RMB0.5 million, fully paid up in cash, and was owned as to 50% by Qin Yunqiang (秦韻強) and 50% by Tang Xia (唐霞), both Independent Third Parties. On 24 August 2006, Landsea Group Company acquired the entire equity interest of Landsea Property Management from Qin Yunqiang and Tang Xia at an aggregate consideration of RMB0.5 million, which was determined with reference to the registered capital of Landsea Property Management contributed by the transferors. The registered capital of Landsea Property Management was increased to RMB3 million, RMB10 million and RMB100 million, respectively, on 24 August 2006, 3 March 2011 and 18 December 2017, and was fully paid up in cash.

As part of the Reorganisation, Landsea Group Company transferred 1% of its equity interest in Landsea Property Management to Southern City Holdings on 23 December 2019 and 99% of its equity interest in Landsea Property Management to Langhong Management on 24 December 2019. See “Reorganisation” in this section for details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shenlu Property Management

Shenlu Property Management is principally engaged in the provision of property management services. It was established in the PRC with limited liability on 16 May 2014 with an initial registered capital of RMB5 million, fully paid up in cash, and was wholly owned by Shanghai Landsea Investment Management Co., Ltd. (上海朗詩投資管理有限公司), an indirect wholly-owned subsidiary of Landsea Green Properties. The registered capital of Shenlu Property Management was increased to RMB21.6 million on 17 May 2019 and was fully paid up in cash.

On 1 July 2019, Landsea Property Management acquired the entire equity interest of Shenlu Property Management at a consideration of RMB42,540,000, which was determined with reference to, among others, the valuation of Shenlu Property Management as at 31 March 2019 as appraised by an independent valuer. Since the completion of the equity transfer, Shenlu Property Management has been wholly owned by Landsea Property Management.

Guangxi Landsea Meiju

Guangxi Landsea Meiju is principally engaged in the provision of property agency services. It was established in the PRC with limited liability on 30 September 2020 with an initial registered capital of RMB5.0 million, which will be paid in accordance with its articles of association and has been wholly owned by Landsea Property Management since its establishment.

Disposal of subsidiaries during the Track Record Period

Disposal of Nanjing Shenlu E-commerce

Nanjing Landsea Shenlu E-commerce Co., Ltd. (南京朗詩深綠電子商務有限公司) (“**Shenlu E-commerce**”) was established on 15 December 2014 in the PRC as a limited liability company with the aim of providing online-to-offline services, specifically the development and operation of an e-commerce platform under which we would assist various retailers or service providers in selling their goods or services to individual property owners and residents. We would exhibit such goods and services (including various household goods, groceries and tutoring) on the e-commerce platform, and property owners and residents would separately arrange with our ground staff to purchase them offline. At the time we were operating the e-commerce platform, the employees of Shenlu E-commerce included information technology, design, sales and marketing staff who were responsible for the development and maintenance of the e-commerce platform.

However, we faced challenges in profiting from this business model as property owners and residents also had convenient access to other means of purchasing necessary goods and services, including but not limited to retail stores, other major e-commerce platforms and prestigious accredited educational institutions. Shenlu E-commerce was loss-making in all its years of operation between 2014 and 2017, generating revenues of less than RMB0.5 million in each fiscal year. Taking into account consumer behavioral trends, the growing popularity of other e-commerce platforms and the number of individual property owners and residents to whom we were providing property management services, our senior management decided that operating the e-commerce platform was no longer commercially viable by the end of 2017. They judged that at this stage of development of our Group, we should focus on expanding our property management portfolio rather than growing an online-to-offline business segment.

Accordingly, since the business of Shenlu E-commerce did not achieve the sustainable development goals as expected and remained small in scale due to insufficient revenues, the operations of the e-commerce platform were gradually terminated by 2018. Thereafter, Shenlu E-commerce effectively became a shell company without substantive business operations. On 14 November 2018, Landsea Property Management transferred its entire equity interest in Shenlu E-commerce to Landsea Group Company at a consideration of RMB3,000,000, which was determined with reference to the registered capital of Shenlu E-commerce at the time of such transfer. Upon completion of such transfer, Landsea Group Company took over the management and strategic development of Shenlu E-commerce, and Shenlu E-commerce ceased to be a subsidiary of Landsea Property Management.

To make full use of the entity of Shenlu E-commerce after the transfer, the senior management of Landsea Group Company converted it into a unified supporting platform to support the work of its various business segments, including property management, property development, rental apartments and senior citizen services. For such purpose, Landsea Group Company also hired new employees for Shenlu E-commerce, who were each assigned to provide business model consultancy and customer resource integration support to one of the aforesaid business segments. Business model consultancy and customer resource integration

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

support involved conducting market research, analysing market trends, providing market insight and analysing market players and competitors. Accordingly, the employees of Shenlu E-commerce who were assigned solely to the property management business segment became primarily responsible for conducting market research on, among other matters, the digitalisation and information system infrastructure of other market players, with particular emphasis on how such systems were funded, managed and operated, as well as outreach to industry organisations under the direction of Landsea Property Management. They used their findings to devise blueprints for the digitalisation and information system upgrading efforts of our Group. Employees of Shenlu E-commerce who were assigned to the property management business segment worked pursuant to directions given by the staff of Landsea Property Management. The Directors consider that the business model consultancy and customer resource integration support provided by Shenlu E-commerce after its disposal assisted the management of our Group in making business decisions and offered value to our Group in its continuous efforts to expand, boost operational efficiency, improve service quality and thus enhance customer satisfaction.

As part of an internal restructuring, the relevant employees of Shenlu E-commerce, who were assigned solely to the property management business segment, were transferred from Shenlu E-commerce to our Group through the termination of their employment relationship with Shenlu E-commerce and the entering of new employment contracts with our Group. Such restructuring had been completed as at 1 January 2021. Our Directors confirm that none of Shenlu E-commerce's existing employees will work for our Group going forward. See "Business — Employees" in this prospectus for details.

Disposal of Nanjing Langyuyuan

Nanjing Langyuyuan Automatic System Engineering Co., Ltd. (南京朗裕源智能化系統工程有限公司) ("**Nanjing Langyuyuan**") was established in the PRC on 25 August 2017 as a limited liability company for the purpose of providing electronic engineering services to Landsea's property development projects. As the business of Nanjing Langyuyuan did not form part of our core business, on 12 April 2019, Landsea Property Management transferred its entire equity interest in Nanjing Langyuyuan to Shenlu E-commerce, which was a wholly-owned subsidiary of Landsea Group Company at the time of such transfer, at a consideration of RMB1,450,000, which was determined with reference to the registered and paid-up capital of Nanjing Langyuyuan at the time of such transfer. Upon completion of such transfer, Nanjing Langyuyuan ceased to be a subsidiary of Landsea Property Management.

To the best of our Directors' knowledge, information and belief, having made all reasonable inquiries, our Directors were not aware of any non-compliance with any applicable PRC laws and regulations of the aforesaid disposed companies during the Track Record Period and up to their respective dates of disposal from our Group which would have a material adverse effect on our Group's business operation and financial conditions.

Exclusion of the Technological Systems Operation Business

Our Group has considered the provision of property management services, community value-added services and value-added services to non-property owners (the "**Property Management Business**") to be our principal and core business since our establishment. Nevertheless, in the early years of our business development when Landsea began developing and launching residential properties installed with certain technological systems, including ceiling radiation systems, fresh air displacement systems and ground-source heat pump systems (the "**Green-Tech Systems**"), it was difficult to find suitable service providers in the PRC that could provide professional operation and maintenance services for the Green-Tech Systems (the "**systems operation services**") out of the limited number of service providers available at that time. As part of our overall business strategy to develop a close and long-term cooperative relationship with Landsea, to increase its chances of successfully tender bidding for Landsea's property management service engagements under applicable PRC laws and regulations, Landsea Property Management established a separate internal service team dedicated to providing systems operation services, and intentionally set fees for systems operation services lower than the actual cost of providing them. Subsequently, Landsea Property Management entered into agreements with Landsea to provide both property management services and operation and maintenance services for the Green-Tech Systems (the "**Technological Systems Operation Business**") for a total of 29 residential property projects developed by Landsea. Our Directors considered the Technological Systems Operation Business to be different and significantly distinctive from the Property Management Business in nature. See "Relationship with Controlling Shareholders" in this prospectus for details of the delineation of the two businesses.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As the fees for the systems operation services were lower than the actual cost of providing them, losses were incurred in relation to the Technological Systems Operation Business from the outset. Moreover, the cost of providing systems operation services grew over time while it was difficult to raise prices for the 29 residential property projects that Landsea Property Management agreed to manage in its early years of growth. Based on its unaudited management accounts for FY2018, FY2019 and FY2020, Landsea Property Management recorded losses of RMB15.4 million, RMB11.4 million and RMB13.9 million, respectively, in connection with the Technological Systems Operation Business. The management of Landsea Property Management did not invest in the additional talent and resources to make the Technological Systems Operation Business profitable since it considered the Property Management Business to be our principal and core business.

Towards the end of 2015, due to the adjustments to our business strategies, we started scaling down our operation in the Technological Systems Operation Business as we intend to focus our resources in the Property Management Business. Landsea Property Management began to phase out its involvement in the Technological Systems Operation Business, and its internal service team for operating and maintaining the Green-Tech Systems departed. Thereafter, for the aforementioned property projects, Landsea Property Management maintained a separate small team to handle the related management and customer services. The actual operations and management of the Green-Tech Systems had also been outsourced to Landleaf Technology and Nanjing Linglan, with Landleaf Technology responsible for technical consultancy and advice and Nanjing Linglan providing operation and maintenance services under the guidance of Landleaf Technology. Additionally, we did not enter into any further property management agreements to operate any Green-Tech Systems installed in residential property projects. None of the property management agreements secured by our Group through standard public tender processes during the Track Record Period included operation of the Green-Tech Systems (or other systems employing similar environmentally-friendly construction technologies) within their service scope. In respect of new residential property projects developed by Landsea, the Green-Tech Systems were separately operated by other system operators, including Landleaf Technology, pursuant to the terms of separate service contracts entered into between the system operators and Landsea.

As part of our plan to cease the operation of the Technological Systems Operation Business, in January 2021, Landsea Property Management completed the transfer of the Technological Systems Operation Business to Landsea Equipment at a consideration which was valued as a net liability of RMB126.8 million as at 31 December 2020 and was fully settled by way of a payment to Landsea Equipment in May 2021 after offsetting the amount due from Landsea Equipment as at 31 December 2020 (details of which are set out in “Financial Information – Related Party Transactions – Technological Systems Operation Business” in this prospectus and note 31 to the Accountant’s Report). As a result, from 1 January 2021 onwards, Landsea Equipment had taken over all the assets, contracts and personnel and assumed all obligations in connection with the Technological Systems Operation Business. Our Group has no intention of conducting the Technological Systems Operation Business, or providing services similar in nature to that under the Technological Systems Operation Business, in the future.

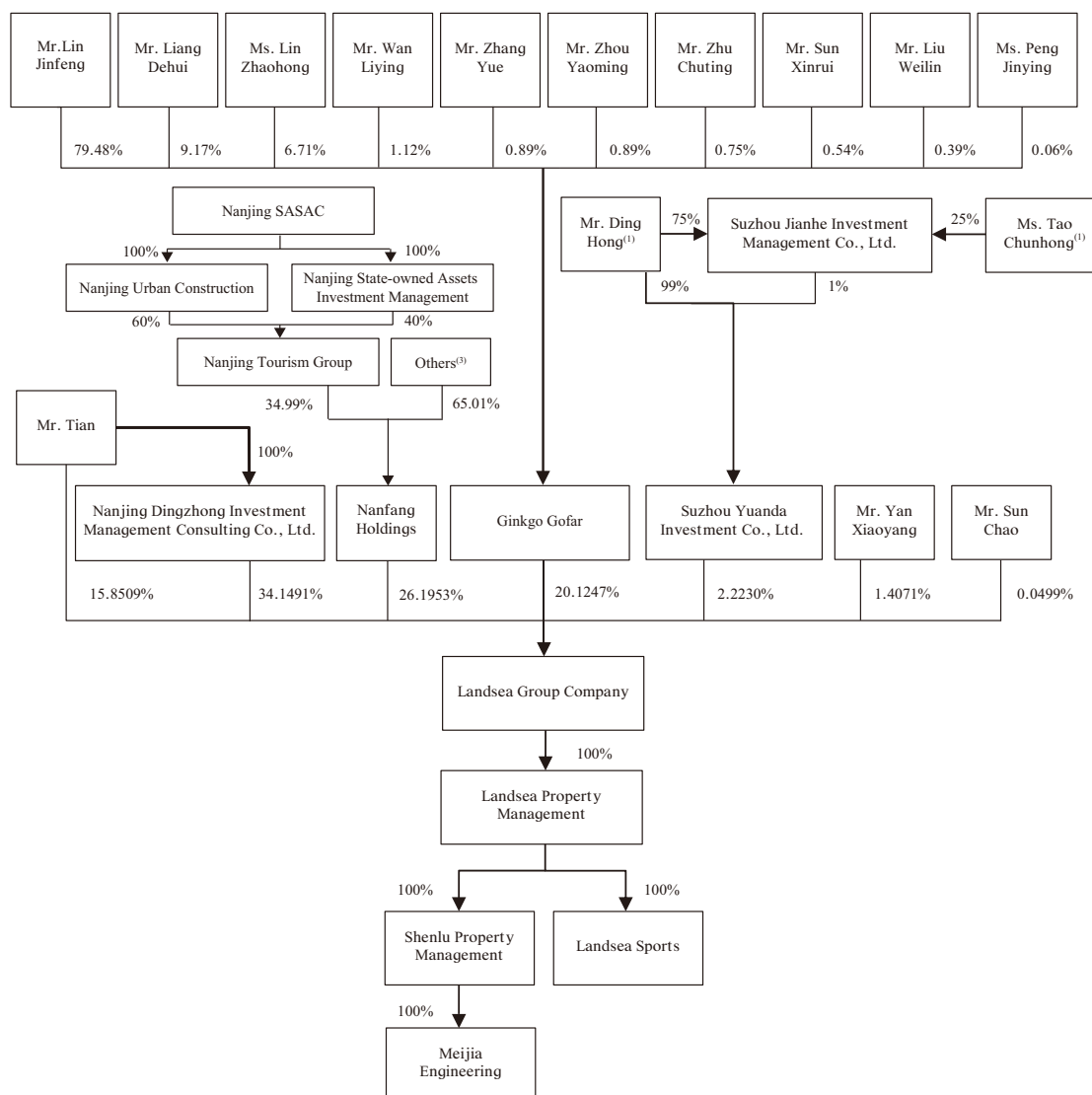
To the best of our Directors’ knowledge, information and belief, having made all reasonable inquiries, our Directors were not aware of any non-compliance with any applicable PRC laws and regulations by our Group in connection with the Technological Systems Operation Business during the Track Record Period and up to the date of transfer of the Technological Systems Operation Business which would have a material adverse effect on our Group’s business operation and financial conditions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

In preparation for the Listing, we underwent the Reorganisation to establish and streamline our corporate structure. Our Company became the holding company and listing vehicle of our Group upon completion of the Reorganisation.

The following diagram illustrates our shareholding structure before the Reorganisation:



Notes:

- (1) Mr. Ding Hong is the spouse of Ms. Tao Chunhong.
- (2) Each of the shareholders of Landsea Group Company (other than (a) Mr. Tian (our Chairman, non-executive Director and Controlling Shareholder) and Nanjing Dingzhong Investment Management Consulting Co., Ltd.; (b) Nanfang Holdings (our Substantial Shareholder); and (c) Mr. Lin Jinfeng (our Substantial Shareholder) and Ginkgo Gofar) is an Independent Third Party.
- (3) The shares of Nanfang Holdings are listed on the Shanghai Stock Exchange (stock code: 600250). To the best of the knowledge and belief of our Directors, the other shareholders of Nanfang Holdings are Independent Third Parties.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of offshore holding companies

Mr. Tian, Mr. Lin Jinfeng, Mr. Ding Hong, Mr. Liang Dehui, Mr. Yan Xiaoyang, Ms. Lin Zhaohong, Mr. Wan Liying, Mr. Zhang Yue, Mr. Zhou Yaoming, Mr. Zhu Chuting, Mr. Sun Xinrui, Mr. Liu Weilin, Mr. Sun Chao and Ms. Peng Jinying, had each incorporated a wholly-owned investment holding company in the BVI, and Nanfang Holdings had incorporated a wholly-owned investment holding company in Hong Kong.

The details of the offshore investment holding companies are set forth in the table below:

Company	Place of incorporation	Date of incorporation	Shareholder	Shareholding
Honor Limited	BVI	27 September 2019	Mr. Tian	100%
Hong Kong New Tourism	Hong Kong	12 December 2019	Nanfang Holdings	100%
Cliff Lin Limited	BVI	27 September 2019	Mr. Lin Jinfeng	100%
Jianhe Holdings Limited	BVI	27 September 2019	Mr. Ding Hong	100%
Lovet Limited	BVI	27 September 2019	Mr. Liang Dehui	100%
Dreamer Limited	BVI	27 September 2019	Mr. Yan Xiaoyang	100%
Wisdom Holding Limited	BVI	27 September 2019	Ms. Lin Zhaohong	100%
Inner Limited	BVI	27 September 2019	Mr. Wan Liying	100%
BELL Limited	BVI	30 September 2019	Mr. Zhang Yue	100%
Orange Holding Limited	BVI	27 September 2019	Mr. Zhou Yaoming	100%
Carrying Limited	BVI	27 September 2019	Mr. Zhu Chuting	100%
Optimis Limited	BVI	27 September 2019	Mr. Sun Xinrui	100%
Ween Holdings Limited	BVI	9 October 2019	Mr. Liu Weilin	100%
Suntony Holdings Limited	BVI	30 September 2019	Mr. Sun Chao	100%
Jurry Limited	BVI	27 September 2019	Ms. Peng Jinying	100%

Incorporation of Landsea Community Service

Landsea Community Service was incorporated in the Cayman Islands as an exempted company with limited liability on 18 October 2019 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one share was allotted and issued at par to an initial subscriber, an Independent Third Party, and was transferred to Honor Limited. On the same date, 99 shares were allotted and issued at par to Honor Limited. Upon completion of such transfer and allotment, Landsea Community Service became wholly owned by Honor Limited.

Incorporation of Landsea Greenlive

Landsea Greenlive was incorporated in the BVI with limited liability on 23 October 2019 to act as our intermediate holding company in the BVI and is authorised to issue up to a maximum of 50,000 shares without par value. Upon incorporation, 100 shares were allotted and issued to Landsea Community Service at a consideration of US\$100. Upon completion of such allotment, Landsea Greenlive became wholly owned by Landsea Community Service.

Incorporation of Landsea Green Life

Landsea Green Life was incorporated in Hong Kong with limited liability on 5 November 2019 to act as our intermediate holding company in Hong Kong. Upon its incorporation, one share was allotted and issued to Landsea Greenlive at a consideration of HK\$1. Upon completion of such allotment, Landsea Green Life became wholly owned by Landsea Greenlive.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Issue of shares by Landsea Community Service

On 20 December 2019, Landsea Community Service allotted and issued 49,400, 25,933, 15,835, 2,201, 1,827, 1,393, 1,337, 223, 178, 178, 149, 107, 78, 50 and 11 shares at par to each of Honor Limited, Hong Kong New Tourism, Cliff Lin Limited, Jianhe Holdings Limited, Lovet Limited, Dreamer Limited, Wisdom Holding Limited, Inner Limited, BELL Limited, Orange Holding Limited, Carrying Limited, Optimis Limited, Ween Holdings Limited, Suntony Holdings Limited and Jurry Limited, respectively. The shares were allotted and issued in such numbers to reflect the allottees' effective shareholding in Landsea Group Company.

The shareholding of Landsea Community Service upon the completion of the aforesaid allotment is set forth below:

Shareholders of Landsea Community Service	Number of shares	Shareholding in Landsea Community Service
Honor Limited	49,500	50.00%
Hong Kong New Tourism	25,933	26.20%
Cliff Lin Limited	15,835	15.99%
Jianhe Holdings Limited	2,201	2.22%
Lovet Limited	1,827	1.85%
Dreamer Limited	1,393	1.41%
Wisdom Holding Limited	1,337	1.35%
Inner Limited	223	0.23%
BELL Limited	178	0.18%
Orange Holding Limited	178	0.18%
Carrying Limited	149	0.15%
Optimis Limited	107	0.11%
Ween Holdings Limited	78	0.08%
Suntony Holdings Limited	50	0.05%
Jurry Limited	11	0.01%
	99,000	100%

Acquisition of 1% equity interest in Landsea Property Management by Southern City Holdings

See “Pre-IPO Investment – Investment by South Capital” in this section for details.

Establishment of Langhong Management

Langhong Management was established in the PRC with limited liability on 18 December 2019 with a registered capital of RMB10 million. Since its establishment, Langhong Management has been wholly owned by Landsea Green Life.

Acquisition of 99% equity interest in Landsea Property Management by Langhong Management

On 24 December 2019, Landsea Group Company transferred its 99% equity interest in Landsea Property Management to Langhong Management at a consideration of RMB72,229,410, which was determined after arm's length negotiations between the parties with reference to the net asset value of Landsea Property Management as at 30 September 2019 as appraised by an independent valuer. Upon completion of such transfer, Landsea Property Management became owned as to 99% by Langhong Management and as to 1% by South Capital.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of Southern Land International by Landsea Community Service

On 26 December 2019, South Capital transferred 100 shares of Southern Land International, representing the entire issued share capital of Southern Land International, to Landsea Community Service, which was settled by way of allotment and issue of 1,000 shares to South Capital. Upon completion of such transfer, Southern Land International became wholly owned by Landsea Community Service.

The shareholding of Landsea Community Service upon completion of the aforesaid transfer was as follows:

Shareholders of Landsea Community Service	Number of shares	Shareholding in Landsea Community Service
Honor Limited	49,500	49.50%
Hong Kong New Tourism	25,933	25.93%
Cliff Lin Limited	15,835	15.84%
Jianhe Holdings Limited	2,201	2.22%
Lovet Limited	1,827	1.83%
Dreamer Limited	1,393	1.39%
Wisdom Holding Limited	1,337	1.34%
Inner Limited	223	0.22%
BELL Limited	178	0.18%
Orange Holding Limited	178	0.18%
Carrying Limited	149	0.15%
Optimis Limited	107	0.11%
Ween Holdings Limited	78	0.08%
Suntony Holdings Limited	50	0.05%
Jurry Limited	11	0.01%
South Capital	1,000	1.00%
	<u>100,000</u>	<u>100%</u>

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 December 2020 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon incorporation, one nil-paid Share was allotted and issued at par to an initial subscriber, an Independent Third Party, and was transferred to Honor Limited. On the same date, our Company allotted and issued 49,499, 25,933, 15,835, 2,201, 1,827, 1,393, 1,337, 223, 178, 178, 149, 107, 78, 50, 11 and 1,000 nil-paid Shares at par to each of Honor Limited, Hong Kong New Tourism, Cliff Lin Limited, Jianhe Holdings Limited, Lovet Limited, Dreamer Limited, Wisdom Holding Limited, Inner Limited, BELL Limited, Orange Holding Limited, Carrying Limited, Optimis Limited, Ween Holdings Limited, Suntony Holdings Limited, Jurry Limited and South Capital, respectively. The Shares were allotted and issued in such numbers to reflect the allottees' effective shareholding in Landsea Community Service.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The shareholding of our Company upon completion of the aforesaid allotment and issuance was as follows:

Shareholders	Number of Shares	Shareholding
Honor Limited	49,500	49.50%
Hong Kong New Tourism	25,933	25.93%
Cliff Lin Limited	15,835	15.84%
Jianhe Holdings Limited	2,201	2.20%
Lovet Limited	1,827	1.83%
Dreamer Limited	1,393	1.39%
Wisdom Holding Limited	1,337	1.34%
Inner Limited	223	0.22%
BELL Limited	178	0.18%
Orange Holding Limited	178	0.18%
Carrying Limited	149	0.15%
Optimis Limited	107	0.11%
Ween Holdings Limited	78	0.08%
Suntony Holdings Limited	50	0.05%
Jurry Limited	11	0.01%
South Capital	1,000	1.00%
	100,000	100%

Acquisition of Landsea Greenlive and Southern Land International by our Company

On 6 January 2021, Landsea Community Service transferred 100 shares of Landsea Greenlive and 100 shares Southern Land International, representing the entire issued share capital of Landsea Greenlive and Southern Land International, to our Company, which was settled by way of crediting by our Company of the 100,000 nil-paid Shares held by our then Shareholders as fully paid Shares. Upon completion of such transfers, Landsea Greenlive and Southern Land International became our wholly-owned subsidiaries.

Incorporation of Green Sailing (PTC)

For the purpose of incentivising and motivating our key management and any other person who have made contributions to our Group, it is intended that a share incentive scheme will be adopted by our Company. On 4 January 2021, Green Sailing (PTC) was incorporated in the BVI as a private trust company with limited liability to act as a special purpose vehicle to hold Shares as trustee to be granted to eligible grantees under the proposed share incentive scheme, which is expected to be adopted at least six months after the Listing. Upon its incorporation, one share was allotted and issued to Honor Limited. On 18 January 2021, our Company allotted and issued 8,695 Shares, representing 8.0% of the enlarged issued share capital of our Company, to Green Sailing (PTC), as the trustee of the Green Life Trust, at par.

Green Sailing (PTC) is merely the trustee of the Green Life Trust and only acts as a platform to facilitate the share incentive scheme arrangement and was incorporated for administrative purposes to facilitate management of the Green Life Trust. In accordance with the trust deed of the Green Life Trust, a committee (the “**Committee**”) established and authorised by our Company will make all decisions and provide instructions and recommendations to Green Sailing (PTC) as trustee in relation to the Green Life Trust and the share incentive scheme, including the exercise of rights pertaining to the relevant Shares and the grant of share awards under the share incentive scheme. Accordingly, prior to and after the adoption of the aforesaid share incentive scheme, Green Sailing (PTC) may only deal with the Shares it holds in accordance with the terms of the trust deed for the specific purposes of the Green Life Trust and shall act upon any instructions or recommendations from the Committee

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

with respect to the exercise of the voting rights of the Shares held by it as trustee of the Green Life Trust, including Shares which are not yet awarded to any awardees and Shares which are awarded but not yet vested onto the relevant awardees in accordance with the terms of the share incentive scheme. The Committee shall consist of three or more members of the Board, who will be appointed by a majority vote of our Board. Committee members who are Directors are bound by their fiduciary duties, which require, among other things, that he/she act for the benefit and in the best interests of our Company and shareholders as a whole and not allow any conflict between his/her duties as a Director and his/her personal interests. Instructions or recommendations provided by the Committee to Green Sailing (PTC) shall be based on the decisions passed by the Board as voted on by a majority of the Directors from time to time, which will also consider the recommendations made by the Remuneration Committee. After the actual vesting, the awardees will be entitled to exercise the voting rights attached to the vested Shares. The Committee will, after the adoption of the share incentive scheme, make determinations in relation to the grant of share awards thereunder. As at the Latest Practicable Date, the detailed terms of the share incentive scheme and the relevant grantees had not been confirmed. Taking into account the aforementioned, (i) the Company, through the Committee, is entitled to make all decisions and provide instructions and recommendations in relation to the Green Life Trust and the share incentive scheme, and (ii) although Green Sailing (PTC) is wholly owned by Honor Limited, which is in turn wholly owned by Mr. Tian, Mr. Tian will not be able to exercise the voting rights pertaining to the Shares held by Green Sailing (PTC) at his sole discretion, nor will he have any actual control over the administration of the Green Life Trust upon the Listing.

Green Sailing (PTC) holds the Shares as trustee of the Green Life Trust and shall only deal with the Shares and any dividend or distributions declared on such Shares as directed by the Committee. Honor Limited is merely a registered holder of Green Sailing (PTC) and does not have any role over the administration of the Green Life Trust. Based on the provisions of the Trust Deed, Honor Limited would not have any personal economic interests or benefit with respect to the Shares held by Green Sailing (PTC) as well as any dividend or distributions declared on such Shares, and it does not have any power to dispose of the Shares held by Green Sailing (PTC).

See “Corporate and shareholding structure immediately after the Reorganisation and the Pre-IPO Investment” in this section for our corporate structure upon the completion of the Reorganisation.

PRE-IPO INVESTMENT

Investment by South Capital

On 23 December 2019, Southern City Holdings entered into an equity transfer agreement with Landsea Group Company, pursuant to which Southern City Holdings acquired 1% equity interest in Landsea Property Management from Landsea Group Company at a cash consideration of RMB729,590, which was fully paid on 20 February 2020. Southern City Holdings is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Southern Land International, which in turn is a company incorporated in the BVI with limited liability and was then wholly owned by South Capital. Upon completion of such transfer, Landsea Property Management became a sino-foreign equity joint venture held by Southern City Holdings as to 1%.

On 26 December 2019, as part of the Reorganisation, South Capital entered into a share swap agreement with Landsea Community Service, pursuant to which South Capital transferred 100 shares of Southern Land International, representing the entire issued share capital of Southern Land International, to Landsea Community Service, which was settled by way of allotment and issuance of 1,000 shares to South Capital.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 1 December 2020, as part of the Reorganisation, our Company allotted and issued 1,000 nil-paid Shares at par to South Capital, which were subsequently credited as fully paid on 6 January 2021 upon completion of the transfers of Landsea Greenlive and Southern Land International to our Company. See “Reorganisation – Acquisition of Landsea Greenlive and Southern Land International by our Company” in this section for details.

Details of South Capital’s investment (the “**Pre-IPO Investment**”) are set forth below:

Name of pre-IPO investor:	South Capital, which is wholly owned by Mr. Zhou Qingzhi
Date of agreement:	23 December 2019
Amount of cash consideration paid:	RMB729,590 (equivalent to HK\$889,277.57)
Basis of determination of the consideration:	<p>Based on the net asset value of Landsea Property Management as at 30 September 2019 as appraised by an independent valuer and after arm’s length negotiations between the Company and South Capital, and taking into consideration the following:</p> <ul style="list-style-type: none">(a) the consideration of pre-IPO investments for other listed companies;(b) the investment risks commonly assumed by pre-IPO investors in investing in an unlisted company, including the lack of liquidity and an open market for trading in our Shares prior to the completion of the Global Offering and the Listing and the uncertainty of the timeline of the Listing process and whether the Global Offering will be completed;(c) the growth prospects of our Group and the property management sector in the PRC; and(d) the financial performance of our Group up to 30 September 2019 and the market value of other comparable companies engaged in the property management business in the PRC.
Settlement date of consideration:	20 February 2020
Cost per Share ⁽¹⁾ :	HK\$0.322
Discount to mid-point of the Offer Price Range ⁽¹⁾ :	90.8%
Use of proceeds:	As the Pre-IPO Investment was effected by way of equity transfer between Southern City Holdings and Landsea Group Company, the consideration was paid to Landsea Group Company and no proceeds were received by our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Shareholding in our
Company immediately
after completion of the
Reorganisation and the
Pre-IPO Investment⁽¹⁾:

0.92%

Shareholding in our
Company immediately
after the Global
Offering⁽¹⁾⁽²⁾:

0.69%

Strategic benefits to our
Group:

Mr. Zhou Qingzhi, the sole director and shareholder of South Capital, has previously engaged in various investments in the hotel management, property management, renewable energy, media communication and financial industries. Mr. Zhou Qingzhi has accumulated leadership, management and operational experience while acting as director of Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司) (“**Narada Power**”), a company which is principally engaged in the development, manufacturing, sales and service of communication backup, motive power and renewable energy storage batteries and accessories and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300068), as well as of his own private hotel management company. Additionally, through his majority interest in Shanghai South City Group Co., Ltd. (上海南都集團有限公司) (“**Shanghai South City**”), a company which is principally engaged in communal facilities development and management, real estate development and other investments, Mr. Zhou Qingzhi is interested in Nacity Property Service Group Co., Ltd. (南都物業服務集團股份有限公司) (“**Nacity Property Service**”), a property management company that is listed on the Shanghai Stock Exchange (stock code: 603506). See “Information about South Capital” below for details. With his management and investment experience and network of relationships in the property management, hotel management and other industries, our Directors believe that the Pre-IPO Investment will benefit our Group as Mr. Zhou Qingzhi can provide valuable guidance on the growth and development of our business, including devising strategies, identifying acquisition and expansion opportunities, evaluating targets and providing insights into market prospects relating to our potential acquisitions and regional expansion. Further, Mr. Zhou Qingzhi’s management experience in a listed company has allowed him to accumulate knowledge in the fields of investment, capital markets activity and corporate management, which we expect he will be able to draw from to assist our Directors in formulating our internal control, compliance, risk management and corporate governance policies.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Since the Pre-IPO Investment, Mr. Zhou Qingzhi has shared his insights on the outlook and prospects of the PRC property management industry and economy with our Directors. Taking into account the market insights of Mr. Zhou Qingzhi, we are able to better formulate our business strategies, including, among others, (a) devoting more resources into city research and analysis to consolidate our market position in the Yangtze River Delta and tap into new markets with growth potential to attract new customers; and (b) collecting market information about other property management companies, particularly their operating performance, profitability, compliance record and growth potential, which may create synergies with our current business and analysing the respective specialties of these companies, which may become our potential acquisition targets. See “Business — Our Strategies — Expand our business scale through multiple channels” and “Future Plans and Use of Proceeds” in this prospectus for further details. Going forward, we also believe we may be able to leverage the business network and connections of Mr. Zhou Qingzhi to be introduced to more tender bidding opportunities for property management projects.

Special rights:

South Capital is not entitled to any special rights under the Pre-IPO Investment.

Notes:

- (1) Calculated on the basis of the number of Shares to be held by South Capital immediately after completion of the Capitalisation Issue.
- (2) Assuming that the Over-allotment Option is not exercised and taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme.

The PRC Legal Advisers have confirmed that the Pre-IPO Investment was conducted in compliance with all applicable PRC laws and regulations then in force.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Information about South Capital

South Capital is a company incorporated in the BVI with limited liability on 8 July 2014. Since its incorporation, it has been wholly owned by Mr. Zhou Qingzhi to act as his investment holding company. Mr. Zhou Qingzhi also serves as the director of South Capital.

Mr. Tian became personally acquainted with Mr. Zhou Qingzhi while acting as rotating chairman of the China Urban Realty Association (中城聯盟) from April 2018 to April 2020, and they maintained regular contact thereafter. Mr. Zhou Qingzhi has previously invested in the hotel management, property management, renewable energy, media communication and financial industries, and accumulated management and operational experience while acting as director of Narada Power as well as of his own private hotel management company. Through his majority interest in Shanghai South City, a company which is principally engaged in communal facilities development and management, real estate development and other investments, Mr. Zhou Qingzhi is interested in Nacity Property Service, a property management company that is listed on the Shanghai Stock Exchange. Mr. Zhou Qingzhi became familiar with the property management business of our Company through his personal relationship with Mr. Tian. A seasoned investor, Mr. Zhou Qingzhi is accustomed to pursuing an investment strategy that specialises in identifying and evaluating investment opportunities across a range of industries. He targets quality companies with growth potential to invest in for the long term, focusing on key business characteristics such as management competence, financial performance, long-term growth prospects, regulatory landscape, industry outlook and market valuation. In deciding to invest in our Group through the Pre-IPO Investment, Mr. Zhou Qingzhi was particularly interested in the profile of our Group as a fast-growing property management service provider in the Yangtze River Delta, our diversified types of property management services and value-added services, our ranking among the “Top 100 Property Management Companies in the PRC (中國物業服務百強企業)” in terms of overall strength and our growth potential. In view of his familiarity with the property management industry, our track record and his confidence in our prospects, Mr. Zhou Qingzhi decided to invest in our Company through South Capital using his personal resources. Mr. Zhou Qingzhi confirms that the Pre-IPO Investment is in line with his investment strategies and objectives and allows him to participate in the in the long-term capital growth of our Company upon the Listing.

Other than the Pre-IPO Investment, to the best of our Directors’ knowledge, information and belief, having made all reasonable inquiries, South Capital and its ultimate beneficial owner, Mr. Zhou Qingzhi, were Independent Third Parties as at the Latest Practicable Date. Furthermore, save for the Pre-IPO Investment Agreement, there are no other agreements or arrangements, understandings or undertakings, either oral or written, between (1) South Capital or Mr. Zhou Qingzhi; and (2) our Group, our Shareholders, Directors, members of our senior management or any of their respective associates, in respect of the Pre-IPO Investment.

Lock-up and Public Float

As South Capital is not a core connected person of the Company, Shares held by South Capital will be counted towards the public float after the Listing.

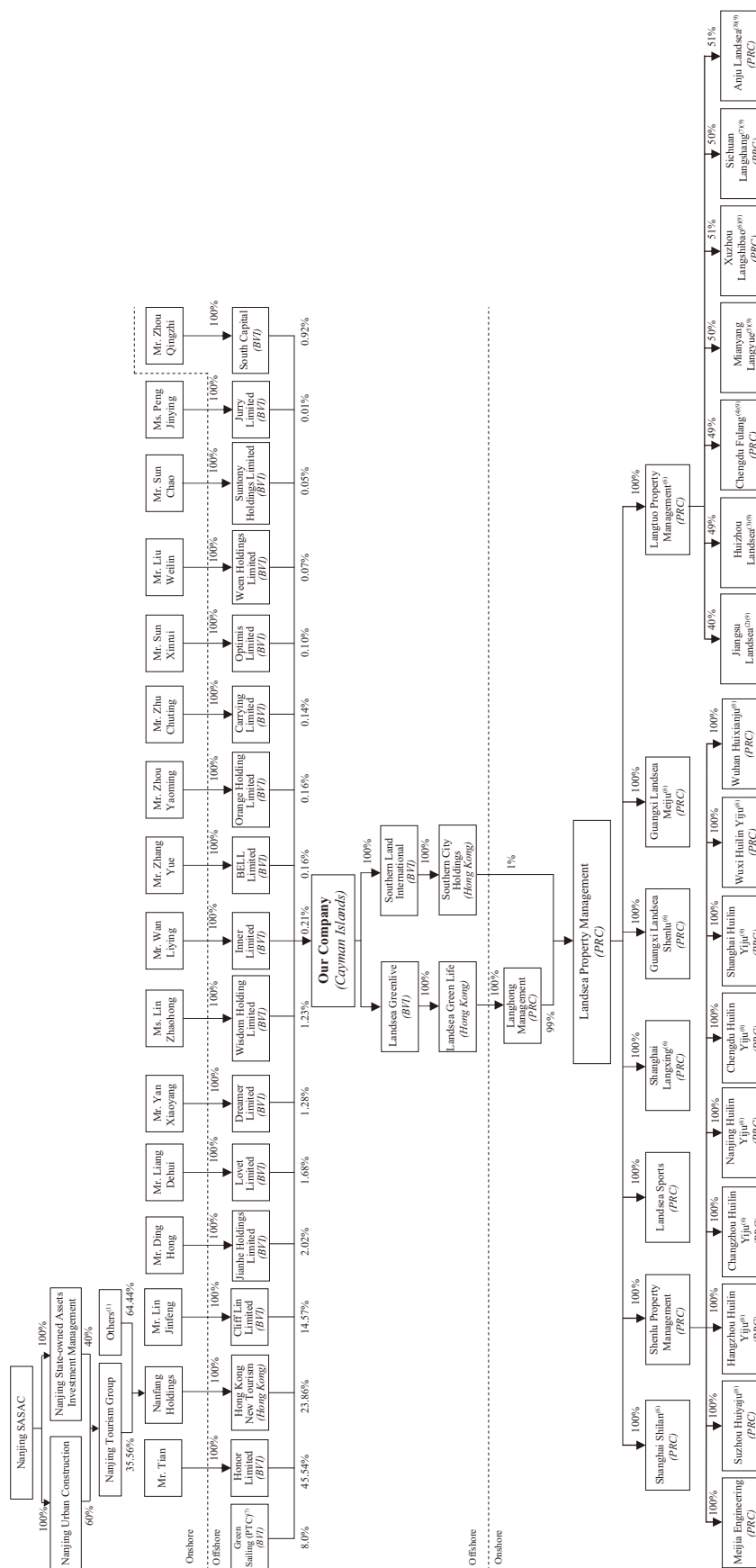
South Capital has agreed that, it will not, at any time up to the date falling six months following the Listing, dispose of any of the Shares directly or indirectly held by it.

Sole Sponsor’s confirmation

The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the guidance letters HKEx-GL29-12 (issued in January 2012 and updated in March 2017) and HKEx-GL43-12 (issued in October 2012, updated in July 2013 and March 2017) issued by the Stock Exchange.

CORPORATE AND SHAREHOLDING STRUCTURE IMMEDIATELY AFTER THE REORGANISATION AND THE PRE-IPO INVESTMENT

The following diagram illustrates our shareholding structure after the completion of the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) The shares of Nanfang Holdings are listed on the Shanghai Stock Exchange (stock code: 600250). To the best of the knowledge and belief of our Directors, the shareholders of Nanfang Holdings are Independent Third Parties.
- (2) The remaining shareholding of Jiangsu Landsea is held as to 40% by Langtuo Property Management, 30% by Jiangsu Sea Lake Real Estate Co., Ltd. (江蘇海湖地產有限公司), 11% by Jiangsu Gaoyuan Property Management Co., Ltd. (江蘇高遠物業管理有限公司) and 11% by Shanghai Oujie Culture Communication Co., Ltd. (上海歐捷文化傳播有限公司), the latter three being Independent Third Parties.
- (3) The remaining shareholding of Huizhou Landsea is held as to 51% by Huizhou Daya Bay Dezhou Property Service Co., Ltd. (惠州大亞灣德洲物業服務有限公司), an Independent Third Party.
- (4) The remaining shareholding of Chengdu Fulang is held as to 51% by Chengdu Dexin Shangyu Property Management Co., Ltd. (成都德新尚裕物業管理有限公司), an Independent Third Party.
- (5) The remaining shareholding of Mianyang Langyue is held as to 50% by Chengdu Dafa Property Service Co., Ltd. (成都大發物業服務有限公司), an Independent Third Party.
- (6) The remaining shareholding of Xuzhou Langshibao is held as to 49% by Huasheng Group Industry (Xinyi) Co., Ltd. (華盛集團實業(新沂)有限公司), an Independent Third Party.
- (7) The remaining shareholding of Sichuan Langshang is held as to 50% by Chengdu Hengge Enterprise Management Co., Ltd. (成都恒格企業管理有限公司), an Independent Third Party.
- (8) The remaining shareholding of Anju Landsea is held as to 40% by Baoying County Anju Property Service Co., Ltd. (寶應縣安居物業服務有限公司) and 9% by Baoying County Chengtuo Property Management Service Center (General Partnership) (寶應縣城拓物業服務中心(普通合夥)), both being Independent Third Parties.
- (9) These companies were established after the commencement of the Reorganisation. See note 1 to the Accountant's Report set out in Appendix I to this prospectus for details.
- (10) Green Sailing (PTC), a private trust company incorporated in the BVI, is the trustee of the Green Life Trust, which was established for the purpose of a share incentive scheme to be adopted by our Company at least six months after the Listing. Honor Limited is its registered holder but does not have any role over the administration of the Green Life Trust. In accordance with the trust deed of the Green Life Trust, the Committee established and authorised by our Company will make all decisions and provide instructions and recommendations to Green Sailing (PTC) as trustee in relation to the Green Life Trust and the share incentive scheme. For further details, please see "– Reorganisation – Incorporation of Green Sailing (PTC)" in this section.

INCREASE IN AUTHORISED SHARE CAPITAL

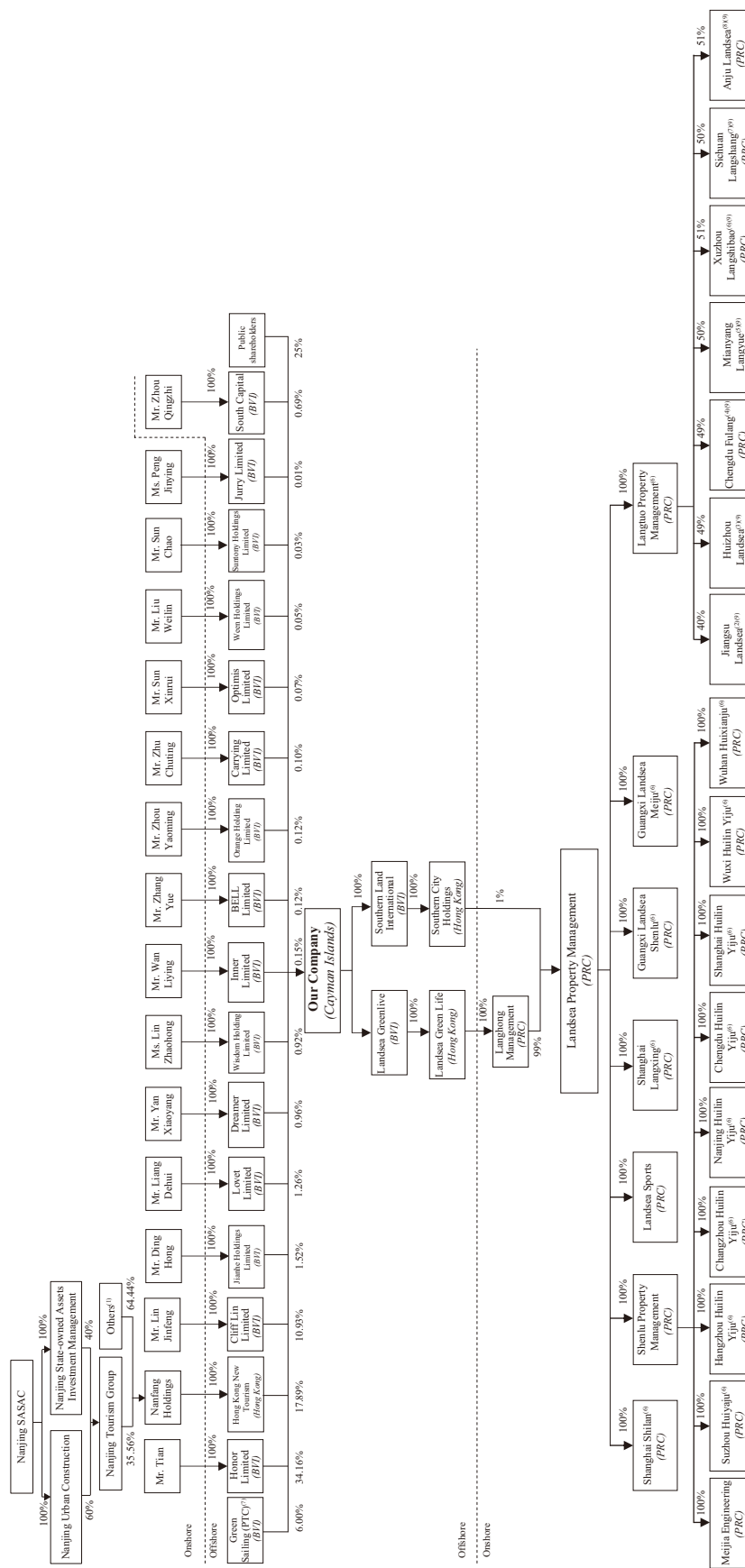
On 15 June 2021, our Company increased its authorised share capital to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares, such that the authorised share capital of our Company was HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 15 June 2021, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorised to capitalise an amount of HK\$2,998,913.05 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 299,891,305 Shares for allotment and issue 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 allotted and issued) to their then existing respective shareholding in our Company.

CORPORATE STRUCTURE AFTER THE COMPLETION OF THE CAPITALISATION ISSUE AND THE GLOBAL OFFERING

The following diagram illustrates our shareholding structure after completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) The shares of Nanfang Holdings are listed on the Shanghai Stock Exchange (stock code: 600250). To the best of the knowledge and belief of our Directors, the shareholders of Nanfang Holdings are Independent Third Parties.
- (2) The remaining shareholding of Jiangsu Landsea is held as to 40% by Langtuo Property Management, 30% by Jiangsu Sea Lake Real Estate Co., Ltd. (江蘇海湖地產有限公司), 11% by Jiangsu Gaoyuan Property Management Co., Ltd. (江蘇高遠物業管理有限公司) and 11% by Shanghai Oujie Culture Communication Co., Ltd. (上海歐捷文化傳播有限公司), the latter three being Independent Third Parties.
- (3) The remaining shareholding of Huizhou Landsea is held as to 51% by Huizhou Daya Bay Dezhou Property Service Co., Ltd. (惠州大亞灣德洲物業服務有限公司), an Independent Third Party.
- (4) The remaining shareholding of Chengdu Fulang is held as to 51% by Chengdu Dexin Shangyu Property Management Co., Ltd. (成都德新尚裕物業管理有限公司), an Independent Third Party.
- (5) The remaining shareholding of Mianyang Langyue is held as to 50% by Chengdu Dafa Property Service Co., Ltd. (成都大發物業服務有限公司), an Independent Third Party.
- (6) The remaining shareholding of Xuzhou Langshibao is held as to 49% by Huasheng Group Industry (Xinyi) Co., Ltd. (華盛集團實業(新沂)有限公司), an Independent Third Party.
- (7) The remaining shareholding of Sichuan Langshang is held as to 50% by Chengdu Hengge Enterprise Management Co., Ltd. (成都恒格企業管理有限公司), an Independent Third Party.
- (8) The remaining shareholding of Anju Landsea is held as to 40% by Baoying County Anju Property Service Co., Ltd. (寶應縣安居物業服務有限公司) and 9% by Baoying County Chengtuo Property Management Service Center (General Partnership) (寶應縣城拓物業服務中心(普通合夥)), both being Independent Third Parties.
- (9) These companies were established after the commencement of the Reorganisation. See note 1 to the Accountant's Report set out in Appendix I to this prospectus for details.
- (10) Green Sailing (PTC), a private trust company incorporated in the BVI, is the trustee of the Green Life Trust, which was established for the purpose of a share incentive scheme to be adopted by our Company at least six months after the Listing. Honor Limited is its registered holder but does not have any role over the administration of the Green Life Trust. In accordance with the trust deed of the Green Life Trust, the Committee established and authorised by our Company will make all decisions and provide instructions and recommendations to Green Sailing (PTC) as trustee in relation to the Green Life Trust and the share incentive scheme. For further details, please see “– Reorganisation – Incorporation of Green Sailing (PTC)” in this section.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that all necessary approvals and permits from the relevant PRC regulatory authorities required for all the equity transfers and changes in registered capital in respect of our PRC operating subsidiaries as described above have been obtained and the relevant legal procedures have been completed in compliance with the applicable PRC laws and regulations. Our PRC Legal Advisers have also confirmed that all necessary approvals and permits from the relevant PRC regulatory authorities required for the implementation of the Reorganisation have been obtained and the Reorganisation has been completed in compliance with the applicable PRC laws and regulations.

M&A Rules

Under the M&A Rules, a foreign investor is required to obtain approvals from competent authorities when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) (the “Circular 3”), where a non-foreign-invested enterprise changes into a

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

foreign-invested enterprise due to acquisition, consolidation by merger or otherwise which is subject to record-filing, it shall complete the record-filing formalities for incorporation and submit the incorporation application. As advised by our PRC Legal Advisers, the acquisition of 1% equity interest in Landsea Property Management by Southern City Holdings from Landsea Group Company (the “**First Transfer**”) is subject to the M&A Rules and the Circular 3. Since Mr. Zhou Qingzhi, the then ultimate controlling shareholder of Southern City Holdings, is a permanent resident of Singapore rather than a domestic natural person as defined under the M&A Rules, Article 11 of the M&A Rules is not applicable to the First Transfer. Landsea Property Management has obtained the record-filing receipt for the incorporation of foreign-invested enterprises (外商投資企業設立備案回執) and the new business licence for the First Transfer pursuant to the M&A Rules and the Circular 3. After completion of the First Transfer, Landsea Property Management became a sino-foreign joint venture enterprise. For the acquisition of 99% equity interest in Landsea Property Management by Landsea Green Life from Landsea Group Company (the “**Second Transfer**”), we were advised by our PRC Legal Advisers that since the Second Transfer took place after Landsea Property Management was converted into a sino-foreign joint venture enterprise, the Second Transfer is considered an equity transfer of a foreign invested enterprise, and thus, the M&A Rules are not applicable to the Second Transfer. Instead, the Second Transfer shall comply with the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investor (外商投資企業投資者股權變更的若干規定) (the “**Rules**”) and the Circular 3, and Landsea Property Management has obtained the record-filing receipts for the change of foreign-invested enterprises (外商投資企業變更備案回執) and the new business licence for the Second Transfer pursuant to the Rules and the Circular 3.

SAFE and ODI Registration

Pursuant to the Circular 37, a PRC resident must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle which is directly established or indirectly controlled by the PRC resident for the purpose of overseas investment or financing. Pursuant to the ODI Rules, a domestic institution shall undergo registration procedures for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with the relevant authorities prior to its overseas direct investment and obtain the relevant records, approvals, certificates or permits.

Pursuant to the Circular 13, the foreign exchange registration approval under the overseas direct investment by SAFE has been cancelled. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As advised by our PRC Legal Advisers, the ultimate shareholders of our Company who are PRC residents, namely Mr. Tian, Mr. Lin Jinfeng, Mr. Ding Hong, Mr. Liang Dehui, Mr. Yan Xiaoyang, Ms. Lin Zhaohong, Mr. Wan Liying, Mr. Zhang Yue, Mr. Zhou Yaoming, Mr. Zhu Chuting, Mr. Sun Xinrui, Mr. Liu Weilin, Mr. Sun Chao and Ms. Peng Jinying, have completed the foreign exchange registrations in November 2019 respectively pursuant to the Circular 37 and the Circular No. 13 in relation to their offshore investments as PRC residents, and the ultimate shareholder of our Company who is a PRC corporate entity, namely Nanfang Holdings, has completed the overseas direct investment registration with the local MOFCOM in December 2019 pursuant to the ODI Rules in relation to their offshore investments as domestic institutions and such registrations have complied with the provisions set forth in the Circular 37, the Circular 13 and the ODI Rules.

OUR MISSION

We strive to provide “warm services” and promote happy and green living lifestyles to our customers.

OVERVIEW

Established in 2005, we are a growing property management service provider well-established in the Yangtze River Delta that provides diversified types of property management services and value-added services. According to CIA, we ranked the 24th among the “2021 Top 100 Property Management Companies in the PRC (2021中國物業服務百強企業)” in terms of overall strength. We strive to provide high quality and featured property management and value-added services to various customers. Our competitiveness and service quality have earned us numerous recognitions. We received the “China Property Management Company Providing Featured Services” (中國物業服務特色品牌企業) and “Leading Property Management Service Brand Enterprise in East China” (中國華東物業服務領先品牌) in 2017, and we have been bestowed these two honours for four consecutive years. We received “Top 100 Property Management Companies in China by Service Quality” (中國物業服務百強—服務質量領先企業) in 2018, and we have been bestowed this honour for three consecutive years. We are also an established property management service provider in providing property management services for green buildings. In terms of the GFA under management ratio of green buildings with an accreditation of two stars or above, we ranked the third among the Top 100 Property Management Companies in the PRC according to CIA. Based on the CIA Report, we ranked the seventh among the Top 100 Property Management Companies in the PRC in terms of the GFA under management of green buildings in 2020.

As of 31 December 2020, our property management services covered 21 cities, including 15 cities in the Yangtze River Delta and six other cities in the PRC. Our total GFA under management amounted to 17.3 million sq.m. with a total of 123 managed properties, including 102 residential properties and 21 non-residential properties, serving over 120,000 households as at 31 December 2020. Further, our total contracted GFA amounted to 23.7 million sq.m. as at 31 December 2020. We plan to enhance our influence on regional markets through our profound efforts in the Yangtze River Delta, and expedite the nation-wide business development, and accelerate to become a leading brand of property management and service in the industry.

During the Track Record Period, we generated revenue primarily from three business lines, namely (i) property management services, (ii) value-added services to non-property owners; and (iii) community value-added services.

- **Property management services.** We provide property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. Our project portfolio includes both residential and non-residential properties, the latter type primarily including (i) office buildings; (ii) rental apartments; (iii) public facilities; (iv) industrial parks; (v) hospitals; and (vi) branches of bank.

BUSINESS

- **Value-added services to non-property owners.** We offer value-added services to non-property owners to address their various needs for property management, which primarily include (i) sales assistance services; (ii) preliminary consultancy services and other pre-delivery services; and (iii) property agency services for properties owned by property developers.
- **Community value-added services.** We offer a wide range of community value-added services in properties under our management to cater for the evolving needs of customers and improve their quality of life. The services offered primarily include (i) home-living services; (ii) public resources management services; and (iii) property agency services for second-hand properties.

The table below sets forth the breakdown of our total revenue from each of our business lines for the periods indicated:

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	197,863	63.8	296,971	68.6	409,829	68.2
Value-added services to non-property owners ...	87,885	28.3	98,256	22.7	140,910	23.4
Community value-added services	24,375	7.9	37,562	8.7	50,167	8.4
Total	310,123	100.0	432,789	100.0	600,906	100.0

Our property management services business line is our primary and largest revenue-generating business line, which enables us to source customers and expand the scale of our other business lines. Our value-added services to non-property owners allow us to gain early access to property development projects, build and cultivate business relationships with property developers, and assist us in gaining a stronger position to secure future engagements for property management services. We believe that the value-added services to non-property owners will become more important as we expand our services to cover diversified types of properties. Our community value-added services increase our interaction with property owners. While property owners are provided with warm and valuable community value-added services, we have accumulated customer data, enriched our insights to the needs of our property owners and increased our profitability.

As at the Latest Practicable Date, in response to our customers' demand for convenient, timely and efficient services, we have implemented a digitalised internal online management platform (i.e. the Landsea e Cloud) and various smart systems (for instance, smart access control system and smart car parking management system) in all of our managed projects. As at the Latest Practicable Date, we have established a WeChat service account for a majority of

BUSINESS

our managed projects. Through such technology, we are able to standardise, digitise and effectively manage our business, and optimise our work efficiency, cost-efficiency and thus our overall competitiveness and improve user experience and customer satisfaction and, in turn, enhance our ability to expand our business.

Over the years of our operation, we have successfully built our brand “Landsea Green Life (朗詩綠色生活)” and established its reputation by offering quality services to our customers. As a result, we have recorded rapid growth and positive financial performance during the Track Record Period. During FY2018, FY2019 and FY2020, our total revenue amounted to RMB310.1 million, RMB432.8 million and RMB600.9 million, respectively, representing an increase of 39.6% and 38.8%. During FY2018, FY2019 and FY2020, we recorded net profit of RMB31.0 million, RMB34.3 million and RMB65.6 million, respectively, representing an increase of 10.6% and 91.3%. The total GFA of our managed properties also increased significantly from 9.1 million sq.m. as at 31 December 2018 to 15.0 million sq.m. as at 31 December 2019, which further increased to 17.3 million sq.m. as at 31 December 2020.

OUR STRENGTHS

We believe the following strengths differentiate us from our competitors:

We are a growing property management service provider well-established in managing green buildings

We are a growing property management service provider in the PRC. Based on our market layout, service quality, management ability, business portfolio, brand influence, the ability to integrate online and offline resources and other factors, our business has been growing at a high speed during the Track Record Period. At the same time, benefiting from the “green differentiation strategy” of Landsea Green Properties Group during the Track Record Period which focuses on developing green buildings and our close cooperation with the Landsea Green Properties Group, we have developed strong capability and extensive experience in providing property management services for green buildings. We therefore are in a more competitive position in the market in respect of providing property management services for green buildings. Considering that green buildings and healthy lifestyle are gradually becoming the mainstream trend, we believe our business will continue to achieve sustainable and healthy growth.

The ability to achieve fast and sustainable growth

Our Group is one of the fast-growing property management companies among the Top 100 Property Management Companies in terms of revenue growth rate during the Track Record Period. According to CIA, our ranking moved up from the 46th in 2018 to the 24th in 2021 among the “Top 100 Property Management Companies in the PRC” in terms of overall strength. Our total GFA under management also increased significantly from 9.1 million sq.m. as at 31 December 2018 to 15.0 million sq.m. as at 31 December 2019, which further increased to 17.3 million sq.m. as at 31 December 2020. According to CIA, in 2019, we ranked the 3rd

and 6th among the Top 100 Property Management Companies in the PRC with headquarters situated in Yangtze River Delta in terms of the growth rate of number of managed projects and GFA under management, respectively. We were considered as a fast-growing Top 100 Property Management Company from 2018 to 2020 based on the overall strength considering factors including respective property management scale, operational performance, service quality and growth potential. We also recorded rapid growth and positive financial performance during the Track Record Period. During FY2018, FY2019 and FY2020, our total revenue amounted to RMB310.1 million, RMB432.8 million and RMB600.9 million, respectively, representing an increase of 39.6% and 38.8%.

Well-established in managing green buildings

According to China Real Estate Business and iGreen Think Tank (友綠智庫), Landsea Green Properties Group ranked the first in China in terms of competitiveness in developing green real estate^(Note). During the Track Record Period, Landsea developed not less than 42 green property projects, and a large majority of these projects were managed by us. We thus are in a competitive position in the industry of providing property management services for green buildings. As at 31 December 2020, among the 123 property projects managed by us in the PRC, 36 were green building projects, accounting for 34.4% of the total GFA of our managed properties, where the GFA under management of green buildings of Top 100 Property Management Companies only accounted for 4.3% of their total GFA under management accounted to CIA. In terms of the GFA under management ratio of green buildings with an accreditation of two stars or above, we ranked the third among the Top 100 Property Management Companies in the PRC according to CIA. Based on the CIA Report, we ranked the fourth and the seventh among the Top 100 Property Management Companies in the PRC in terms of the proportion of the GFA under management from green buildings, and the total GFA under management of green buildings in 2020, respectively. We believe that our history of managing green buildings, which began in 2010, also helps sharpen our competitive edge. According to CIA, our Company ranked the 12th among the Top 100 Property Management Companies in the PRC in terms of years of experience in management of green buildings in 2020. In addition, the experience among the Top 100 Property Management Companies in the PRC in 2020 in managing green buildings ranges from 4 years to 12 years according to CIA and our Group, with 10 years of experience, falls on the higher-end of such range. As confirmed by CIA, the know-how and experience required for implementing active measures to protect the environment are nurtured over time. By way of example, the management of green buildings. Management of green buildings requires property management companies to understand and adapt their operations to the various certification requirements necessary for obtaining and maintaining the “Green Building Labels” or recognitions obtained from internationally recognised environmental and building sustainable certification evaluation systems. As advised by CIA, property management companies with longer histories of managing green buildings would have accumulated more relevant know-how and experience and thus can provide better property management services for green buildings.

Note: The key factors China Real Estate Business and iGreen Think Tank took into account in assessing the competitiveness in developing green real estate include the proportion of developed GFA relating to green buildings, developed GFA ratio of green buildings with high accreditation (such as green buildings with “three-star” accreditation in the PRC) and investments in research and development of green technology.

In addition, we obtained the first BREEAM In-Use V6 residential project certification across the globe in 2020. According to CIA, BREEAM In-Use V6 is one of the most widely used evaluation systems for assessing the operational performance of green sustainable buildings across the globe. We were awarded as a “China Leading Property Management Company providing featured services – Green properties and green communities (中國特色物業服務領先企業 – 綠色物業&綠色社區)” and China Leading Property Management Company providing featured services – Green living lifestyles and green properties (中國特色物業服務領先企業 – 綠色生活&綠色物業)” by CIA in 2017 and 2018, respectively.

According to CIA, the development of green buildings has become one of the main market trends in the industry. Based on the CIA Report, as customers and regulators in the PRC attach greater importance to environmentally-friendly and energy saving lifestyle, “Green, Low Carbon” and “Technology Empowerment” have become important trends in social development in the PRC; and the GFA of green buildings accounted for 45% of the total GFA of buildings, which commenced construction in 2019. Further, pursuant to the “Notice Regarding the Action Plan for Green Building Construction” (《關於印發綠色建築創建行動方案的通知》) promulgated in July 2020, the GFA of green buildings shall account for 70% of the total GFA of the newly developed buildings by 2022. We believe our extensive experience in providing property management services for green buildings will continue to contribute to our sustainable business growth.

Well-established in the highly attractive regional markets in Yangtze River Delta

Since our first property management project in Nanjing, we have endeavoured to provide high quality property management services to our customers. We have established a strong brand influence and reputation as well as advanced market development and operation capabilities in the Yangtze River Delta. We have been recognised as a “China Property Service Regional Brand Enterprise – East China (中國物業服務區域品牌企業 – 華東)” for three consecutive years since 2018 and a “Enterprise with Leading Market Position in East China (華東地區市場地位領先企業)” in 2020 by CIA. As at 31 December 2020, our property management services covered 21 cities, including 15 cities in the Yangtze River Delta and six other cities in the PRC. Out of our 123 managed properties in the PRC, 100 were located in the Yangtze River Delta, representing 85.2% of our GFA under management. According to CIA, we ranked the ninth in 2019 among the top 50 of the Top 100 Property Management Companies in the PRC in terms of the GFA under management ratio in Yangtze River Delta.

The Yangtze River Delta, which, according to CIA, is one of the most populous and economically prosperous regions in China. Therefore, as always, it will be the key strategic region of our business development. Based on the CIA Report, the CAGR of GDP in the Yangtze River Delta reached 10.3% from 2015 to 2019, which is higher than the national average of 9.0% for the corresponding period. Both the per capita annual disposable income and the urbanisation rate in the Yangtze River Delta are higher than the industry average in China. Further, according to CIA, the real estate market in the Yangtze River Delta was also in fast development between 2015 and 2019: From 2015 to 2019, the CAGR of new construction GFA of commercial properties in this region reached 11.0%, which is higher than the national average of 10.1%. Benefiting from the economic growth of the Yangtze River Delta, we also

achieved prosperous growth during the Track Record Period. According to the CIA, we ranked the fourth and the sixth, respectively, among the Top 100 Property Management Companies in the PRC in terms of the growth rate of the number of managed projects and the growth rate of GFA under management respectively in 2019, and are the leading enterprise in the East China region. According to CIA, in 2019, our charging management area in Yangtze River Delta accounted for 85.2% of the total charging management area, ranking among the best in China's Top 50 Property Management Companies with a salient advantage in intensive regional development. We expect that, with our current market position in the Yangtze River Delta, we will continue to benefit from the growth opportunities in the region.

Close cooperation with Landsea and our strong independent business development capability accelerate our business growth

Considering our market positioning, business scale, business portfolio, and other aspects, we aim to expand our business by putting equal emphasis on maintaining close cooperation with Landsea to form strategic synergy and exploring cooperation opportunities with independent third-party property developers. We believe we have established a strong business development and expansion capability, which can be demonstrated by a proven track record of steady business expansion by providing property management services to different types of properties.

Proven stable and sustainable business growth via strategic cooperation with Landsea

We have always maintained close and strategic cooperation with Landsea since our establishment, which enabled us to expand our scale of business, increase our competitiveness and build up our reputation. The property management projects resulting from such cooperation have steadily propelled our revenue and profit growth in the past, and we believe that it will continue after the Listing. The success rate of our tender bids for properties developed by Landsea during the Track Record Period was 100%. As at 31 December 2018, 2019 and 2020, the GFA of properties under our management which were developed by Landsea amounted to 6.6 million sq.m., 7.2 million sq.m. and 7.8 million sq.m., respectively, representing 72.3%, 48.0% and 45.2% of our total GFA under management as at the same dates. For FY2018, FY2019 and FY2020, revenue generated from property management services provided to properties developed by Landsea amounted to RMB152.0 million, RMB183.6 million and RMB211.7 million, respectively, representing 76.8%, 61.9% and 51.6% of our total revenue generated from the provision of property management services. In addition, we also provided value-added services to non-property owners to Landsea.

Landsea Green Properties Group is dedicated to implement its asset-light strategy by jointly developing properties with other property developers (who are Independent Third Parties) or being engaged as a service provider by Independent Third Parties to provide property development entrustment services. Benefiting from this model, our GFA under management in relation to such asset-light strategy (including the GFA under management of property projects jointly developed by Landsea and other independent third-party property developers, as well as properties in which Landsea was engaged by Independent Third Parties as a service provider) increased from 1.8 million sq.m. as at 31 December 2018 to 2.3 million

BUSINESS

sq.m. as at 31 December 2019, and further increased to 3.3 million sq.m. as at 31 December 2020, respectively. The success rate of our tender bids for these properties was 100% during the Track Record Period. The support from Landsea has proven and is expected to continue to provide stable property projects supply and revenue stream for our property management operation.

Close cooperation with Landsea's diversified property development and related service portfolio efficiently expands our business relating to non-residential properties

In addition to its core business in developing residential properties, Landsea has been conducting a diversified property development and operation business including rental apartments, elderly home, city renewal and old building renewal and renovation, and indoor environment renovation. We have formed a strategic cooperation with Landsea to provide tailor-made property management and value-added services in respect of its various types of properties and needs. We have a plenty of precedents in this regard, for example, we provide property management services to Guashan Landsea Apartment (朗詩寓瓜山) (for instance, Guashan Landsea Apartment (朗詩寓瓜山) is a rental apartment, for which we are required to provide services that aim to provide a more comfortable living environment to our residents, such as flexible and customised apartment furnishing, repair and maintenance services, common area, such as dinning area and fitness centre, cleaning and maintenance services, printing services and organising cultural and entertainment activities for residents.), Shanghai Landsea Green Centre (上海朗詩綠色中心) (for instance, Shanghai Landsea Green Centre (上海朗詩綠色中心) is an office building, for which we are required to provide more stringent security services, such as conference room registration and operation services, shuttle bus services to people working at the office building, various catering and tea services, reception services, and collection and distribution services for various types of deliveries (such as mail, newspapers and packages.) and Landsea Changxing Base (朗詩長興基地) (for instance, Landsea Changxing Base (朗詩長興基地) is an industrial park, for which we are required to provide services in relation to research and development activities conducted by the occupants, such as maintenance services in relation to exhibits and display areas and docent tour and guide services). According to CIA, the PRC community has been embracing market opportunities arising from a new type of urbanisation and urban renewal resulting from the saturated real estate market, and an ageing society, which will benefit property management service providers that can provide services to various types of properties. In view of this, we believe we can accelerate our development into a comprehensive property management service provider by maintaining a close cooperative relationship with Landsea.

Strong and independent business development capability and balanced business layout development

We believe our strong and independent business development capability is attributable to our service quality, brand awareness, and market reputation, which in turn gives us a competitive edge to embrace new market opportunities. As at 31 December 2018, 2019 and 2020, our GFA under management of properties developed by independent third-party property developers (excluding projects in which Landsea was engaged by independent third-party property developers as a service provider to provide property development

entrustment services) were 0.8 million sq.m., 5.5 million sq.m. and 6.2 million sq.m., respectively, accounting for 8.3%, 36.7% and 35.8% of our total GFA under management as at the same dates. For FY2018, FY2019 and FY2020, revenue generated from property management services provided to properties developed by independent third-party property developers (excluding projects in which Landsea was engaged by independent third-party property developers as a service provider to provide property development entrustment services) amounted to RMB21.4 million, RMB64.9 million and RMB131.8 million, respectively, representing 10.8%, 21.8% and 32.2% of our total revenue generated from the provision of our property management services. The figures above have demonstrated a significant upward trend. According to CIA, in 2019, we ranked the fourth in terms of growth rate of GFA under management of the projects developed by Independent Third Parties among the property management companies listed in Hong Kong. In terms of revenue growth rate from projects developed by independent third-party property developers, we ranked the sixth among the property management companies listed in Hong Kong in 2019 according to the CIA Report.

We believe our brand reputation, service standards, operational management capabilities, as well as the experience of our managements and service teams are the foundation for our market expansion capabilities. We believe by cooperating with Independent Third Party property developers further, we will be able to develop our business layout in a more comprehensive and balanced manner, facilitate our business scale and enhance our position in the industry.

Diversified value-added services to cater for the needs of various customer groups

The capability in creating and operating a caring community

We strive to build a convenient, warm and delightful community environment within our managed residential properties. We aim to add warm and human touch to our managed properties by providing a happy and healthy life, recreational life, parent-child life, and vacation life for our customers from all walks of life, so that the warmth of home can be extended and spread to neighbourhoods across communities. We are recognised as a “Leading Property Management Company in providing featured services in China – The Leader in creating a warm community (中國特色物業服務領先企業 – 有溫度的社區生活引領者)” in 2019 and a “A Property Management Service Enterprise with Featured Brand in China – A warm community (中國物業服務特色品牌企業 – 有溫度的社區)” in 2020.

Specifically, we provide our property management services and community value-added services under our following brands:

- **“The Landsea Friends (詩友公社)”**: Under the brand of “The Landsea Friends (詩友公社)”, we aim to create a warm and friendly atmosphere within our managed communities by organising and offering various themed activities and events, such as parent-child activities, competitions, different interest groups and workshops, for property owners and residents of all age groups as well as enhance the culture, sports, recreation and spiritual life standards and atmosphere within our managed

BUSINESS

communities. The events we organised include Chicken-Chick Club (小雞吃米親子營), Young Generations' Club (後浪Club) and Kidult Club (老玩童俱樂部). Between December 2020 and the Latest Practicable Date, we created and organised 247 themed activities and events for our property owners.

- **“Huilin Yiju (匯鄰驛居)”**: Since September 2019, under the brand of “Huilin Yiju (匯鄰驛居)”, we provide property agency services to both property developers and property owners. For further details, please see “Value-added services to non-property owners – Property agency services for properties owned by property developers” and “Community value-added services – Property agency services for second-hand properties” in this section.

Between September 2019 and 31 December 2020, we facilitated 481 residential properties transactions, 183 shop transactions, 3,041 car park space and storeroom transactions and 1,226 second-hand properties transactions.

The ability to provide customised value-added services to non-property owners

To establish and cultivate closer business relationships with property developers and establish a stronger position in the process of securing engagements for property management services, we provide customised value-added services to non-property owners to both Landsea and Independent Third Parties, including on-sites sales assistance services, preliminary consultancy services and other pre-delivery services and property agency services for the sales and lease of properties owned by property developers. In FY2018, FY2019 and FY2020, revenue generated from our value-added services to non-property owners provided to Independent Third Parties amounted to RMB14.9 million, RMB22.1 million and RMB19.5 million, representing 17.0%, 22.5% and 13.8% of the total revenue generated from our value-added services to non-property owners.

The ability to manage various types of properties

In addition to solidifying our competitiveness in managing residential properties, we have made an effort to further diversify our property management portfolio to cover non-residential properties. As at 31 December 2020, our non-residential property management portfolio includes the following types of properties: (i) office buildings; (ii) rental apartments; (iii) industrial parks; (iv) hospitals and (v) branches of bank. As at 31 December 2020, we managed 21 non-residential properties with a total GFA under management of 0.9 million sq.m. In FY2018, FY2019 and FY2020, revenue from the management of non-residential properties amounted to RMB19.8 million, RMB39.9 million and RMB51.0 million, respectively. We believe our capability in managing various types of properties will allow us to become a comprehensive property management service provider in the future.

We believe customers' loyalty and satisfaction will be enhanced by providing diverse and customised services.

High customer satisfaction

In 2019 and 2020, according to the customer satisfaction surveys conducted by CIA with respect to our property management services, we obtained an average customer satisfaction score of 87 and 88, respectively, which were higher than the industry average of 75 and 79 during the same period.

Increasing fees for our property management services

Due to our quality and recognised management and services, during the Track Record Period, we increased the average property management fee for seven projects in total. Further, our average property management fee for residential properties has increased steadily during the Track Record Period. For further details, please refer to “Property management services – Pricing policy” in this section.

We possess quality management system and management tools

Standardised management system

We have established a whole set of standardised and reliable quality management system

While in 2008, we were awarded the ISO 9001 quality management system certification, we obtained ISO 14001 environmental management system in 2009, and ISO 45001 occupational health and safety management system certification in 2018. In 2021, we obtained ISO 50001 energy management system certification. These certifications remain valid as at the Latest Practicable Date and have certified the standardisation of our internal management systems and are testaments of the quality of our services offered.

We have also established a comprehensive set of standardised technical and quality control guidelines that provide detailed requirements as to quality control standards and specifications for our employees and subcontractors in respect of our property management services. These guidelines are applicable across our property management projects and our operation has become more efficient and standardised.

Online and digitalised internal management system

We continue to utilise advanced technology by implementing a digitalised internal online management platform and various smart systems to provide quality online services to our customers. We believe the accumulation of rich online customers and operational data can help improve the timeliness and accuracy of our business decisions and operations.

For example, we have established Landsea e Cloud to improve our management efficiency and ensure consistent service procedures and standards. We conduct routine property operation and management on Landsea e Cloud, ranging from property management fees collection to customer complaint management, and from security and order management to gardening and landscaping management. As at the Latest Practicable Date, Landsea e Cloud

BUSINESS

covered all projects under our management. We also employ various smart systems, such as smart access control system and smart car parking management system in our operation. We are committed to using modern technology to automatise our operation, reduce human errors and reliance on manual labour and to ensure consistent service quality.

Our core management team members are from diverse backgrounds

We have a core management team with members from diverse backgrounds. For example, our chief executive officer and executive Director, Mr. Wu Xu, had extensive general operations and management experience in the property development and property management industry. Our chief financial officer and executive Director, Mr. Liu Chao, had obtained extensive experience in accounting and financial management. Further, our chief operations officer, Mr. Deng Peng, had more than 14 years of experience in the property management industry, whereas our chief investment officer, Mr. Yin Feng, had extensive knowledge in the industry and years of experience in formulating business and investment strategies. For further details, please see “Directors and Senior Management” in this prospectus. By working closely together, they have been the driver of the growth and success of our Company. We believe the dynamics of our core management team give us a competitive edge in expanding our business and capturing the opportunities resulting from the growth of the property management industry in the Yangtze River Delta and other major cities in the PRC.

Talent training and development

While our success continues to be attributable to our senior management, we believe the acquisition and reservation of talents are equally important. We are committed to transform from a labour-intensive company to a talent-oriented company. Internally, we have established a talent retention and training policy. For example, we have established a team under the brand “Landsea Jiangwutang (朗詩講物堂)” to provide tailored training programmes to our employees to enhance their knowledge of our corporate culture, on providing quality property management services, property development project, sales techniques and IT skills based on their positions and expertise. We view our employees as our valuable asset and perceive our employees as the key to our success. We motivate our employees with internal incentive mechanism, including performance-based bonus, special bonus and benefits. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business. We have also established an internal system to evaluate our employees’ performance. We believe that such policies allow us to motivate and retain our employees and are effective in enhancing the quality of our services.

OUR STRATEGIES

Our business strategies for our continuous development in the property management service industry are as follows:

Expand our business scale through multiple channels

We believe expanding business into new markets with growth potential and further increasing operation scale are critical to our long-term business development. We plan to achieve continuous business scale expansion through (i) public tender and (ii) strategic investments and acquisitions.

We plan to continue focusing on the geographical markets with relatively high levels of population density and purchasing power. Other than the Yangtze River Delta, we plan to evaluate opportunities in cities located in South China and Southwest China.

Continue to strengthen our brand influence in Yangtze River Delta

Continuously enhancing our brand influence and market position in the Yangtze River Delta is one of our core strategies for long-term sustainable development. We believe that, by broadening our market presence, not only our reputation and influence in the local market will be directly enhanced, the marginal benefits of scale management will also be realised, average management costs lowered, and operating efficiency improved.

Continue our nationwide expansion

Against the backdrop of the rapid development of the property management industry in the PRC and the increasingly competitive industry, we will continue to leverage our strong business development capabilities to increase our market share, in order to enhance our industry position in the PRC and diversify operating risks. In addition to consolidating our market position in the Yangtze River Delta, we also plan to expand our business scale by expanding our business into new markets with growth potential to attract new customers, which we believe is of particular importance to our long-term development.

Strategic acquisitions and investments

We plan to target property management companies that (i) will create synergies with our business, for example, property management companies which provide services to both residential and non-residential properties; and (ii) provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services. We plan to consolidate the respective specialties of these acquisition and investment targets to sustain our growth. Specifically, we will pay special attention to the target company's operating performance, profitability, compliance record, and growth potential.

BUSINESS

The number of our actual acquisition will depend on the scale and consideration required for actual acquisition. The main criteria for target companies for our acquisition include, among others, (a)(i) for property management companies focusing on providing services to residential properties, a total GFA under management of over 2 million sq.m. and a total annual operating revenue of over RMB100.0 million in the most recent financial year or (ii) for property management companies focusing on providing services to non-residential properties, such as office buildings and hospitals, a total GFA under management of over 1 million sq.m. and a total annual operating revenue of over RMB50.0 million; and (b) an average net profit margin of more than 8.0% for the target's most recent financial year.

According to CIA, as at 31 December 2020, there were 350 property management companies in the PRC that match our criteria for potential acquisition targets, among which 120 were located in the Yangtze River Delta, 50 were located in South China, 80 were located in Southwest China and the remaining were located in other regions in the PRC. Among the 350 property management companies, all of them provide services to both residential and non-residential properties and provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services and 40 of them provide property management services to green buildings. As at the Latest Practicable Date, we had not identified any targets for acquisitions and/or investments. If we identify a potential acquisition and/or investment target, we will conduct assessment to understand its operation and, management team and business model.

We plan to use 56.8%, or HK\$164.8 million, of our net proceeds from the Global Offering for our market expansion. When determining the amount of approximately HK\$164.8 million, or 56.8% of the net proceeds, allocated to potential acquisitions of and investment in other property management companies, assuming an Offer Price of HK\$3.51 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this document), we have considered (i) the acquisition or investment in majority equity interests of potential targets at a price-earnings ratio of approximately 8.0 to 15.0 times; (ii) the acquisitions or investments in not more than four potential targets; and (iii) our criteria for strategic acquisitions and investments as disclosed in “Future plans and use of proceeds – Criteria for strategic acquisitions and investments – (a) Acquire other property management companies” in this prospectus. We do not plan to acquire or invest in minority equity interests of potential targets. The aforementioned considerations under the allocation of the net proceeds may be subject to changes based on market conditions. For further details, please see “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

Continue to enrich our value-added services

In light of the growing needs for diversified and comprehensive property management service in the PRC market, we plan to further enrich our existing value-added services in order to improve the overall customer experience. We believe this will greatly contribute to our brand value and enhance customer stickiness.

BUSINESS

Enrich and promote our community value-added services

We plan to enhance the breadth and depth of our community value-added services, with new services such as:

- ***all-inclusive home furnishing and maintenance services.*** In addition to the existing home repair and maintenance services, we plan to offer an all-inclusive home furnishing and maintenance service package as a new type of community value-added service to our customers, in which property owners and residents can engage us to purchase and assemble furniture sets, home appliances and accessories for their apartments. We also plan to provide miscellaneous home maintenance services such as repairing and maintaining home appliances. We plan to first offer these services through the cooperation with other parties and/or our own service team in our managed properties in Nanjing, Hangzhou, Shanghai and Changzhou.
- ***door-to-door services.*** We plan to provide door-to-door services to our customers, for instance, house cleaning services, delivery services, and services tailored to the needs of customers who require special care.

We also plan to invest in companies that provide marketing, advertisement design and management services to help promote our community value-added services.

Expand and further promote our property agency services

We plan to expand our service offerings under our value-added services to non-property owners. In addition to providing property agency services for sales and leases of car parking spaces and shops owned by property developers, including Landsea, we plan to act as a sales agent for property developers in the sales of new properties by sourcing potential property buyers and assisting property developers in entering into property sale and purchase agreements with buyers.

In order to further promote our property agency services for both property owners and non-property owners, we plan to establish more stores in under our brand “Huilin Yiju (匯鄰驛居)” in various cities in the PRC. For further details, please see “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

Enrich community living and cultural activities

We plan to rent a number of event venues and hold not less than 100 events per year in order to offer more cultural activities to property owners of different age groups under our brand “The Landsea Friends (詩友公社)” and carry out both online and offline marketing campaigns. For further details, please see “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

BUSINESS

Establish a WeChat Mini Program

We plan to establish a WeChat Mini Program for our customers to receive information/notifications relating to our community value-added services and to provide a user-friendly way for them to place orders for our community value-added services.

We plan to use 10.2%, or HK\$29.6 million, of our net proceeds from the Global Offering to enrich our value-added services.

Continue to enhance our user-centric and data-driven operation ability

Develop and upgrade our internal management systems

We intend to transform our operational model from a traditional off-line property management model to a user-centric and customer data-driven model which integrates online and offline operations. Therefore, we plan to further invest in the development and upgrade of our internal management systems. We believe we can further improve our management efficiency and profitability by moving most of our operational data online. We will also continue to optimise and upgrade our internal managements systems, such as our human resources planning and management system, financial data sharing and management system and our business expansion management system. By upgrading our internal management systems, we plan to achieve real-time sharing of operational and financial data across different departments to facilitate our operational and management efficiency. We intend to develop and upgrade our internal management systems with technologies such as cloud computing and big data.

Continue to upgrade Landsea e Cloud and the IT tools and software for running our WeChat service accounts

We plan to further upgrade Landsea e Cloud by upgrading its software to further standardise our management of our managed properties, increase our daily operational efficiency and lower our administrative costs. We also plan to enrich the functions of Landsea e Cloud to cover the management of our suppliers to further standardise their services. We plan to further optimise and upgrade the IT tools and software of our WeChat service accounts so we can collect customer data via such service accounts in a more efficient manner and better utilise the first-hand information collected during our interactions with our property owners and residents. We believe the aforementioned upgrades will allow us to provide higher quality and more customised services to our customers.

Further upgrade the software and hardware of our digitalised smart systems

To reduce the chance of human errors and to further lower our labour cost, we plan to build intelligence communities and upgrade relevant software and hardware in all our managed properties. We believe that our provision of intelligent communities can provide a safer, healthier, more convenient, more comfortable and greener lifestyle to our customers and increase their satisfaction with our services which will in turn promote high customer retention.

BUSINESS

Improve customer data security and establish a strategy analysis platform

We expect to accumulate massive customer data through conducting our daily business operations, upgrading our Landsea e Cloud, and IT tools and software of our WeChat service accounts, and building intelligence communities.

To ensure the data relating to our customers are well-protected, we plan to hire more staff to oversee and maintain our IT security system and will continue to purchase appropriate data and online security systems. To better utilise the customer data accumulated via our daily business operations, we plan to establish a strategy analysis platform that will collate, analyse and present customer data. We believe this platform will assist our senior management in devising strategies and making management decisions.

We plan to use 15.3%, or HK\$44.4 million, of our net proceeds from the Global Offering to enhance our user-centric and data-driven operation ability.

Continue to incentivise, retain and recruit talents in order to better our human resources management

We believe that employees who are committed to our core values are instrumental to our growth. To support our business development and expansion, we intend to attract and recruit employees with extensive knowledge in operational management, business expansion, community value-added services business development, IT system operation and data security management, and customer relations.

In order to retain and incentivise employees or any other person who made contributions to our Group, we have established Green Sailing (PTC) as a private trust company as a special purpose vehicle to hold Shares to be granted to eligible grantees under the proposed share incentive scheme, which is expected to be adopted at least six months after the Listing. For further details of the proposed share incentive scheme, please refer to “History, Reorganisation and Corporate Structure – Reorganisation – Incorporation of Green Sailing (PTC)” in this prospectus.

To align employees’ long-term interests with ours, we will continue to recruit, develop and retain talents by offering competitive remuneration packages. In addition, we will continue to cultivate entrepreneurial working environment to strengthen our employees’ responsibilities and to elevate our corporate culture. We believe by doing so we can enhance their operational efficiency, loyalty, job satisfaction, and thus our overall business operation.

We plan to use 7.7%, or HK\$22.3 million, of our net proceeds from the Global Offering for our talent recruitment. For further details, please see “Future Plans and Use of Proceeds – Use of proceeds” in this prospectus.

Enhance brand awareness and professionalise our service

Enhance the awareness of our brand

We consider our brand name as our crucial asset and our brand image plays an important role in customer satisfaction and decisions. We plan to continue to enhance our capability in the provision of property management services for green buildings and enhance our brand awareness by increasing the number of projects that are qualified for the BREEAM In-Use V6 residential project certification. We also plan to continue to enhance our brand awareness by organising and participating in branding events, such as press conferences and industry events, cooperating with research institutes, local authorities and media and promote our brand story. We believe that customers are more willing to pay higher property management fees for a trusted brand, which will further improve our financial performance and overall competitiveness.

Enhance our insights into the needs of the customer and the market to improve the quality of our service

In order to provide innovative and tailored services to our customers, we plan to establish a “Landsea Green Life Research Team (朗詩綠色生活研究團隊)” focusing on researching (i) the business layout of the property management service industry; (ii) the future trends and types of property management service; and (iii) the business models for providing innovative value-added services to our customers and tailored property management services for non-residential green buildings. We plan to establish such team by selecting candidates from our current employees.

More stringent quality-management measures

In addition, we plan to further upgrade our internal management system specification. We had successfully upgraded our OHSAS 18001 certification, which is an international occupational health and safety management system certification, to the latest ISO 45001 certification and obtained the ISO 50001 energy management system certification to improve our current service quality and solidify the current high customer satisfaction level.

OUR BUSINESS MODEL

We provide diversified property management services to property owners and residents, mainly serving residential properties with an expanding portfolio of non-residential properties. We also offer value-added services to non-property owners, primarily property developers, to address their various needs for property management. With an aim in providing quality property management services with human touch for our property owners and residents, we also provide a range of community value-added services to our property owners and residents of our managed residential properties. Our community value-added services complement our property management services and enhance the satisfaction and loyalty of property owners and residents.

BUSINESS

During the Track Record Period, we generated revenue primarily from three business lines, namely (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

Property management services We provide property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services.

Our project portfolio included the management of residential and non-residential properties, the latter type including office buildings, rental apartments, public facilities, industrial parks, hospitals and branches of bank.

Value-added services to non-property owners We offer value-added services to non-property owners to address their various needs on property management, including (i) sales assistance services, which mainly include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage; (ii) preliminary consultancy services and other pre-delivery services, such as cleaning, inspection, repair and maintenance services at the pre-delivery stage, and to a lesser extent, repair and maintenances services after delivery where such services are required by property developers based on inspection of relevant properties; (iii) property agency services for sales and leases of properties owned by property developers.

Community value-added services We offer a wide range of community value-added services in its residential properties under management to cater to the evolving needs of its customers and improve their quality of life.

The services primarily consist of (i) home-living services such as house cleaning, home repair and maintenance services; (ii) public resource management services, which primarily include public spaces leasing and advertising activities; and (iii) property agency services, for second-hand properties which relate to the sales and leases of second-hand properties and use rights of car park spaces.

BUSINESS

The table below sets forth the breakdown of our total revenue by service type and type of customers for the periods indicated:

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management services						
(a) Landsea	10,105	3.3	17,081	4.0	25,821	4.3
(b) Landsea's joint ventures and associates . .	91	—*	103	—*	2,751	0.4
(c) Independent Third Parties	187,667	60.5	279,787	64.6	381,257	63.5
<i>Sub-total</i>	197,863	63.8	296,971	68.6	409,829	68.2
Value-added services to non-property owners						
<i>(i) Sales assistance services</i>						
(a) Landsea.	13,348	4.3	11,644	2.7	17,672	2.9
(b) Landsea's joint ventures and associates .	11,802	3.8	18,122	4.2	14,680	2.4
(c) Independent Third Parties	13,114	4.2	14,000	3.2	15,912	2.6
<i>Sub-total:</i>	38,264	12.3	43,766	10.1	48,264	7.9
<i>(ii) Preliminary consultancy services and other pre-delivery services</i>						
(a) Landsea.	37,335	12.0	22,455	5.2	6,465	1.1
(b) Landsea's joint ventures and associates .	10,463	3.4	17,225	4.0	21,956	3.7
(c) Independent Third Parties	1,823	0.6	8,122	1.9	3,603	0.6
<i>Sub-total:</i>	49,621	16.0	47,802	11.1	32,024	5.4
<i>(iii) Property agency services for properties owned by property developers</i>						
(a) Landsea.	—	—	6,678	1.5	47,369	7.9
(b) Landsea's joint ventures and associates .	—	—	10	—*	13,253	2.2
(c) Independent Third Parties	—	—	—	—	—	—
<i>Sub-total:</i>	—	—	6,688	1.5	60,622	10.1
Sub-total:	87,885	28.3	98,256	22.7	140,910	23.4
Community value-added services						
<i>(i) Home-living services</i>						
(a) Landsea.	325	0.1	825	0.2	384	0.1
(b) Landsea's joint ventures and associates .	—	—	—	—	—	—
(c) Independent Third Parties	16,164	5.2	22,110	5.1	24,796	4.1
<i>Sub-total:</i>	16,489	5.3	22,935	5.3	25,180	4.2
<i>(ii) Public resource management services</i>						
(a) Landsea.	—	—	—	—	—	—
(b) Landsea's joint ventures and associates .	—	—	—	—	—	—
(c) Independent Third Parties	7,844	2.6	14,241	3.3	15,579	2.6
<i>Sub-total:</i>	7,844	2.6	14,241	3.3	15,579	2.6
<i>(iii) Property agency services</i>						
(a) Landsea.	—	—	—	—	—	—
(b) Landsea's joint ventures and associates .	—	—	—	—	—	—
(c) Independent Third Parties	42	—*	386	0.1	9,408	1.6
<i>Sub-total:</i>	42	—*	386	0.1	9,408	1.6
Sub-total:	24,375	7.9	37,562	8.7	50,167	8.4
Total:	310,123	100.0	432,789	100.0	600,906	100.0

* Amount less than 0.5%

BUSINESS

PROPERTY MANAGEMENT SERVICES

Overview

We have been providing management services in the PRC for over 15 years since 2005. Since our first property management project in Nanjing, we have endeavoured to provide high quality property management services to our customers. We have established a strong brand influence and reputation in the Yangtze River Delta. Our contracted GFA increased from 14.4 million sq.m. as at 31 December 2018 at a CAGR of 28.3% to 23.7 million sq.m. as at 31 December 2020, and our GFA under management increased from 9.1 million sq.m. as at 31 December 2018 at a CAGR of 37.9% to 17.3 million sq.m as at 31 December 2020.

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

	As at 31 December		
	2018	2019	2020
Contracted GFA (000' sq.m.)	14,360	21,764	23,660
GFA under management (000' sq.m.) ..	9,072	15,027	17,346
Number of managed properties	68	106	123

As at or for the year ended 31 December

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers, in which Landsea held a controlling interest (i.e. over 50%).
- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (3) Refers to properties solely developed by independent third-party property developers which did not engage Landsea as a service provider to provide property development entrustment services.
- (4) Refers to properties solely developed by independent third-party property developers which entrusted Landsea as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise five members) for selecting the property management service providers of these properties was appointed by Landsea, and the relevant independent third-party property developers will not appoint any member to the tender evaluation committees in addition to the one appointed by Landsea. As such, our Directors considered that such arrangement did not amount to a control of Landsea over the selection process. As advised by our PRC Legal Advisers, according to relevant PRC laws and regulations, the members of the tender evaluation committee as a whole will review and rank the submitted tenders according to the bidding evaluation criteria stipulated in the bidding documents and shortlist no more than three bidders to the tenderer with basis for the consideration of the tenderer. Therefore, Landsea does not have any special role in evaluating the tender of these projects other than appointing a member in a tender evaluation committee, which will review and rank the tenders as a whole.

Scope of services

We focus on providing property management services such as security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services to property developers, property owners and residents of both residential and non-residential properties. The property management services we provide can be grouped into the following categories:

(i) Security services

Our security services primarily include patrolling, access control, manned guard stations, visitor handling and emergency handling. We undertake the security services ourselves and may also subcontract some of the security services to subcontractors to reduce our administrative and management costs.

(ii) Cleaning services

Our cleaning services primarily include cleaning of common area, including public lavatories in our managed properties, garbage collection and sorting according to relevant PRC laws and regulations, pest control, and waste management services. We generally provide our cleaning services through subcontracting.

(iii) Gardening and landscaping services

Our gardening services include (a) daily garden and courtyard maintenance and renovation (such as pruning, fertilisation and pest control); and (b) gardening and landscaping engineering projects (such as designing and gardening services). We generally provide our gardening and landscaping services through subcontracting.

(iv) Car parking management

Our car parking management services include (a) daily repair and maintenance of the car park spaces and ancillary facilities (such as lighting and fire alarm systems); and (b) car park assistance when the cars go in and out of the car park. We generally provide our car parking management services through our own employees.

(v) Daily repair and maintenance services

Our daily repair and maintenance services typically cover the repair and maintenance of (a) the power supply and distribution systems; (b) water supply and drainage systems; (c) fire extinguishing and fire alarm systems; (d) common area facilities, such as elevators and central air conditioning system; and (e) security facilities, such as entrance gates control and surveillance cameras. Save and except for the repair and maintenance of fire extinguishing and fire alarm systems and elevator maintenance services, we generally provide the aforementioned services through our employees. As to the repair and maintenance of fire extinguishing and fire alarm systems and elevators, we outsource the repair and maintenance works to subcontractors with requisite qualifications.

BUSINESS

(vi) Customised services for non-residential properties

Our customised services for non-residential properties are generally provided to office buildings, including (a) customer services within office area including reception, pre-conference preparation and catering services; (b) repair and maintenance services for facilities and equipment within office area; (c) cleaning services within office area; and (d) transportation arrangement services. We generally provide our customised services through our own employees and subcontracting.

During the Track Record Period, we also provide property management services for green buildings. For further details in relation to green building(s), please refer to “Industry Overview – The PRC Property Management Industry – Future Development Trends of the PRC Property Management Industry – Fresh development opportunities for property management of green buildings” in this prospectus. When engaged to manage green buildings, our Group will undertake to learn extensively about the architectural characteristics and environmental protection features of green buildings, and then devise and implement property management measures and procedures that make good use of the characteristics and features of the green buildings to reduce the ecological footprint in relation to maintaining and upkeeping the communal areas of such properties and to create a more eco-friendly, comfortable and sustainable living environment that fulfils the various certification requirements necessary for obtaining and maintaining the “Green Building Labels” or recognitions obtained from internationally recognised environmental and building sustainable certification evaluation systems, such as installing intelligent sensors in communal areas that will turn off lighting systems when certain areas are not in use, putting signs next to elevators to promote the health benefits of stair climbing, setting up collection points for recyclables and reusable materials and supporting recycling by decorating the communal areas with art exhibits made of unwanted objects. For further details, please refer to “Relationship with Controlling Shareholders – Delineation of business – Other Businesses of our Controlling Shareholders – Technological Systems Operation Business” in this prospectus.

The table below sets out the breakdowns of (i) the revenue (in absolute amount and as a percentage of the total revenue from property management services), (ii) gross profit, (iii) gross profit margin, (iv) number of projects under management and (v) GFA under management in relation to green buildings as at the dates/ for the years indicated:

	As at/for the year ended 31 December		
	2018	2019	2020
Revenue (RMB'000)	93,184	119,945	143,204
Percentage of the total revenue from property management services (%)	47.1	40.4	34.9
Gross profit (RMB'000)	18,486	19,921	28,958
Gross profit margin (%)	19.8	16.6	20.2
Number of projects under management ..	29	33	36
GFA under management ('000 sq.m.)	4,375	5,165	5,961

BUSINESS

During the Track Record Period, our gross profit margin for our property management services in relation to green buildings were 19.8%, 16.6% and 20.2%, respectively. The gross profit margin for our property management services in relation to green buildings decreased from 19.8% for FY2018 to 16.6% for FY2019, primarily due to more costs incurred in FY2019 to enhance the quality of our service when we acquired new projects, such as purchasing of different types of supplies and training of new staff incurred during the early stage of projects. Afterwards, it increased to 20.2% in FY2020, which was primarily attributable to (i) higher costs incurred in FY2019 to support the early stage of those newly managed properties and (ii) the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures, leading to lower employee benefit expenses for FY2020.

While providing our property management services, we keep and update records in relation to property owners, as well as respond to complaints about and feedbacks to our services. See “Quality Control – Quality control over our services” in this section for further details.

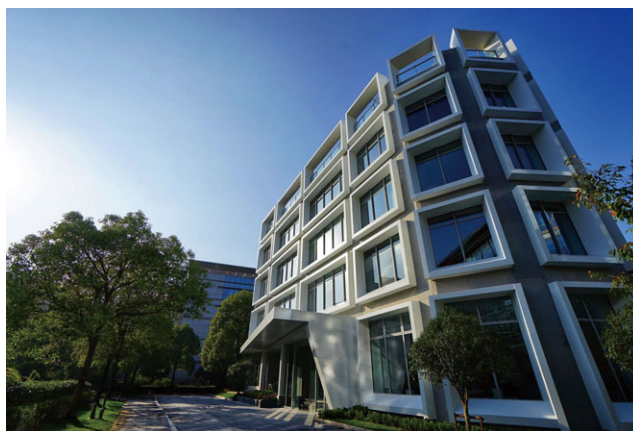
GFA under management

We provide property management services in respect of both residential and non-residential properties. We managed 123 properties, including 102 residential properties and 21 non-residential properties, serving over 120,000 households as at 31 December 2020.

Our management portfolio of non-residential properties primarily covers office buildings, rental apartments, public facilities, industrial parks, hospitals and branches of banks. Shanghai Landsea Green Centre (上海朗詩綠色中心) is our first green office building with an accreditation of three stars.

Shanghai Landsea Green Centre (上海朗詩綠色中心)

- Located at the commercial district of Shanghai Hongqiao with a GFA of 5,700 sq.m.
- Green Building International Award issued jointly by Chinese Society for Urban Studies and Building Research Establishment
- LEED v4 Building Design and Construction: New Construction and Major Renovations – Platinum



Note: Shanghai Landsea Green Centre (上海朗詩綠色中心) is developed and owned by Landsea.

The table below sets out the breakdown of our revenue, gross profit and gross profit margin from property management services by property types and the relevant GFA for the periods indicated:

As at or for the year ended 31 December																												
2018				2019				2020																				
Revenue		Gross profit		GFA under management		Contracted but undelivered GFA		Gross profit		GFA under management		Contracted but undelivered GFA																
RMB '000	%	RMB '000	%	'000 sq.m.	%	'000 sq.m.	%	RMB '000	%	'000 sq.m.	%	'000 sq.m.	%															
Residential properties																												
(a) Properties developed by Landsea ⁽¹⁾																												
144,686	73.1	27,255	74.7	18.8	6,509	71.7	1,372	26.0	165,630	55.8	23,359	49.9	14.1	7,107	47.3	779	11.6	189,080	46.1	35,042	48.5	18.5	7,696	44.4	190	3.0		
(b) Jointly developed properties ⁽²⁾																												
12,963	6.6	2,214	6.1	17.1	1,011	11.1	2,015	38.1	24,492	8.2	3,427	7.3	14.0	1,262	8.4	2,913	43.2	38,000	9.3	6,988	9.7	18.4	1,965	11.3	3,746	59.3		
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾																												
11,547	5.8	2,285	6.3	19.8	750	8.3	1,277	24.1	22,203	7.5	4,616	9.9	20.8	933	6.2	1,238	18.4	24,759	6.0	4,531	6.3	18.3	1,125	6.5	1,075	17.0		
(d) Properties developed by other independent third-party property developers ⁽⁴⁾																												
8,906	4.5	816	2.2	9.2	545	6.0	444	8.4	44,729	15.0	5,249	11.2	11.7	4,015	26.7	1,010	15.0	106,980	26.2	14,479	20.0	13.5	5,672	32.7	591	9.4		
Sub-total/Overall:		178,102	90.0	32,570	89.3	18.3	8,815	97.1	5,108	96.6	257,054	86.5	36,651	78.3	14.3	13,317	88.6	5,940	88.2	358,819	87.6	61,040	84.5	17.0	16,458	94.9	5,602	88.7
Non-residential properties																												
(a) Properties developed by Landsea ⁽¹⁾																												
7,274	3.7	2,494	6.8	34.3	50	0.6	6	0.1	17,992	6.1	5,634	12.0	31.3	112	0.7	295	4.4	22,663	5.5	6,867	9.5	30.3	139	0.8	295	4.7		
(b) Jointly developed properties ⁽²⁾																												
-	-	-	-	-	-	-	-	173	3.3	1,793	0.6	542	1.2	30.2	106	0.7	473	7.0	3,519	0.9	(124) ⁽⁵⁾	(0.2)	(3.5)	211	1.2	417	6.6	
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾																												
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(d) Properties developed by other independent third-party property developers ⁽⁴⁾																												
12,487	6.3	1,423	3.9	11.4	207	2.3	-	-	20,132	6.8	3,998	8.5	19.9	1,492	10.0	29	0.4	24,828	6.0	4,432	6.2	17.9	538	3.1	-	-	-	
Sub-total/Overall:		19,761	10.0	3,917	10.7	19.8	257	2.9	179	3.4	39,917	13.5	10,174	21.7	25.5	1,710	11.4	797	11.8	51,010	12.4	11,175	15.5	21.9	888	5.1	712	11.3
Total/Overall:		197,863	100.0	36,487	100.0	18.4	9,072	100.0	5,287	100.0	296,971	100.0	46,825	100.0	15.8	15,027	100.0	6,737	100.0	409,829	100.0	72,215	100.0	17.6	17,346	100.0	6,314	100.0

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers in which Landsea held a controlling interest (i.e. over 50%).
- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (3) Refers to properties solely developed by independent third-party property developers which entrusted Landsea as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise five members) for selecting the property management service providers of these properties was appointed by Landsea, and the relevant independent third-party property developers will not appoint any member to the tender evaluation committees in addition to the one appointed by Landsea. As such, our Directors considered that such arrangements did not amount to a control of Landsea over the selection process. As advised by our PRC Legal Advisers, according to relevant PRC laws and regulations, the members of the tender evaluation committee as a whole will review and rank the submitted tenders according to the bidding evaluation criteria stipulated in the bidding documents and shortlist no more than three bidders to the tenderer with basis for the consideration of the tenderer. Therefore, Landsea does not have any special role in evaluating the tender of these projects other than appointing a member in a tender evaluation committee, which will review and rank the tenders as a whole.
- (4) Refers to properties solely developed by independent third-party property developers which did not engage Landsea as a service provider to provide property development entrustment services.
- (5) The loss was attributable to a property which our Group was responsible for the transformation and upgrading of the water meters, as well as the extra water and electricity fee in respect of such construction work.

Growth of Our Project Portfolio

We have been steadily expanding our property management services portfolio during the Track Record Period primarily by obtaining more property management service agreements from third-party property developers and property owners' associations. We intend to increase our market share and diversify our business scope by pursuing strategic investments and active participation in public tenders.

As at 31 December 2018, 2019 and 2020, we had 68, 106 and 123 projects under management, representing GFA under management of 9.1 million sq.m., 15.0 million sq.m. and 17.3 million sq.m., respectively. 12, 43 and 47 of these projects were developed by independent third-party property developers, respectively, which represented GFA under management of 1.5 million sq.m., 6.4 million sq.m. and 7.3 million sq.m. and accounted for 16.6%, 42.9% and 42.3% of our total GFA under management, respectively.

The table below presents the movement of our contracted GFA and GFA under management during the Track Record Period:

	As at or for the year ended 31 December				2020				As at or for the period from 1 January 2021 to the Latest Practicable Date			
	2018		2019		2020		2020		2020		2020	
	No. of contracted projects	No. of projects under management	No. of contracted projects	No. of projects under management	No. of contracted projects	No. of projects under management	No. of contracted projects	No. of projects under management	No. of contracted projects	No. of projects under management	No. of contracted projects	No. of projects under management
	'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.		'000 sq.m.	
As at the beginning of the period	67	10,905	52	7,602	94	14,360	68	9,072	141	21,764	106	15,027
New engagements ⁽¹⁾	27	3,455	16	1,470	49	7,493	40	6,044	31	3,998	32	4,421
Terminations ⁽²⁾	-	-	-	-	(2)	(89)	(2)	(89)	(15)	(2,102)	(15)	(2,102)
As at the end of the period	94	14,360	68	9,072	141	21,764	106	15,027	157	23,660	123	17,346

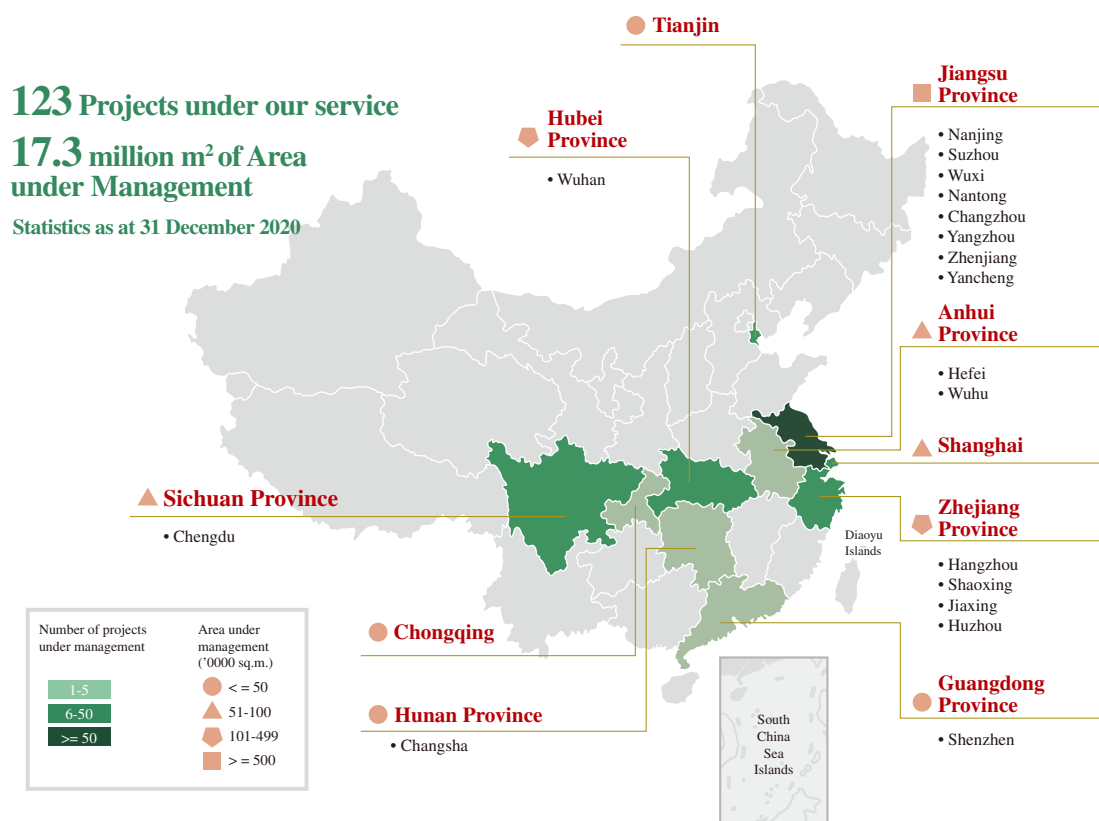
Notes:

- Primarily include engagements of (i) services provided to properties newly developed by property developers; and (ii) services provided to developed properties in which we replaced their then property management service providers. Renewals of agreements are not regarded as new engagements during such period. New engagements of GFA under management also include newly delivered GFA in respect of contracts we entered in previous years.
- Primarily include certain industrial park projects undertaken in 2019 which were not renewed or terminated pursuant to the terms of the relevant agreements, representing GFA under management of approximately 1.2 million sq.m..

Our geographical presence

As at 31 December 2020, our property management services covered nine provinces/municipalities including Jiangsu province, Shanghai, Zhejiang province, Anhui province, Hubei province, Hunan province, Sichuan province, Chongqing, Guangdong province and Tianjin, comprising 21 cities with 15 cities in the Yangtze River Delta and six other cities in the PRC, with GFA under management of 17.3 million sq.m.

As at 31 December 2020, we had a total of 123 properties under management and contracted to 34 properties which had not been handed over to us for management. With an aim to steadily increase our market share throughout the PRC, we have steadily expanded our market share from 12 cities in FY2018 to 21 cities in FY2020.



BUSINESS

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

	As at 31 December					
	2018		2019		2020	
	GFA under management	Number	GFA under management	Number	GFA under management	Number
	'000 sq.m.		'000 sq.m.		'000 sq.m.	
Yangtze River Delta						
– Jiangsu province	6,141	43	8,540	58	9,782	65
– Shanghai	1,066	11	2,024	17	1,022	12
– Zhejiang province	1,029	7	2,786	17	3,364	21
– Anhui province	–	–	–	–	605	2
Sub-total	8,236	61	13,350	92	14,773	100
Other Regions	836	7	1,677	14	2,573	23
Total	9,072	68	15,027	106	17,346	123

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

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Yangtze River Delta						
– Jiangsu province	127,669	64.5	177,867	59.9	218,771	53.4
– Shanghai	33,717	17.0	45,556	15.3	50,402	12.3
– Zhejiang province	20,715	10.5	41,453	14.0	76,596	18.7
– Anhui province	–	–	–	–	9,018	2.2
Sub-total	182,101	92.0	264,876	89.2	354,787	86.6
Other regions	15,762	8.0	32,095	10.8	55,042	13.4
Total	197,863	100.0	296,971	100.0	409,829	100.0

BUSINESS

During each period of the Track Record Period, over 85.0% of our revenue from property management services were generated from properties located in the Yangtze River Delta. We expect that our properties in the Yangtze River Delta will continue to account for a significant portion of our operations in the near future.

Revenue model of property management services

During the Track Record Period and as at the Latest Practicable Date, our property management fees were charged on a lump sum basis.

Under the lump sum basis, we are generally paid a pre-determined amount of property management fee per GFA for all units, which represents an “all-inclusive” fee for all the property management services provided by us. Thus, we have to bear all costs involved in providing our property management services as specified in our property management agreements, including, among others, labour costs for security, cleaning, gardening and landscaping, car parking management, repair and maintenance services, and general overheads covering the properties. If any excess expenditure is incurred, we are generally not entitled to request our customers to pay us the shortfall. Hence, under the lump sum basis, our cost saving ability throughout the course of our provision of the property management services has a direct correlation to our profitability. As at 31 December 2018, 2019 and 2020, we had 11, 17 and 13 property management projects managed on a lump sum basis which had incurred losses in respect of our property management services for FY2018, FY2019 and FY2020, and such projects had an aggregate GFA under management of 1.3 million sq.m., 2.3 million sq.m. and 1.4 million sq.m. as at 31 December 2018, 2019 and 2020, respectively. Based on our unaudited management accounts, the loss-making projects had incurred losses amounting to RMB2.2 million, RMB4.1 million and RMB2.9 million for the years ended 31 December 2018, 2019 and 2020, respectively, and property management service revenue from such projects accounted for 6.9%, 9.1% and 3.3% of our total revenue for the respective periods.

Among the 13 loss-making property management projects under our management as at 31 December 2020, four of them have been loss-making for over one year during the Track Record Period. Losses incurred for these projects were due to various reasons that affected the profitability level of the relevant projects. For example, some projects had a relatively low property management fee level as we first obtained those engagements years ago and the fee level had not been raised at such extent to fully cover the increases in costs. We continue to manage certain of those projects with a view to gradually improving their profitability through enhancing our service quality to raise our fee while at the same time control our cost. Moreover, when we are at the preliminary stage of a multi-phase project, we would need to recruit and reserve employees and resources not only for the current phase(s) of the project but also in preparation for the later phases to be delivered, thereby leading to losses incurred at the preliminary stages. Many of these projects are expected to become profitable as more phases of a project are delivered. In this regard, seven of the 13 loss-making projects had been delivered for less than around six months as at 31 December 2020. Among the remaining six of the 13 loss-making projects as at 31 December 2020, (i) one incurred loss because we were responsible for the transformation and upgrading of the water meters, as well as the extra

BUSINESS

water and electricity fee in respect of such construction work; and (ii) five incurred loss because they have not established a property owners' committee and therefore it was hard to increase the property management fees for such projects. Our Group strives to improve our overall gross profit margin in the long term as (i) we endeavour to increase the prices we charge for our services; and (ii) we continue to expand our value-added services, in particular, our community value-added services, which contributed a higher gross profit margin during the Track Record Period. For the risks associated with property management fees on a lump sum basis, please see "Risk Factors – Risks relating to our business and industry – We may be subject to losses and our profit margins may decrease if we fail to control our costs in performing our property management services on a lump sum basis" for further details.

The number of loss-making projects represented 16.2%, 16.0% and 10.6% of the total number of projects under our Group's management as at 31 December 2018, 2019 and 2020, respectively, which demonstrates an overall decreasing trend of loss-making projects. We had opted out for two loss-making projects of FY2018. Only four loss-making projects of FY2018 or FY2019 continued to incur loss for FY2020, where three of them have made profits after taking into account the community value-added services provided with respect to such projects. Moreover, since 2020 we had commenced to unify the negotiations for the sub-contracting of our services through professional companies to lower the sub-contracting costs. As such, our Directors consider that our Company's measures to improve the financial performance of the loss-making projects are generally realistic and effective. Taking into account (i) our Directors' view above; (ii) the discussions with our Company's management in relation to our Group's relevant measures; and (iii) seven of the 13 loss-making projects for FY2020 had been delivered for less than around six months as at 31 December 2020, the Sole Sponsor concurs with our Directors' view that these measures are generally realistic and effective. Going forward, we plan to further improve our service quality and enhance communications with property owners in order to gain their approvals to increase property management fees.

We have established various internal measures to avoid loss-making in the future. For instance, (i) before entering into a new lump sum basis property management agreement, we normally analyse the risk and costs of the potential project to negotiate appropriate property management fees; (ii) we generally will not enter into a property management agreement if our Directors anticipate that the projected profitability would fall below our minimum requirement and not expected to be improved after years of operations; (iii) after we have signed a lump sum basis property management agreement, we set a financial budget and review the revenue and cost of each project on a regular basis; (iv) we will try to raise our fee when we renew our contracts or enter into a new contract with the property owners' associations; and (v) we also actively implement cost saving measures such as development of technology and machineries to reduce the manpower required.

Under a lump sum basis, we recognise the full amount of property management fees we charged to our customers as revenue, and recognise the direct operating costs we incurred in connection with the provision of our property management services as our cost of sales.

Pricing policy

For residential properties, we are typically appointed as the property management company through a tender process in accordance with relevant PRC laws and regulations. For non-residential properties, we generally obtain property management agreements through a tender process or through commercial negotiations. When we bid for a new property management project, we generally price our services based on a number of factors, including the (i) project size; (ii) type of properties; (iii) location; (iv) our budgeted operational expenses (including but not limited to labour, materials and administrative expenses); (v) our target profit margins; (vi) the profiles of property owners and residents; (vii) scope and quality of our proposed services; (viii) local government's pricing guidance and/or regulations on property management fees (where applicable); and (ix) property management fees of comparable properties. We regularly evaluate our financial information to assess whether we are collecting sufficient property management fees to sustain our profitability.

The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services, and such fees may need to refer to government guidance prices. We are also subject to pricing controls issued by the PRC Government. In December 2014, the NDRC issued the Circular of the NDRC on the Opinions for Decontrolling the Prices of Some Services (國家發展和改革委員會關於放開部分服務價格意見的通知) (the “**Circular**”), which required provincial-level price administration authorities to abolish all price controls or guidance policies on residential properties, with certain exceptions. As advised by our PRC Legal Advisers, the government has not announced a concrete timeline for the relaxation of price control on residential properties; as at 31 December 2020, all the property management fees charged under the preliminary property management agreements in respect of the residential properties managed by us (located in Nanjing, Suzhou, Wuxi, Changzhou, Zhenjiang, Yancheng, Wuhan, Hangzhou, Shaoxing, Jiaxing, Chengdu, Chongqing, Changsha and Tianjin) whose owners' general meetings had not yet been established were still under price control. As at 31 December 2020, 47 projects under our management were subject to the aforementioned price control, representing GFA under management of 7.9 million sq. m. which generated property management service revenue of RMB172.6 million for the FY2020. Among such projects, one may increase the fees by over 30%; four may increase the fees by 21% to 30%; three may increase the fees by 11% to 20%; nine may increase the fees by 10% or below; and 30 were charging the maximum fee allowed under the relevant rules and regulations. We have adopted other measures, such as cost controls and revenue source diversification through our other businesses, including community value-added services to property owners and residents, to maintain our profitability. Also, the price control will no longer be applicable once the owners' general meetings have been established in respect of such residential properties. See “Regulatory Overview – Legal supervision over property management services – Fees charged by property management enterprises” in this prospectus. Our Directors believe that pricing controls on residential properties will be relaxed over time as relevant local authorities pass regulations to implement the Circular. See “Risk Factors – Risks relating to our business and industry – Our pricing of property management fees under preliminary property management agreements is subject to PRC laws and regulations” in this prospectus.

BUSINESS

We review and evaluate our property management fees charged regularly and compare them against our financial performance to ensure our targeted profit margins can be sustained and to assess whether we should revise the property management fees charged. For properties that have yet to establish a property owners' association, we need to negotiate with the property owners and follow certain processes under applicable PRC laws for raising property management fees. For properties that have established a property owners' association, if we wish to adjust our property management fees prior to the expiration of the property management agreements, we negotiate with property owners' associations for the increase in property management fees. Furthermore, upon expiration of the fixed-term property management agreements, we may re-negotiate our property management fees with property owners' associations.

During the Track Record Period, we generated a substantial portion of our revenue from managing residential properties. In FY2018, FY2019 and FY2020, our revenue generated from the provision of property management services to residential properties accounted for 90.0%, 86.5% and 87.6% of our total revenue from the provision of property management services, respectively.

While remaining focused on property management for residential properties, we also sought to diversify our portfolio of managed properties to include a wide range of non-residential properties. We have been contracted to manage a hospital, office buildings, rental apartments, public facilities, industrial parks and branches of a bank. The revenue from our property management services to non-residential properties during the Track Record period increased stably and accounted for 10.0%, 13.5% and 12.4% of our total revenue from the provision of property management services in FY2018, FY2019 and FY2020, respectively.

We believe that as we accumulate experience and recognition for the quality of our property management services to both residential and non-residential properties, we will be able to continue to diversify our portfolio of properties under management and further enlarge our customer base. The table below sets forth the average property management fee for our property management services provided to residential and non-residential projects for the periods indicated, by the type of property developer:

BUSINESS

	Average property management fee		
	For the years ended 31 December		
	2018	2019	2020
	<i>(RMB per sq.m. per month)</i>		
Residential properties			
Properties developed by Landsea ⁽¹⁾	1.89	1.99	2.06
Jointly developed properties ⁽²⁾	1.30	1.70	1.93
Properties developed by independent third-party property developers ⁽³⁾	1.70	1.75	1.78
Overall average property management fee for residential properties	1.81	1.89	1.93
Non-residential properties			
Properties developed by Landsea ⁽¹⁾	31.57	18.03	13.74
Jointly developed properties ⁽²⁾	—	1.89	1.74
Properties developed by independent third-party property developers ⁽³⁾	6.99	2.68	1.72
Overall average property management fee for non-residential properties	9.79	4.22	2.82
Overall average property management fee .	<u>1.97</u>	<u>2.05</u>	<u>2.01</u>

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers, in which Landsea held a controlling interest (i.e. over 50%).
- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (3) Refers to properties solely developed by independent third-party property developers. These also include 5, 6 and 7 projects, representing GFA under management of 0.8, 0.9 and 1.1 million sq.m. as at 31 December 2018 and 2019 and 2020, respectively, in which Landsea was engaged by the independent third-party property developer as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. The property management service revenue derived from these projects amounted to 11.5 million, 22.2 million and 24.8 million for FY2018 and FY2019 and FY2020, respectively. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise more than five members) for selecting the property management service providers of these properties was appointed by Landsea. As such, our Directors considered that such arrangement did not amount to a control of Landsea over the selection process.

BUSINESS

For FY2018, FY2019 and FY2020, the average property management fees charged for the residential properties we managed were RMB1.81 per sq.m. per month, RMB1.89 per sq.m. per month and RMB1.93 per sq.m. per month, respectively, while those of the non-residential properties were RMB9.79 per sq.m. per month, RMB4.22 per sq.m. per month, RMB2.82 per sq.m. per month, respectively. As advised by CIA, our average property management fees for the residential properties and non-residential properties developed solely by Landsea, jointly by Landsea and other parties, or solely by independent third-party property developers are within the range of average fees charged by the Top 100 Property Management Companies for residential properties and non-residential properties (as the case may be) located in Yangtze River Delta.

The average property management fee for residential properties developed by Landsea was slightly higher than those developed by independent third-party property developers mainly because (i) a number of residential properties developed by independent third-party property developers that were under our management during the Track Record Period have a relatively long history of over 12 years. As advised by CIA, due to the lower building standards, the limited auxiliary facilities and service scope that comes with projects with relatively long history (i.e. more than 12 years in age), the property management fee level for such projects tend to be lower than projects that are built more recently with higher building standards and more comprehensive service scope. During the Track Record Period, residential properties with over 12 years of history accounted for nil, 13.8% and 16.7% (in terms of GFA under management) and nil, 11.6% and 15.8% (in terms of revenue contribution) amongst the residential properties developed by independent third-party property developers. Similarly, residential properties with over 12 years of history only accounted for nil, 1.1% and 0.9% (in terms of GFA under management) and nil, 4.8% and 3.9% (in terms of revenue contribution) amongst the residential properties developed by Landsea or jointly developed properties; and (ii) a larger portion of the residential properties developed by independent third-party property developers that were under our management during the Track Record Period were located in third-tier cities as compared to properties developed by Landsea and jointly developed properties, where the average property management fees were relatively low as compared to those of other properties located in first-tier and second-tier cities in our project portfolio. During the Track Record Period, residential properties located in third-tier cities accounted for 22.4%, 23.7% and 23.7% (in terms of GFA under management) and 16.6%, 21.5% and 22.3% (in terms of revenue contribution) amongst the residential properties developed by independent third-party property developers. Similarly, residential properties located in third-tier cities only accounted for 7.7%, 6.9% and 8.0% (in terms of GFA under management) and 7.4%, 6.7% and 7.1% (in terms of revenue contribution) amongst the residential properties developed by Landsea or jointly developed properties.

The average property management fee for residential properties developed by Landsea slightly increased from RMB1.89 per sq.m. per month for FY2018 to RMB2.06 per sq.m. per month for FY2020, primarily because more GFA of residential properties developed by Landsea with relatively high average management fees have been gradually delivered for our management since 2019. Such properties had relatively high average management fees mainly because (i) certain of them were mid- to high-end properties such as villas and premium flats; (ii) they were more recently developed properties with a shorter history; and (iii) one of them was located in Shanghai, which is a first-tier city.

BUSINESS

During the Track Record Period, our overall average property management fees for non-residential properties were higher than those for residential properties, which were in line with the industry according to CIA. Such fees experienced larger fluctuations than those for residential properties during the Track Record Period, primarily because we had a wide portfolio of non-residential projects which primarily includes hospitals, office buildings, rental apartments, public facilities, industrial parks and branches of bank. The services provided to different types of non-residential properties may not be the same and therefore the fees charged could vary. The table below sets forth the average property management fee for our property management services provided to (i) office buildings; (ii) industrial parks; and (iii) rental apartments for the periods indicated, by the type of property developer:

	Average property management fee		
	For the years ended 31 December		
	2018	2019	2020
	<i>(RMB per sq. m. per month)</i>		
Office buildings			
Properties developed by Landsea ⁽¹⁾ .	31.57	32.24	19.66
Jointly developed properties ⁽²⁾	–	–	1.94
Properties developed by independent third-party property developers ⁽³⁾	–	2.73	3.13
Industrial parks			
Properties developed by Landsea ⁽¹⁾ .	–	3.31	3.38
Jointly developed properties ⁽²⁾	–	–	–
Properties developed by independent third-party property developers ⁽³⁾	–	0.66	0.91
Rental apartments			
Properties developed by Landsea ⁽¹⁾ .	–	15.57	19.19
Jointly developed properties ⁽²⁾	–	–	1.17
Properties developed by independent third-party property developers ⁽³⁾	–	–	–

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers, in which Landsea held a controlling interest (i.e. over 50%).

BUSINESS

- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. For further details, please refer to the notes in the table regarding our Group's average property management fee for residential properties and non-residential properties in this section above.
- (3) Refers to properties solely developed by independent third-party property developers (including properties which Landsea was engaged by the independent third-party property developer as a service provider to provide property development entrustment services to such property developers). For further details, please refer to the notes in the table regarding our Group's average property management fee for residential properties and non-residential properties in this section above.

During the Track Record Period, the average management fees for office buildings developed by Landsea were RMB31.57 per sq.m. per month, RMB32.24 per sq.m. per month and RMB19.66 per sq.m. per month, respectively, those for jointly developed properties were nil, nil and RMB1.94 per sq.m. per month, respectively, and those for properties developed by independent third-party property developers were nil, RMB2.73 per sq.m. per month and RMB3.13 per sq.m. per month, respectively. The average property management fees for office buildings developed by Landsea were generally higher, primarily because they include certain office buildings used by Landsea as their regional headquarters or offices, where we were engaged to provide a number of customised services such as pre-conference preparation and catering services in addition to basic property management services. When large-scale meetings or functions are held in these buildings, we would be engaged to provide ad-hoc services and receive extra fees, leading to an increase in the average property management fees. We were also required to provide cleaning services for the office units inside such buildings, but were generally only required to provide such services for the common area in respect of the office buildings developed by independent third-party property developers.

During the Track Record Period, the average management fees for the industrial park developed by Landsea were nil, RMB3.31 per sq.m. per month and RMB3.38 per sq.m. per month, respectively, while those for properties developed by independent third-party property developers were nil, RMB0.66 per sq.m. per month and RMB0.91 per sq.m. per month, respectively. None of the industrial parks managed by us during the Track Record Period were jointly developed properties. Industrial parks generally have a lower average property management fees as compared to other non-residential properties such as office buildings, mainly because in general the latter require more comprehensive services such as greening and gardening services. The average management fees for the industrial park developed by Landsea i.e. Landsea Changxing Base (朗詩長興基地) were slightly higher, mainly because we are required to provide services in relation to research and development activities conducted by the occupants, such as maintenance services in relation to exhibits and display areas and docent tour and guide services. Whilst we generally provide basic property management services to industrial parks developed by independent third-party property developers including security, cleaning, car parking management and daily repair and maintenance services.

BUSINESS

During the Track Record Period, the average management fees for rental apartments developed by Landsea were nil, RMB15.57 per sq.m. per month and RMB19.19 per sq.m. per month, respectively, while the jointly developed ones were nil, nil and RMB1.17 per sq.m. per month, respectively. None of the rental apartments managed by us during the Track Record Period were developed by independent third-party property developers. The rental apartments developed by Landsea had higher average property management fees mainly because we provided only basic security services for the jointly developed rental apartment managed by us, while more comprehensive services such as cleaning and gardening services were required for the those developed by Landsea. In particular, for Guashan Landsea Apartment (朗詩寓瓜山) which was developed by Landsea, we are required to provide services that aim to provide a more comfortable living environment to our residents, such as flexible and customised apartment furnishing, repair and maintenance services, common area, such as dinning area and fitness centre, cleaning and maintenance services, printing services and organising cultural and entertainment activities for residents.

The average property management fees for non-residential properties developed by Landsea experienced a decrease during the Track Record Period, primarily because (i) since 2019 we commenced the management of certain properties including industrial park and rental apartment developed by Landsea which generally require less comprehensive or customised services from us and therefore generally have average property management fees lower than those for office buildings developed by Landsea; and (ii) the outbreak of COVID-19 in 2020 disrupted large-scale meetings and functions held in Landsea's office buildings and lower their demand for our customised services. As disclosed above, we are engaged to provide ad-hoc services and receive extra fees when such large-scale meetings or functions are held. The disruption of such meetings and functions would lead to a decrease in our property management fees while the GFA under management remains the same, resulting in a decrease in the average property management fees for such properties.

The average property management fees for jointly developed non-residential properties and non-residential properties developed by independent third-party property developers were generally lower as compared to those developed by Landsea, primarily because (i) these properties include industrial parks and rental apartments, which generally have a lower average property management fee as compared to office buildings; (ii) the office buildings developed by independent third-party property developers generally had lower demand for our customised services.

See “Financial Information – Description of certain combined statements of comprehensive income items – Gross profit and gross profit margin – (i) Gross profit and gross profit margin from property management services” in this prospectus for details.

BUSINESS

Payment terms and credit terms

In accordance with our property management agreements, we generally charge our property management fees monthly, quarterly, semi-annually or annually. We typically require our customers to prepay the property management fees and we usually notify our customers to pay property management fees of the next payment period before the end of the current payment period.

In general, once property management fees fall overdue for one month, we will give payment reminders by phone, SMS messages, email, through our online service platform or express mail, whichever possible. When the property management fees are overdue for another three months, we will issue the payment reminders through the above possible channels again. In the event that property management fees are still outstanding for a longer period of time, we may resolve the dispute in court as a last resort.

Our customers can pay the amount payable to us in cash, through credit cards, bank transfers or third party mobile payment platforms.

In FY2018, FY2019 and FY2020, our collection rates for property management fees in respect of residential properties, calculated by dividing the management fees we actually received by the total property management fees payable to us for the same period, were 91.6%, 85.9% and 88.9%, respectively. Our Directors believe that, benefiting from the satisfactory services provided to customers coupled with our continual fee collection efforts, we had maintained a reasonable property management fee collection level during the Track Record Period.

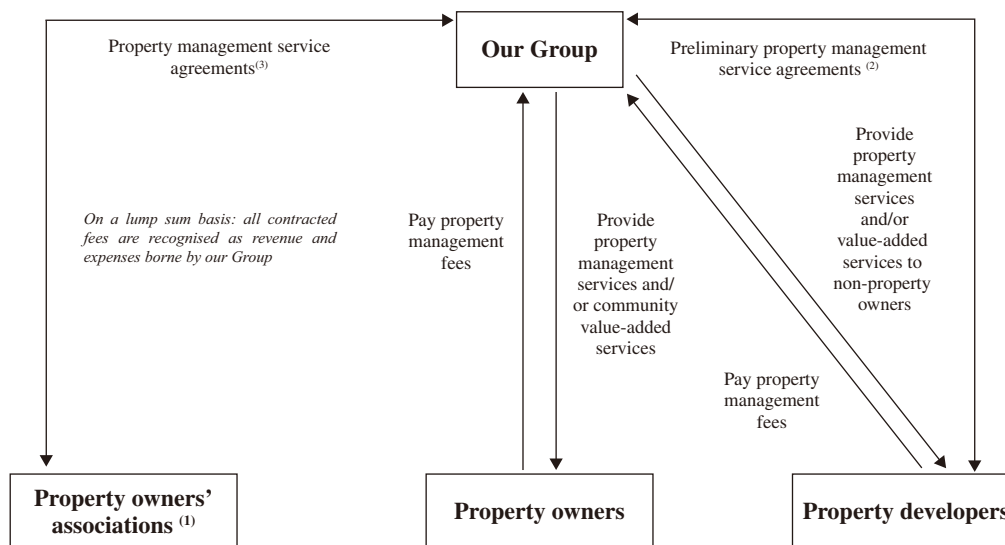
Our property management agreements

We generally enter into preliminary property management service agreements with property developers. A preliminary property management service agreement is a type of property management service agreement 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 but the property owners' associations have not been established, we provide property management services to property owners and residents pursuant to the preliminary property management service agreements that we entered into with the property developer. In relation to residential properties that have already been delivered and property owners' associations have been established, we enter into property management service agreements with property owners' associations which act on behalf of property owners. For non-residential properties, we primarily enter into property management service agreements with property developers or property owners.

BUSINESS

The diagram below illustrates our typical relationships with various contracting parties under our property management agreements:



Notes:

1. A property owners' association is authorised under PRC laws to act on behalf of the property owners.
2. A preliminary property management service agreement entered into between a property developer and us before the property is delivered to property owners is legally binding on all future property owners in accordance with the relevant PRC laws and regulations.
3. A property management service agreement entered into between a property owners' association and us is legally binding on all property owners in accordance with the relevant PRC laws and regulations.

The table below sets forth a breakdown of our GFA under management as of the dates indicated, and revenue generated from property management services at different stages of our property management services for the periods indicated:

	As at or for the year ended 31 December								
	2018			2019			2020		
	GFA under management	Revenue		GFA under management	Revenue		GFA under management	Revenue	
	'000 sq.m.	'000	%	'000 sq.m.	'000	%	'000 sq.m.	'000	%
Preliminary stage ⁽¹⁾	8,072	176,499	89.2	10,897	241,160	81.2	10,876	284,185	69.3
Property owners' association stage ⁽²⁾	1,000	21,364	10.8	4,130	55,811	18.8	6,470	125,644	30.7
Total	9,072	197,863	100.0	15,027	296,971	100.0	17,346	409,829	100.0

Notes:

- (1) Includes projects which have been delivered but the property owners' association has not been established, or the property owners' association has been established but has not yet entered into a new property management service agreement.
- (2) Includes projects where we rendered services pursuant to property management service agreement with property owners' associations.

During the Track Record Period, we entered into property management agreements with the property owners' association of five properties which we had previously provided services under preliminary stage. During the Track Record Period, we have not experienced any early termination of our property management contracts due to the establishment of property owners' associations or failing to be engaged as the property management services provider after the establishment of the property owners' associations.

According to the Civil Code of the PRC (《中華人民共和國民法典》), a preliminary property management service agreement entered into between a property developer and a property management service company in accordance with the PRC laws and regulations shall be legally binding on the relevant property owners. According to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), a sales contract concluded by a property developer and a property buyer shall include the contents stipulated in the relevant preliminary property management service agreement. Therefore, as advised by our PRC Legal Advisers, the preliminary property management service agreements entered into with property developers in compliance with the aforementioned regulations are legally binding on the relevant future property owners as the property sale and purchase agreements that property owners enter into with property developers shall include the content of the preliminary property management service contracts.

Key Terms of Agreements with Property Developers

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

- *Scope of services.* A typical preliminary property management service agreement with property developer sets out the required services, including cleaning services, security services, greening services and repair and maintenance services. We may also provide other customised services, such as car parking management services.
- *Performance agreement standards.* The preliminary property management service agreements set forth the scope and expected standards, such as the areas to which our services are related, as well as the requirements, frequency and standards for the performance of our services.

BUSINESS

- *Property management fees.* The preliminary property management service agreements set forth the amount of property management fees payable, generally on a lump sum basis. The property developer is typically responsible for paying the property management fees for the units that remain unsold. If we agree to manage car parks, the preliminary property management service contract will also specify the fees payable for such services. For overdue property management fees, property developers should pay an overdue penalty as specified in the agreement.
- *Property developer's obligations.* The property developer is primarily responsible for, among others, ensuring that its property buyers understand their obligations in relation to property management services provided by us and incorporating the relevant terms of the preliminary property management service agreement into the property purchase agreement, and providing us with office facilities and other support necessary for carrying out our contractual obligations.
- *Term of service and termination.* Most of our preliminary property management service agreements do not have a fixed term. The preliminary property management service agreements generally specify that the agreements will automatically terminate when a property owners' association is established or a new property management service agreement is entered into.
- *Dispute resolution.* Parties to the property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

After properties are delivered by property developers, we provide property management services directly to independent individual property owners, who may be represented by property owners' associations. The property owners' association, once formed, will be operated by the property owners, and will be entitled to enter into the property management contract with the property management service provider selected by the general meeting on behalf of the property owners. The property owners' association, which is an Independent Third Party, has the right to engage or dismiss us as the property management service provider after reviewing and evaluating our performance. According to the Civil Code of the PRC (《中華人民共和國民法典》), a general meeting of the property owners of a property, under a quorum consisting of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than two-thirds of the total number of property owners, can engage or dismiss a property management service provider with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting.

In addition, according to the Regulations on Property Management (2018 revision) (《物業管理條例》) (2018年修正), where there is only one owner, or where there are a few owners and they all agree not to form the property owners' general meeting, the owner(s) shall (jointly) perform the duties of the property owners' general meeting and the property owners' association. Thus, as advised by our PRC Legal Advisers, there is no compulsory requirement for property owners of non-residential properties to form property owners' associations under the relevant PRC laws and regulations. As for non-residential properties which have no property owners' associations, we generally directly negotiate and enter into contract with, and perform our property management services to, property owners, tenants or operators of such properties after the delivery of non-residential projects by property developers.

Once our preliminary property management service agreements have expired, we may negotiate with the newly-formed property owners' associations for the terms of new property management service agreements. The property owners' associations are independent from us. In order to secure and continue to secure property management service agreements, we must consistently provide quality services at competitive prices.

The property owners' associations may either hire a new property management service provider through the tender process or select one based on specific standards to do with terms and conditions of service, quality and price. See "Regulatory Overview – Legal supervision over property management services – Appointment of property management enterprises" in this prospectus for more information. During the negotiation period, property owners and residents were legally obligated to pay us property management fees, since we continued rendering services to those property management projects. If, upon the expiration of the initial term of the preliminary property management service agreements, the property owners' association has not been formed or a new property management service agreement has not been entered into between the property owners' association and us, the preliminary property management service agreements typically will be renewed automatically until a new property management service agreement with the property owners' association is entered into. In cases where we have signed preliminary property management service agreements without fixed terms and no property owners' association is formed after delivery of the projects, or after the expiration of the preliminary property management service agreements with fixed terms, where property owners did not hire new service provider and we continued to provide property management services, property owners and residents are also legally obligated to pay property management fees directly to us for the services we continue to render.

Key Terms of Agreements with Property Owners' Associations

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

- *Scope of services.* We typically agree to provide property management services including security services, cleaning services, gardening and landscaping services, car parking management and daily repair and maintenance services.
- *Performance standards.* The property management service agreement may set forth the expected standards for our property management services, including areas to which our services relate, as well as the frequency of performance of services.

- *Property management fees.* The property management fee would be generally payable on a lump sum by property owners and residents according to the relevant service agreement. Under a lump sum basis, our property management fees are generally charged by GFA. If we have agreed to provide property management service of car parks, the property management service agreement will also detail the fees payable for such services. For overdue property management fees, property owners and residents pay an overdue penalty as specified in the service agreement.
- *Rights and obligations of property owners and residents.* 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 support necessary for carrying out our contractual obligations and reviewing or supervising plans and budgets that we may draw up in relation to our services.
- *Terms of service and termination.* Our property management service agreements generally have a fixed term of one year to three years. Certain of these agreements provide that, if no new agreement had been entered into between the relevant property owners' association and the existing property management service agreement was not properly renewed in accordance with renewal procedures, the term of the agreement at issue shall be extended till the new property management service agreement between the relevant property owners' association and the newly engaged property management company becomes effective. Our property management service agreements may be terminated by property owners' associations if we fail to meet the quality standards set out in the agreements and fail to rectify the issue within a specified time period.
- *Dispute resolution.* Parties to the property management service agreement are typically required to resolve any contractual disputes through negotiations first before resorting to litigation or arbitration.

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

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

BUSINESS

The table below sets forth the expiration schedule of our property management agreements as at 31 December 2020.

	<u>Number of projects</u>	<u>GFA under management</u> ('000 sq.m.)	<u>Contracted GFA</u> ('000 sq.m.)
Property management agreements			
without fixed term⁽¹⁾	84	9,110	13,342
Property management agreements with fixed terms expiring in			
(i) Year ended 31 December 2021 ⁽²⁾ ..	11	1,015	1,109
(ii) Year ending 31 December 2022 ..	27	3,566	4,492
(iii) Year ending 31 December 2023 and beyond	35	3,655	4,717
Sub-total	73	8,236	10,318
Total	157	17,346	23,660

Notes:

- (1) Property management agreements without fixed terms are generally preliminary property management agreements entered into with property developers. They will usually terminate when property owners' associations are established and a new property management agreement is entered into.
- (2) Five agreements expired subsequent to the Track Record Period and up to the Latest Practicable Date, where two of them were not renewed due to commercial decision made by the relevant customer. There were no disputes between us and the relevant customer in relation to the expired agreement which was not renewed. We continued to provide services in respect of the remaining project after the expiration of the terms of the relevant agreement as at the Latest Practicable Date. As advised by our PRC Legal Advisers, according to the Civil Code of the PRC (《中華人民共和國民法典》), in the event that the property developers or owners have not decided either to renew the engagement with the existing property management company or engage another company upon the expiration of a term of a property management service agreement, if the existing property management company continues to provide service in respect of such property, such property management service agreement will continue to be valid and effective with no fixed terms. Either parties may terminate such agreement with 60-day prior written notice. On the other hand, two agreements were terminated prior to expiration subsequent to the Track Record Period and up to the Latest Practicable Date. The aforementioned four projects which were terminated or not renewed generated a total property management revenue of RMB5.6 million for FY2020.

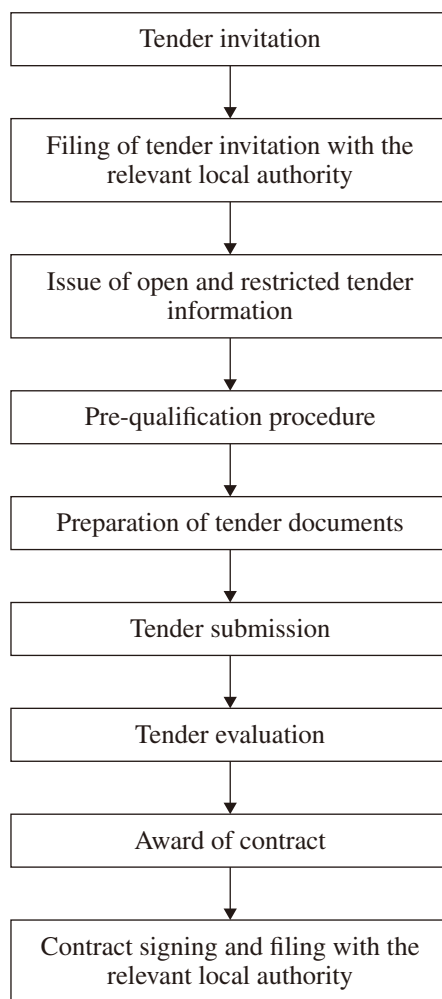
Tender process

We generally obtain property management agreements by participating in tenders in accordance with the relevant PRC laws and regulations or through commercial negotiations. Under the PRC laws, property developers are typically required to select property management service providers and enter into preliminary property management agreements

BUSINESS

for residential properties through a tender and bidding process. There is, however, no such requirement for non-residential properties. In circumstances where there are fewer than three bidders or for small-scale properties, property developers are permitted under PRC laws to select property management service providers without a tender and bidding process, subject to approval by the competent PRC property administration authorities.

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



A typical tender process primarily involves the following stages:

Tender invitation

The tenderer, typically a property developer or property owners' association, may publish an announcement to invite potential bidders setting out the specifications and requirements for the property management project on website.

BUSINESS

Filing of tender invitation with the relevant local authority	Tender invitation related documents and governmental approvals in relation to the project are required to be submitted and filed with the competent local real estate administration department in advance.
Issue of open and restricted tender information	Tenderee publishes tender information and only property management companies that satisfy the tender requirements are eligible to bid.
Pre-qualification procedure	Tenderee conducts preliminary qualification assessment and property management companies can only participate in the tender process if they pass this qualification assessment
Preparation of tender documents	We prepare tender materials pursuant to the specific requirements of the project which demonstrate our competitiveness.
Tender submission	Bidders submit tender documents to the tenderee which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation.
Tender evaluation	Tenderee establishes a tender evaluation committee to review and rank the submitted tenders. The tender evaluation process and the composition of the tender evaluation committee must comply with the requirements of relevant PRC laws and regulations. The tender evaluation committee generally comprise 5 or more members in odd numbers. Members include representative(s) from the property developer and professionals in the fields such as engineering and economic management. The committee takes into account factors such as credentials, service quality, capital sufficiency and prices when it evaluates the proposals. The result of the tender will be published on website.
Award of contract	Award winner signs the property management service agreement after issuing the notification of the award.
Contract signing and filing with relevant local authority	Tenderee files the result of the tender with the relevant local authority after confirmation of the award.

We are not required by PRC laws and regulations to undergo the tender process when we negotiate with customers directly for renewal of existing agreements.

BUSINESS

In FY2018, FY2019 and FY2020, our bidding success rates for residential projects were 49.0%, 37.1% and 50.0%, respectively, while those for non-residential projects were 42.9%, 37.1% and 30.6%, respectively. Our bidding success rates for the projects of properties solely developed by Landsea and jointly developed by Landsea and other independent third-party property developers (including those that Landsea held or did not hold a controlling interest) were 100% during each period of the Track Record period. We believe that our high bidding success rates for such properties were primarily because of (i) our ability to provide quality property management services; and (ii) the fact that we are able to fully understand and fulfil their needs and requirements resulting from our long-term cooperation with Landsea. Our bidding success rates for the projects of properties solely developed by independent third-party property developers were 26.7%, 30.3% and 31.3%, respectively. They were lower than those of the properties developed by Landsea and their jointly developed projects, primarily because we generally tend to tender a relatively large number of bids for projects developed by independent third-party property developers and face intense competition for bids. Our bidding success rate for projects developed by independent third-party property developers gradually increased during the Track Record Period, primarily because we focused on tendering bids that we considered to have a greater chance of success based on our internal assessments.

The table below sets forth the number of expiring and terminated property management agreements during the Track Record Period:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Expiring property management agreements renewed ^{Note}	4	9	15
Expiring property management agreements not renewed upon expiration	–	2	9
Property management agreements terminated prior to expiration	–	–	6
Total:	<u>4</u>	<u>11</u>	<u>30</u>

The number of projects under management as at the end of the year . . .	68	106	123
--	-----------	------------	------------

Note: Such property management agreements include agreements that were renewed automatically pursuant to the terms of the agreement, agreements that were renewed by entering into a new agreement, and agreements that we continued to provide services after the expiration of the terms of the relevant agreements. As advised by our PRC Legal Advisers, according to the Civil Code of the PRC (《中華人民共和國民法典》), in the event that the property developers or owners have not decided either to renew the engagement with the existing property management company or engage another company upon the expiration of a term of a property management service agreement, if the existing property management company continues to provide service in respect of such property, such property management service agreement will continue to be valid and effective with no fixed terms. Either party may terminate such agreement with 60-day prior written notice.

BUSINESS

In FY2018, FY2019 and FY2020, our renewal rates with respect to property management services, calculated as the number of renewed property management agreements in a year divided by the sum of the number of expiring property management agreements, were 100%, 81.8% and 62.5%, respectively. Our retention rate, calculated as the aggregate number of properties under management as at the end of a year divided by the aggregate number of properties under management as at the end of such year and the number of properties we cease to manage during such year, for property management service agreements was 100.0%, 98.1% and 89.1%, respectively. Our renewal rate and retention rate was lower in 2020 mainly because certain property management service agreements for our industrial park projects undertaken in 2019 were not renewed or terminated pursuant to the terms of the relevant agreements, due to the commercial decision made by the relevant customers. Such projects of industrial parks represented GFA under management of 1.2 million sq.m., accounting for 70.2% of our total GFA under management in respect of non-residential properties as at 31 December 2019. Nevertheless, the revenue generated by these projects accounted for only 7.0% of our total revenue derived from the property management services in respect of non-residential properties for year ended 31 December 2019. Our Directors consider that the termination of these projects would allow us to focus on projects with better profitability and would not result in a material and adverse impact on our business operation and financial conditions.

For FY2019, one of the expiring property management agreements was not renewed by us because the customer (i.e. a property developer) was slow in payment and one was not renewed due to the commercial decision made by the relevant customer.

For FY2020, there were nine expiring property management agreements not renewed upon expiration and six property management agreements terminated prior to expiration. Among the nine expiring property management agreements not renewed upon expiration, two of the expiring property management agreements were not renewed by us voluntarily because the customer (i.e. a property developer) was slow in payment, or the new terms are not attractive and seven (two of which were property management agreements for industrial park projects which the Group undertaken in FY2019) were not renewed due to the commercial decision made by the relevant customers. Among the six property management agreements terminated prior to expiration, one property management agreement for residential property was terminated prior to expiration by us because of low property management fee collection rate from residents, two (one was a property management agreement for residential property and one was a property management agreement for industrial park project which the Group undertaken in FY2019) of which were terminated prior to expiration by us because of low profitability and three (all of which were property management agreements for industrial park projects which the group undertaken in FY2019) were terminated prior to expiration due to the commercial decision made by the relevant customers. Although the renewal rate for FY2020 decreased as compared to that for FY2019, according to CIA, our average customer satisfaction score in 2019 and 2020 were 87 and 88, respectively, which remained higher than the industry average of 75 and 79 during the corresponding year.

BUSINESS

Excluding the property management service agreements for our industrial park projects that were not renewed or terminated and the property management service agreements that we voluntarily chose to terminate or not to renew, in 2018, 2019 and 2020, our retention rate for property management service agreements was 100.0%, 99.1% and 96.9%, respectively. Therefore, our Directors believe that we have not experienced any material drop in retention rate for property management service agreements in respect of the other properties under management.

VALUE-ADDED SERVICES TO NON-PROPERTY OWNERS

Our value-added services to non-property owners primarily include (i) sales assistance services; (ii) preliminary consultancy services and other pre-delivery services; and (iii) property agency services for properties owned by property developers. For the years ended 31 December 2018, 2019 and 2020, our revenue from value-added services to non-property owners amounted to RMB87.9 million, RMB98.3 million and RMB140.9 million, respectively, accounting for 28.3%, 22.7% and 23.4% of our total revenue for the respective periods.

We primarily obtained the relevant service agreements for our sales assistance services, preliminary consultancy services and other pre-delivery services and property agency services for properties owned by property developers through direct business negotiations with the property developers.

The following table sets out the breakdown of our revenue from value-added services to non-property owners by service type for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales assistance services	38,264	43.5	43,766	44.5	48,264	34.3
Preliminary consultancy services and other pre-delivery services	49,621	56.5	47,802	48.7	32,024	22.7
Property agency services for properties owned by property developers	—	—	6,688	6.8	60,622	43.0
Total	87,885	100.0	98,256	100.0	140,910	100.0

Sales Assistance Services

We may be contracted by property developers at an early stage of property development to provide sales assistance services. We provide visitor reception, on-site cleaning, security, repair and maintenance services to help property developers with their preparation of property sales activities and recognise revenue based on the fees we charge, typically at a fixed fee pursuant to the relevant contract, determined after taking into account the positioning of such properties and the market price.

BUSINESS

We deploy our staff to assist property developers with their property sales activities on-site in showcasing and marketing their properties, including display unit management and visitor reception for property development projects. We provide a variety of services, including cleaning the display units, maintaining the order and security of the sales offices as well as repairing the facilities in the display units. We enter into a sales assistance service agreement with the property developer for such work, and the contract generally has a term of six months to one year. We provide our sales assistance services through our own employees and subcontractors.

The agreements for our sales assistance services typically include key terms such as the scope and location of services, performance standard, service fees, terms of services and the parties' respective rights and obligations.

Preliminary consultancy services and other pre-delivery services

We provide consultancy services primarily to property developers, mainly Landsea (and their joint ventures and associates), from the perspective of property management with respect to property development site selection, positioning, engineering and construction. We believe that our consultancy services can enable property developers to design and adapt their properties for the convenience, and to suit the needs, of end users, reduce the likelihood for defective delivery of properties, and strengthen the operation and maintenance of the property facilities in the long run. Our consultancy services involve on-site consulting during construction to facilitate the understanding of the needs of end-users of properties, so that property developers may design buildings that conform as much as possible to expected standards. During construction, we will conduct on-site inspections from time to time and follow up on any quality issues we may find from the property management service provider's perspective. We typically charge our customers fixed fee pursuant to the relevant service contracts, which is determined according to the costs we may incur.

We also provide other pre-delivery services to property developers prior to delivery of properties, such as cleaning, inspection, repair and maintenance services at the pre-delivery stage of the property sales. We provide unit cleaning services before the delivery of properties to make the properties suitable for delivery. We may also be engaged to conduct quality inspection of properties, identify quality issues, rectify defects and report to the property developers. We also provide repair and maintenance services after delivery where such services are required by property-developers based on inspection of relevant properties. We typically charge fees for such services by charging a lump sum fee pursuant to relevant service contracts.

The agreements for our preliminary consultancy services and other pre-delivery services typically include key terms such as scope of services, service fees, terms of services and the parties' respective rights and obligations.

Property agency services for properties owned by property developers

We commenced our property agency services for properties owned by property developers primarily under our brand “Huilin Yiju (匯鄰驛居)” since 2019. Our property agency team, which comprised 138 employees as at the Latest Practicable Date, offers services including marketing and sales planning, market research and analysis, customer data management and analysis, organising and training of sales staff to property developers. We act as an agent for them, sourcing potential property buyers or tenants and assisting property developers in entering into property sale and purchase agreements or lease agreements with the buyers or tenants. During the Track Record Period, we primarily assisted property developers in selling and leasing car park spaces and shops which remained unsold after the presale period of the projects. We reach out to potential buyers or tenants through our network of branch offices mainly located in the Yangtze River Delta. By the end of 2020, we also commenced the provision of property agency services for residential properties newly developed by property developers including Landsea during the pre-sale period of the projects. We intend to continue to expand our property agency services in the future.

In general, we enter into a service agreement with the property developers to sell or lease properties they own in respect of specific projects. The agreements typically include key terms such as scope of services, performance standard, charging rates, terms of services and the parties’ respective rights and obligations. We typically charge the property developers a percentage of the sales amount of the properties concerned, which is determined after taking into account, among others, the age of the properties, their location, and the target sales quantity. The payment is generally settled by instalments on a monthly or quarterly basis. In addition, we also assist individual customers in the sale and purchase of second-hand properties and property leasing. See “Community value-added services – Property agency services for second-hand properties” in this section for further details. We believe our property agency services would not only increase our revenue, but also expand our customers base and create cross-selling opportunities for other services.

COMMUNITY VALUE-ADDED SERVICES

With an aim to enhance the level of convenience, satisfaction and loyalty of property owners and residents at our managed communities, we provide community value-added services to address the daily needs of our property owners and residents. These services are provided through our daily contact and interaction with our customers during the process of providing property management services. Some are also accessible through our WeChat service accounts.

Our community value-added services mainly include (i) home-living services; (ii) public resources management services; and (iii) property agency services for second-hand properties. For FY2018, FY2019 and FY2020, revenue generated from our community value-added services amounted to RMB24.4 million, RMB37.6 million and RMB50.2 million, representing 7.9%, 8.7% and 8.4% of our total revenue, respectively.

BUSINESS

The following table sets out the breakdown of our revenue from community value-added services by service type for the period indicated:

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Home-living services	16,489	67.6	22,935	61.1	25,180	50.2
Public resources management services	7,844	32.2	14,241	37.9	15,579	31.1
Property agency services for second-hand properties	42	0.2	386	1.0	9,408	18.7
Total	24,375	100.0	37,562	100.0	50,167	100.0

Home-living services

We provide a range of home-living services to enhance the level of convenience and comfort of property owners and residents at our managed properties, which primarily include:

- *House cleaning and home repair and maintenance services:* We offer house cleaning services and home repair and maintenance services, such as the repair and maintenance of waterpipes and home appliances. Residents may request for services through our WeChat service accounts or contacting our butlers at our property management service centres. We primarily provide our services through our employees and charge the customers fixed fees on a per-request basis.
- *Featured butler services:* Our butlers maintain frequent communications with property owners and residents through telephone calls or face-to-face conversations 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 may seek assistance from our butlers when needed and our 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. Moreover, we are dedicated to provide one-stop services actively to our customers. For example, our butlers regularly organise service teams to visit elderly living alone to help them solve their daily life problems. We also carry out regular maintenance on children's entertainment facilities and manage the traffic and parking of vehicles in the communities to enhance children safety.

BUSINESS

- *Cultural experience activities organisation services:* Under the brand of “The Landsea Friends (詩友公社)”, we aim to create a warm and friendly atmosphere within our managed communities by organising and offering various themed activities and events, such as parent-child activities, competitions, different interest groups and workshops, for property owners and residents from all age groups as well as enhance the culture, sports, recreation and spiritual life standards and atmosphere within our managed communities. The events we organised include Chicken-Chick Club (小雞吃米親子營), Young Generations’ Club (後浪Club) and Kidult Club (老玩童俱樂部). Since 31 December 2020 and up to the Latest Practicable Date, we created and organised 247 themed activities and events for our property owners.
- *Community News and Notifications:* We provide our users with access to community news and notifications through our WeChat service accounts. We publish various contents about community information and local news as well as selected articles that provide useful tips on daily life.
- *Bill Payment Services:* We offer our residents the convenience to pay their bills, such as property management fees, through our WeChat service accounts which can direct our registered followers to third-party payment platform, such as WeChat Pay.

Public resources management services

We offer public resources management services to property owners and residents of properties under our management, which primarily include public space leasing and advertising services. For example, we provide rental assistance in respect of the temporary parking spaces. We also lease certain common areas to third parties for advertising, including posting advertisements in elevators and on exterior walls and holding promotion activities in common areas. We typically enter into separate agreements with advertising and media companies and we charge them a fixed fee generally settled by instalments. To promote a healthy and pleasant living environment to our residents, we strictly prohibit the advertising and media companies to advertise illegal materials.

The income arising from leasing common areas to third parties amounted to RMB18.5 million, RMB37.5 million and RMB42.4 million for FY2018, FY2019 and FY2020, respectively, which in turn generated revenue of RMB7.8 million, RMB14.2 million and RMB15.6 million for the corresponding years, respectively. As advised by our PRC Legal Advisers, under the applicable PRC laws, income derived from the use of common areas, after deduction of reasonable costs, shall belong to the property owners; there is no mandatory provision regulating the mechanism on how such income may be shared between the property owners and the property management company. The PRC laws and regulations are silent as to whether property management companies are entitled to the income derived from the use of common areas. Given that the owners’ congress, the owners’ committee and the owners are entitled to decide the usage of income derived from the use of common areas according to the

“Regulation on Property Management” (《物業管理條例》), the “Interpretation of the Supreme People’s Court on Several Issues Concerning the Specific Application of Law in the Trial of Disputes over Partitioned Ownership of Building Areas” (《最高人民法院關於審理建築物區分所有權糾紛案件具體應用法律若干問題的解釋》) and the “Notice by the Ministry of Housing and Urban-rural Development and Other Departments of Strengthening and Improving the Administration of Residential Property” (《住房和城鄉建設部等部門關於加強和改進住宅物業管理工作的通知》), property management companies are entitled to the income so long as they have been consented by any one of the entitled parties previously mentioned. During the Track Record Period, we were authorised under the property management service agreements or by the property owners’ consents as required by the PRC laws and regulations to lease out the common areas on behalf of the property owners. The income arising from the lease of common areas was generally shared between the property owners and us in a proportion (i) agreed in the property management service agreements; (ii) calculated in accordance with the applicable local regulations, including the “Regulations of Jiangsu Province on Property Management” (《江蘇省物業管理條例》); (iii) that complied with local regulations, including the “Provisions of Shanghai Municipality on Residential Property Management” (《上海市住宅物業管理規定》) and the “Regulations of Zhejiang Province on Property Management” (《浙江省物業管理條例》); or (iv) otherwise consented by the property owners. Based on the above, our PRC Legal Advisers are of the view that such income is legal and valid pursuant to the relevant PRC laws and regulations.

Property agency services for second-hand properties

We offered property agency services to individual customers for second-hand properties primarily under our brand “Huilin Yiju (匯鄰驛居)”. We assist sellers and buyers in the sale and purchase of second-hand properties, and assist landlords and tenants in property leasing, including sourcing potential buyers or tenants for properties and handling the signing of sales and purchase or leasing agreements. We generally charge the sellers or landlords, and the buyers or tenants, a percentage of the sales amount or the rent of the properties concerned. The payment is generally settled when the relevant sales and purchase agreement or lease is entered into.

RELATIONSHIP WITH LANDSEA

Since our establishment, we have developed a long and close working relationship between our Group and Landsea. During the Track Record Period, we provided property management services to a large majority of the properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest. Landsea was our largest customer during the Track Record Period.

Given our long and close relationship with Landsea, we are familiar with its specific requirements and expected deliverables, which enabled us to reduce communication costs, build mutual trust and consistently provide quality services that meet Landsea’s specific demands and requirements. Our Directors are of the view that our relationship with Landsea is mutually beneficial.

BUSINESS

Having considered (i) our long and close relationship with Landsea, (ii) our familiarity with Landsea's specific requirements and expected deliverables; and (iii) the mutual benefits for both Landsea and us to maintain such relationship, our Directors are of the view that the current relationship between Landsea and us is unlikely to change materially and adversely or terminate because it may also not be in the best interest of Landsea to engage a new service provider in place of our Group, taking into account the time required and the uncertainties involved for Landsea to engage a new service provider which is able to provide equally satisfactory services. For further details, please see "Relationship with Controlling Shareholders" in this prospectus.

OUR SUPPLIERS

Our major suppliers are primarily subcontractors for our property management services which provide security, cleaning and gardening and landscaping services. Our suppliers usually grant us credit period from 15 days to 90 days. During Track Record Period and up to the Latest Practicable Date, we did not experience any significant difficulty in procuring materials or services from our suppliers nor was there any major default or delay by our suppliers that had a material adverse impact on our operations.

Major Suppliers

In FY2018, FY2019 and FY2020, purchase from our largest supplier amounted to RMB4.6 million, RMB8.1 million and RMB12.6 million, representing 6.2%, 6.9% and 8.6%, respectively, of our total purchase. During the same period, purchase from our five largest suppliers amounted to RMB19.2 million, RMB29.8 million and RMB36.4 million, respectively, representing 25.7%, 25.4% and 25.0%, respectively, of our total purchase. We have maintained business relationship with our five largest suppliers during the Track Record Period for around three years or more in general.

We typically enter agreements with a term of one to three years with our five largest suppliers during the Track Record Period. As at the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest suppliers. None of our Directors, their respective close associates or any Shareholders which, to the best knowledge of our Directors, owned more than 5% of our total issued share capital as at the Latest Practicable Date, had any interest in any of our five largest suppliers, during the Track Record Period and as at the Latest Practicable Date.

BUSINESS

Our Five Largest Suppliers

The table below sets out the details of our five largest suppliers for FY2018:

Rank	Supplier	Background information	Major services	Year of commencement of business relationship	Relationship with us	Payment method	Transaction amount (RMB'000)	Percentage of total purchases (%)
1	Supplier A	A security service company in Shanghai	Security services	2017	Independent Third Party	Bank transfer	4,627	6.2
2	Supplier B	A cleaning company in Jiangsu province	Cleaning services	2014	Independent Third Party	Bank transfer	4,475	6.0
3	Supplier C	A cleaning company in Shanghai	Cleaning services	2016	Independent Third Party	Bank transfer	4,134	5.5
4	Supplier D	A cleaning company in Zhejiang province	Cleaning services	2011	Independent Third Party	Bank transfer	3,230	4.3
5	Supplier E	A security service company in Jiangsu province	Security services	2017	Independent Third Party	Bank transfer	2,767	3.7
Total							19,233	25.7

The table below sets out the details of our five largest suppliers for FY2019:

Rank	Supplier	Background information	Major services/ products purchased	Year of commencement of business relationship	Relationship with us	Payment method	Transaction amount (RMB'000)	Percentage of total purchases (%)
1	Supplier D	A cleaning company in Zhejiang province	Cleaning services	2011	Independent Third Party	Bank transfer	8,106	6.9
2	Supplier E	A security service company in Jiangsu province	Security services	2017	Independent Third Party	Bank transfer	5,983	5.1
3	Supplier A	A security service company in Shanghai	Security services	2017	Independent Third Party	Bank transfer	5,507	4.7
4	Supplier F	A cleaning company in Shanghai	Cleaning services	2019	Independent Third Party	Bank transfer	5,394	4.6
5	Supplier G	A cleaning company in Jiangsu province	Cleaning services	2015	Independent Third Party	Bank transfer	4,836	4.1
Total							29,826	25.4

BUSINESS

The table below sets out the details of our five largest suppliers for FY2020:

Rank	Supplier	Background information	Major services/ products purchased	Year of commencement of business relationship	Relationship with us	Payment method	Transaction amount (RMB'000)	Percentage of total purchases (%)
1	Supplier D	A cleaning company in Zhejiang province	Cleaning services	2011	Independent third party	Bank transfer	12,566	8.6
2	Supplier A	A security service company in Shanghai	Security services	2017	Independent third party	Bank transfer	7,365	5.1
3	Supplier G	A cleaning company in Jiangsu province	Cleaning services	2015	Independent third party	Bank transfer	5,756	4.0
4	Supplier H	A cleaning company in Jiangsu province	Cleaning services	2016	Independent third party	Bank transfer	5,377	3.7
5	Supplier I	A security service company in Zhejiang province	Security services	2018	Independent third party	Bank transfer	5,292	3.6
Total							36,356	25.0

Subcontracting

We delegate certain property management services such as security, cleaning, gardening and landscaping, daily repair and maintenance services, processing grocery purchase orders, housekeeping services and household maintenance services to qualified third party subcontractors which specialised in these services. In FY2018, FY2019 and FY2020, our subcontracting costs amounted to RMB66.9 million, RMB103.8 million and RMB156.8 million, respectively, accounting for 29.4%, 31.3% and 35.6%, respectively, of our total cost of services. In general, we have maintained business relationship with our five largest subcontractors during the Track Record Period for over three years.

We believe subcontracting arrangements allow us to reduce operation costs and contribute more resources to our core business and enhance the overall profitability of our operations.

Selection and Management of Subcontractors

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

Key Terms of Our Subcontracting Agreements

We enter into subcontracting agreements with independent subcontractors on normal commercial terms. The key terms of our typical subcontracting agreements are as follows:

- *Term.* A subcontracting agreement typically has a term of one year and may be renewed upon mutual consent.
- *Our rights and obligations.* We are typically responsible for providing necessary working facilities such as water and electricity and storage units.
- *Rights and obligations of subcontractors.* The subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the subcontracting agreements and in compliance with all applicable laws and regulations. In the event for sub-standard performance, the subcontractors are required to take necessary rectification measures within the period required by us. Subcontractors are required to manage their staff providing the contracted services and there is no employment relationship between us and the staff personnel assigned by our subcontractors.
- *Subcontracting fees.* Subcontracting fees are typically determined with reference to costs incurred in connection with labour costs and other miscellaneous costs incurred by the subcontractors.
- *Termination.* We monitor and assess the performance of sub-contractors on a regular basis and can deduct subcontracting fees and/or terminate the sub-contracting agreement in the event of substandard performance as defined under the subcontracting agreement. In some agreements, the agreement may be terminated under mutual agreement after a written notice is served on the other party two months in advance.

BUSINESS

OUR CUSTOMERS

Our customer base primarily consists of property developers, property owners' associations and owners or residents of our managed properties. The following table below sets out the major customers for each of our three business lines.

Business line	Major customers
Property management services	Property developers, property owners' associations and owners or residents of our managed properties
Community value-added services	Owners and residents of our managed properties
Value-added services to non-property owners	Property developers

In FY2018, FY2019 and FY2020, revenue derived from our largest customer, Landsea, amounted to RMB61.1 million, RMB58.7 million and RMB97.7 million, respectively, representing 19.7%, 13.6% and 16.3%, respectively, of our total revenue. During the same period, revenue from our five largest customers collectively amounted to RMB79.0 million, RMB80.9 million and RMB129.1 million, respectively, representing 25.4%, 18.7% and 21.5%, respectively, of our total revenue.

Our five largest customers for the Track Record Period were generally property developers. We provided property management services, community value-added services and value-added services to non-property owners to our five largest customers. In general no credit terms were granted to them, and we did not experience any material default from them during the Track Record Period. We generally had ongoing business relationships with our five largest customers during the Track Record Period for over three years. As at 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 them.

BUSINESS

Our Five Largest Customers

The table below sets out the details of our five largest customers for FY2018:

Rank	Customer	Background information	Major services provided	Year of commencement of business relationship	Relationship with us	Payment method	Revenue contribution (RMB'000)	Percentage of total revenue (%)
1	Landsea	A property developer in Jiangsu province	Property management services, value-added services to non-property owners and community value-added services	2005	Connected person	Bank transfer	61,113	19.7
2	Customer A	A hospital in Shanghai	Property management services	2016	Independent Third Party	Bank transfer	7,023	2.3
3	Hangzhou Langping Property Limited (杭州朗平置業有限公司) (“Hangzhou Langping”)	A property developer in Zhejiang province	Value-added services to non-property owners	2017	Connected person ⁽¹⁾	Bank transfer	4,131	1.3
4	Customer B	A property developer in Jiangsu province	Value-added services to non-property owners	2016	Independent Third Party	Bank transfer	3,506	1.1
5	Nanjing Xueheng Real Estate Co., Ltd (南京學衡置業有限公司) (“Nanjing Xueheng”)	A property developer in Jiangsu province	Value-added services to non-property owners	2015	Independent Third Party ⁽²⁾	Bank transfer	3,219	1.0
Total							78,992	25.4

Notes:

(1) Hangzhou Langping was held as to 50% by Landsea as at the Latest Practicable Date.

(2) Nanjing Xueheng was held as to 49.9% by Landsea as at the Latest Practicable Date.

BUSINESS

The table below sets out the details of our five largest customers for FY2019:

Rank	Customer	Background information	Major services provided	Year of commencement of business relationship	Relationship with us	Payment method	Revenue contribution <i>(RMB'000)</i>	Percentage of total revenue <i>(%)</i>
1	Landsea	A property developer in Jiangsu province	Property management services, value-added services to non-property owners and community value-added services	2005	Connected person	Bank transfer	58,683	13.6
2	Customer A	A hospital in Shanghai	Property management services	2016	Independent Third Party	Bank transfer	7,893	1.8
3	Customer C	A property developer in Jiangsu province	Value-added services to non-property owners	2015	Independent Third Party	Bank transfer	5,398	1.2
4	Customer D	A property developer in Jiangsu province	Value-added services to non-property owners	2016	Independent Third Party	Bank transfer	5,202	1.2
5	Customer B	A property developer in Jiangsu province	Value-added services to non-property owners	2016	Independent Third Party	Bank transfer	3,738	0.9
Total							80,914	18.7

BUSINESS

The table below sets out the details of our five largest customers for FY2020:

Rank	Customer	Background information	Major services provided	Year of commencement of business relationship	Relationship with us	Payment method	Revenue contribution (RMB'000)	Percentage of total revenue (%)
1	Landsea	A property developer in Jiangsu province	Property management services, value-added services to non-property owners and community value-added services	2005	Connected person	Bank transfer	97,711	16.3
2	Suqian Landsea Property Limited (宿遷朗詩置業有限公司) ("Suqian Landsea")	A property developer in Jiangsu province	Value-added services to non-property owners	2018	Connected person ⁽¹⁾	Bank transfer	12,091	2.0
3	Customer A	A hospital in Shanghai	Property management services	2016	Independent third party	Bank transfer	8,490	1.4
4	Customer E	An engineering construction company in Shanghai	Property management services	2019	Independent third party	Bank transfer	6,388	1.1
5	Hangzhou Langping	A property developer in Zhejiang province	Property management services and value-added services to non-property owners	2017	Connected person ⁽²⁾	Bank transfer	4,390	0.7
Total							129,070	21.5

Notes:

(1) Suqian Landsea was held as to 51.0% by Landsea as at the Latest Practicable Date.

(2) Hangzhou Langping was held as to 50% by Landsea as at the Latest Practicable Date.

BUSINESS

None of our Directors, their respective close associates or any of our Shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as at the Latest Practicable Date, had any interests in our five largest customers during the Track Record Period, except for Landsea, Hangzhou Langping, Nanjing Xueheng and Suqian Landsea. Our Directors confirm that our Group's transactions with Hangzhou Langping, Nanjiang Xueheng and Suqian Landsea were conducted on normal commercial term. None of our five largest customers during the Track Record Period were our suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any defaults by our customers which had a material impact on us.

Customer Relationship Management

Our customer relationship management process aims to build and maintain sustainable customer relationships by focusing on delivering superior customer value and satisfaction, which we believe is critical to the long-term success of our business. We have taken a wide range of measures to actively build long-term relationships with our customers, primarily including:

- *Managing customer satisfaction and communications.* We regularly seek and receive customer feedback and complaints about our services. In order to provide a better customer experience and enhance our customer service, we have standardised our WeChat service accounts of property projects under our management in 2019 so our customers can (a) acquire information relating to our property management services and community value-added services; (b) pay property management fees; and (c) give us feedback and suggestions on our services via such service accounts.
- *Complementary services.* We offer a wide range of cultural experience activities via our brand “The Landsea Friends (詩友公社)”. We organise and offer cultural experience activities for property owners to socialise and relax. These services can increase our engagement level with the residents and improve property owners' loyalty at the same time. For further details, please refer to “Our strengths – Diversified value-added services to cater for the needs of various customer groups – The capability in creating and operating a caring community” in this section.

DATA PRIVACY AND SECURITY

We have adopted a number of internal control measures to ensure the data security and privacy protection of our internal operational data and external data, including the confidential information of our customers. In particular, we have adopted the following measures to control access and use of data:

- We have adopted procedures such as regular system check, password policy, user authorisation and approval, data backup and data recovery test to safeguard our data;

BUSINESS

- Our employee end users who need to access business data and information containing our customers' sensitive information can only do so after logging into our intranet, which is managed by our unified identity authorised management system. We review the user accounts and their access rights regularly to check their active status, analyse the reasonableness of the user authority and ensure the timeliness of closing the accounts of ex-employees;
- Our hardware engineers and information technology staff are responsible for the security of the server room and shall conduct daily inspection and fill in the inspection records. Employees other than the information technology staff can only access the server room after obtaining the approval of the relevant managers and filling in a registration form; and
- We have installed anti-virus software in our system and upgrade such software from time to time and carry out inspections to detect virus intrusion on a regular basis.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we have not encountered any breaches of personal data privacy or relevant leakages or disputes, nor have we been involved in any litigation, arbitration or administrative proceedings or subject to any penalties or fines in this respect. Based on the above, our PRC Legal Advisers are of the view that we are compliant with applicable PRC data privacy laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

Our sales and marketing team at our headquarters is primarily responsible for development of our overall marketing strategy, conducting market research, coordinating our sales, marketing and branding activities to acquire new customers and maintain and strengthen our relationship with existing customers. Our branches and subsidiaries are responsible for the execution of our marketing strategies at the local level, such as research and follow-ups on tender opportunities and marketing efforts on our brands and services. Such information channels may include, for example, websites or other platforms on which property developers, property owner associations, stated-owned enterprises, government agencies and commercial banks announce their tender opportunities, or uncovering business opportunities by way of in-depth market research, employee referrals, and recommendation or frequent communication with customers, local tendering agencies, and other industry players.

COMPETITION

The property management industry in the PRC is intensely competitive and highly fragmented with a few sizeable companies and numerous small-sized market participants. Sizeable companies with professional knowledge, financial strength and background or affiliation with property developers are more competitive and are at a more advantageous position in the market.

BUSINESS

As a leader with extensive experience in managing green buildings according to the CIA, we primarily compete against large national, regional and local property management companies. We believe the core competitiveness lies in factors including, among other things, quality of services, business operation, price, financial resources, brand recognition and reputation. In 2021, we ranked 24th among the Top 100 Property Management Companies in the PRC in terms of comprehensive strength. We also ranked the third, fourth and the seventh among the 2020 Top 100 PRC Property Management Companies in terms of proportion of total area under management from green buildings with an accreditation of two stars or above, proportion of total area under management from green buildings, and area under management from green buildings, respectively.

For more details about the industry and markets that we operate in, please see “Industry Overview” in this prospectus.

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR BUSINESS

Impact on our business operation

An outbreak of respiratory illness caused by a novel coronavirus, which has been named as COVID-19 by the World Health Organisation (“WHO”) was identified in December 2019 and spread globally in early 2020. On 11 March 2020, the WHO declared COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, the PRC government has imposed measures across the PRC including, but not limited to, travel restrictions and mandatory quarantine measures across various cities, the extended shutdown of business operations, and the mandatory quarantine requirements on infected individuals and anyone deemed potentially infected.

To the best of our Directors’ knowledge, there had been no confirmed cases of COVID-19 infection of our staff as at the Latest Practicable Date. Our Directors confirmed that, in relation to the provision of our services in general, (i) arrangement had been made to ensure that sufficient workforce was available for our business operations during and after the outbreak of the disease. For example, depending on the status of the epidemic, we would adjust the working hours of our staff and adopt a 24-hour shift. We would establish mobile support teams to handle any emergency deployment. We would also provide incentives to employees for their efforts to our business operations during the outbreak. Our frontline staff did not experience material disruption in carrying out their responsibilities for the provision of our services; and (ii) our major suppliers are subcontractors which provide services such as security, cleaning and maintenance services, and the workers assigned by our subcontractors to our managed properties did not experience material disruption in performing their duties for the subcontracting services following the outbreak of the disease. Our Directors also confirmed that since the outbreak of COVID-19 and up to the Latest Practicable Date, our Group had not encountered and is not expected to experience any shortage in labour or disruption to the supply of subcontracting services or materials as a result of the outbreak of COVID-19.

BUSINESS

As at the Latest Practicable Date, the COVID-19 outbreak had not materially affected our property management services. However, the travel restrictions and mandatory quarantine measures in response to the COVID-19 outbreak in the first half of 2020 had affected our progress of market expansion. In particular, such restrictions had slowed down our progress of acquiring new projects from independent third-party property developers. We acquired 34 new property management projects developed by independent third-party developers for FY2019, which accounted for 5.6 million sq.m. contracted GFA. However, we only acquired 18 new projects developed by independent third-party developers for FY2020 with a total contracted GFA of 2.4 million sq.m. Our total contracted GFA had increased from 14.4 million sq.m. as at 31 December 2018 to 21.8 million sq.m. as at 31 December 2019, representing a growth of 51.4%. However, our contracted GFA as at 31 December 2020 amounted to 23.7 million sq.m., representing only a growth of 8.7%.

On the other hand, we were engaged to provide a number of customised services such as pre-conference preparation and catering services in addition to basic property management services to certain office buildings which were used by Landsea as their regional headquarter or offices. When large-scale meetings or functions are held in these buildings, we would be engaged to provide ad-hoc services and receive extra fees. However, due to the outbreak of COVID-19 in 2020, such large-scale meetings and functions were disrupted in three office buildings of Landsea, resulting in the decrease of the revenue generated from the property management services provided to such properties from RMB9.9 million for FY2019 to RMB8.6 million for FY2020.

Some of our community value-added services were affected by the COVID-19 outbreak. In FY2020, we experienced a slower growth in respect of our home-living services, mainly due to the mandatory quarantine measures adopted in the early 2020 which disrupted our provision of house cleaning, home repair and maintenance services.

We believe that the above impact was immaterial on our overall business operation and financial performance as we achieved growth in terms of revenue for our property management services, value-added services to non-property owners and community value-added services in FY2020 as compared to FY2019, which increased from RMB432.8 million to RMB600.9 million.

Impact on our financial condition

The ongoing outbreak of COVID-19 has inevitably increased our costs in managing properties and providing other related services. For instance, we have needed to incur an additional expense for the disinfection of managed properties and the purchase of personal protective equipment and sanitising materials and additional labour costs and expenses in relation to overtime wages, employment stabilisation subsidies and other related employee benefits and compensation. For FY2020, our cost of procurement of anti-epidemic supplies amounted RMB0.8 million, while the additional labour costs amounted to RMB1.7 million. On the other hand, we had received government grants from the PRC local authorities to support our business operations and ease our financial burden in light of the outbreak of COVID-19 and we had also become entitled to certain social insurance contribution exemptions in 2020, which we believe will help alleviate our increased operating costs following the outbreak.

BUSINESS

Our Directors confirmed that the outbreak of COVID-19 has not had a material adverse impact on our continuing business operation and sustainability, as the property management industry is an industry involving essential community services and our employees and workers of our subcontractors did not experience material disruption in performing their job duty during the outbreak of the disease. Also, our Group has sufficient cash and cash equivalents to maintain our operation and our Directors confirmed that we will utilise the net proceeds from the Global Offering in accordance with “Future Plans and Use of Proceeds” in this prospectus.

Unlike other industries such as retail and manufacturing which may be subject to extensive or even complete suspension of operations for a period of time as a result of the COVID-19 outbreak, given the nature of our business operations, our Directors are of the view that the risk of our Group having to suspend our operations is remote. Based on the above, our Directors are of the view that no material adverse effect on our operations and financial performance is expected to result from the recent COVID-19 outbreak. In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources (including cash and bank balances and amounts due from related parties to be repaid before Listing) as at 31 December 2020 could satisfy our necessary costs for over 12 months. We also estimate that, in the unlikely event mentioned above and based on the assumptions below except that there would be 10.0% of the proceeds from the Global Offering as allocated for general business operations and working capital, our Group will remain financially viable for over 12 months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any income due to the suspension of business; (ii) all of our staff, including operational and administrative staff, are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) we may incur one-month staff cost to dismiss front line staff assuming no mutual consent to take unpaid leave is obtained from them; (iv) we will continue to incur the rental related payments including rentals, management fees and other miscellaneous charges that are paid monthly; (v) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic headquarter office maintenance cost, utilities expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (vi) the expansion plan is delayed under such condition; (vii) there will be no further internal or external financing from our Shareholders or financial institutions; (viii) no further dividend will be declared and paid under such situation; (ix) our trade receivables will be settled based on historical settlement pattern while trade payables will be settled when due; and (x) there are no material changes in the near future that would significantly affect the aforementioned key assumptions. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote. The actual impact from the outbreak of COVID-19 will depend on its subsequent development; therefore, there is a possibility that such impact to our Group may be out of our Director’s control and beyond our estimation and assessment.

Our Contingency Plan and Response towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan and adopted hygiene and precautionary measures across our managed properties. Our branch companies shall maintain a reserve of anti-epidemic supplies which are sufficient for more than seven days' usage and shall arrange for emergency training regularly. In the event that the government officially confirms that there is an outbreak of epidemic, our Company shall enter into the emergency response status, where our epidemic prevention and control headquarter lead by our general manager shall instruct the relevant functional groups to carry out epidemic prevention and control work according to our operation guidelines, such as setting up special funds and supervising the procurement and distribution of materials and employee safety protection. Our employees and subcontractors shall take a series of practicable steps in the properties under our management to maintain a hygienic environment for all personnel who may be present including property owners, residents, visitors and our employees and subcontractors. Such measures include but not limited to:

- we record the health conditions of our employees, and we measure our employees' body temperature before they enter into our managed properties or our office. If an employee has a fever, he is required to take leave and seek medical attention;
- our employees shall wear masks and wash their hands;
- we sanitise our managed properties and office regularly to improve workplace hygiene condition; and
- we post epidemic information in various areas in our workplace and our managed properties to enhance our employees' awareness to public health; and
- we cancel our gathering with employees.

Effects of the COVID-19 Outbreak on Our Business Strategies

According to CIA, the outbreak of COVID-19 is expected to cause certain short-term economic slowdown across China but it will unlikely affect the regional macroeconomic development plan in the long term. According to the CIA Report, given (i) the continuous rise in the urban population and urbanisation rate in China, it is expected that the demand for residential and non-residential properties in areas with high population density and spending power, such as the Yangtze River Delta will remain high; (ii) the size of the existing PRC property management market will unlikely be affected, as the current GFA undermanagement and the property management fees will not be affected by the COVID-19 outbreak; and (iii) the impact on the real estate market in PRC has gradually recovered since the second quarter in 2020, it is expected that the outlook for demand of property management services in the affected cities will remain positive. We therefore believe that our expansion plan as discussed in "Our Strategies" above in this section is feasible, and it is unlikely that we would change the use of the net proceeds from the Global Offering as disclosed in "Future Plans and Use of Proceeds" in this prospectus as a result of the COVID-19 outbreak.

QUALITY CONTROL

We prioritise quality in our services and believe that quality control is crucial to the long-term success of our business. Our quality control team, consisting of 19 members as at the Latest Practicable Date, is primarily responsible for overseeing our business operations to do with quality control, focusing on maintaining standards of quality, standardising our internal policies and service procedures and monitoring adherence to those standards. Our quality control team has an average of over five years of relevant industry experience and all of them have college degree.

Quality Control over our Services

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 service hotline and communicating with employees stationed at our sites or during our monthly visit to major customers.

We have established a comprehensive set of standardised technical and quality control guidelines that provide detailed requirements as to quality control standards and specifications for all major aspects of our property management services. These guidelines are applicable across our property management projects. We require our employees to record all customer feedback and complaints into our centralised customer service management system within one day of receipt. They are also required to obtain the customer's contact information and follow up on the case within two days. All instances of contact with the customer must be recorded and filed in written and photographic form. Employees responsible for the case should resolve the case within seven days. If the case cannot be resolved within seven days, a written report must be done explaining the reason for such failure and the proposed follow-up actions and solutions. We also carry out periodic evaluation meetings to discuss any ad hoc issues spotted and the remedial actions to be taken.

In recognition of our internal management system, in 2008, we were first awarded the ISO 9001 quality management system certification. In 2009, we obtained ISO 14001 environmental management system certification. In 2018, we obtained ISO 45001 occupational health and safety management system certification. In 2021, we obtained ISO 50001 energy management system certification. The ISO 9000 family of quality management system standards is designed to help organisations ensure that they meet the needs of customers and other stakeholders while meeting the statutory and regulatory requirements relating to a product. ISO 9001 deals with the requirements that organisations wishing to meet the standard must fulfil. ISO 14001 is a family of standards relating to environmental management that exists to help organisations, among others, (i) minimise how their operations negatively affect the environment; (ii) comply with applicable laws, regulations and other environmental requirements; and (iii) continuously improve in the above aspects. ISO 45001 is an international occupational health and safety management system specification. ISO 50001 is an energy management specification to improve energy use. These certifications remain valid as at the Latest Practicable Date and have certified the standardisation of our internal management systems and are testament of the quality of our services offered.

BUSINESS

Quality Control over Subcontractors

We typically set out the expected standards of quality in our subcontracting agreements. We evaluate the performance of our subcontractors from time to time and may require that they take appropriate and necessary rectification measures for incidents of sub-standard performance. We reserve the right to collect fines, deduct subcontracting fees, and even terminate the contract if our subcontractors fail to perform in accordance with our standards of quality. During the Track Record Period and up to the Latest Practicable Date, we did not experience any complaints on our services which had a material impact on us. Please see “Our suppliers – Subcontracting” in this section for further details.

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have registered trademarks to protect all aspects of our operations. We conduct our business in the PRC under the Landsea Green Life trademark and have registered its trademark in Hong Kong. In addition, we have registered two domain names which are material to our business. We were licensed by Landsea to use six of its trademarks in China. Further details of our intellectual property rights are set out in “Statutory and General Information – B. Further information about our business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus. As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

BUSINESS

AWARDS AND RECOGNITIONS

The table below sets out our major awards and recognitions up to the Latest Practicable Date:

Year of Award/Recognition	Award/Recognition	Awarding Organisation/Institution
2020.....	The world's first BREEAM In-Use V6 residential project operation certification – Shanghai Landsea Hongqiao County (全球首個BREEAM In-Use V6住宅類項目運營認證–上海朗詩虹橋綠郡)	Building Research Establishment
2020.....	Top 10 Real Estate Services Company Worth Focusing by Capital Markets (2020中國物業企業資本關注度十強)	Yihan Jiahe Family Property Service Research Institute (億翰嘉和家業物業服務研究院)
2020.....	Ranked 28th in 2020 Top 100 Property Management Companies in the PRC (2020中國物業服務百強企業) in terms of business size, operational efficiency, service quality, growth potential and social responsibility	China Index Academy (中國指數研究院)
2020.....	Excellent Property Management Residential District in Jiangsu-Wuxi Landsea Garden (江蘇省物業管理優秀住宅小區–無錫朗詩綠色家園)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)
2019.....	Ranked 37th in 2019 Top 100 Property Management Companies in the PRC (2019 中國物業服務百強企業) in terms of business size, operational efficiency, service quality, growth potential and social responsibility	China Index Academy (中國指數研究院)
2019.....	2019 Top 100 Property Management Companies in China by Service Quality (2019年中國物業服務百強–服務質量領先企業)	China Index Academy (中國指數研究院)
2019.....	2019 Leading Property Management Service Brand Enterprise in East China (2019中國華東物業服務領先品牌)	China Index Academy (中國指數研究院)
2019.....	2019 Leading Property Management Companies by Growth (2019物業服務成長性領先企業)	China Property Management Association (中國物業管理協會)

BUSINESS

Year of Award/Recognition	Award/Recognition	Awarding Organisation/Institution
2019.....	2019 3rd batch of green building operation labels (two stars) in Jiangsu Province Nanjing Landsea Zhongshan Green County (江蘇省2019第三批綠色建築運行標識(二星)–南京朗詩鐘山綠郡)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)
2019.....	2019 3rd batch of green building operation labels (two stars) in Jiangsu Province Nanjing Landsea Poly Garden (江蘇省2019第三批綠色建築運行標識(二星)–南京朗詩保利麓苑)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)
2019.....	Nanjing Municipal Model Property Management Project – Nanjing Landsea Poly Garden (南京市市級示範物業管理項目–南京朗詩保利麓苑)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)
2019.....	Excellent Property Management Residential District in Jiangsu-Zhangjiagang Langtai Green Garden (江蘇省物業管理優秀住宅小區–張家港朗泰綠色家園)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)
2018.....	2018 China Property Services Featured Brand Leading Enterprise Green Living & Green Property (2018年中國特色物業服務領先企業–綠色生活&綠色物業)	China Index Academy (中國指數研究院)
2018.....	2018 Jiangsu Provincial Model Property Management Project (2018年度江蘇省省級示範物業管理專案) Changzhou Landsea Green County Garden (常州朗詩綠郡花園)	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)

BUSINESS

INSURANCE

We maintain pension insurance, medical insurance, maternity insurance, work injury insurance and unemployment insurance, which are mandatory under PRC laws. We also maintain insurance policy against major risks and liabilities arising from our business operations, primarily including (i) property management liability insurance to cover liabilities for personal injury or damages suffered by third parties arising out of our business operations; and (ii) property management liability insurance to cover liabilities for damages to common area of our managed properties.

During the Track Record Period, we did not make any material insurance claims in relation to our business. Having considered the scope and the insured amount of our insurance policies, we believe that our insurance coverage is in line with industry practice in the PRC as advised by the CIA. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. Please see “Risk Factors – Risks relating to our business and industry – Our insurance policies may not provide adequate coverage for all claims associated with our business operations” for further details.

EMPLOYEES

As at the Latest Practicable Date, we had a total of full-time 3,114 employees. A breakdown of our employees by functions is set out in the table below:

Function	Number of employee
Senior management	7
Property management business department	2,940
IT	5
Sales and marketing	46
Customer relationship	13
Human resources and administration	44
Finance and accounting	55
Legal and internal audit	4
Total	3,114

BUSINESS

A breakdown of our employees by geographical location is set out in the table below:

Region	Number of employee
Yangtze River Delta	2,481
Other regions ^(Note)	633
Total	3,114

Notes: Other regions include Hubei province, Sichuan province, Guangdong province, Chongqing and Hunan province.

In November 2018, we disposed of a subsidiary, namely Nanjing Landsea Shenlu E-commerce Co., Ltd. (南京朗詩深綠電子商務有限公司) (“**Shenlu E-commerce**”), to Landsea Group Company. For details, please see “History, Reorganisation and Corporate Structure – Our corporate development – Disposal of subsidiaries during the Track Record Period – Disposal of Nangjing Shenlu E-commerce”. After its disposal, certain Shenlu E-commerce’s employees had in fact solely worked for our Group and performed duties under our instructions, and the relevant costs (primarily their salaries and other benefits) were combined in our Group’s financial statements. Before the restructuring as mentioned below, such relevant costs to be borne by us were settled by Shenlu E-commerce and recognised as our payables. Our amounts due to Shenlu E-commerce in respect of such relevant costs were fully settled as of the Latest Practicable Date. As part of restructuring, the relevant employees resigned from Shenlu E-commerce and entered into a formal labour contract with our Group. Such restructuring had completed as at 1 January 2021. Our Directors confirmed that none of Shenlu E-commerce’s employees will work for our Group going forward.

We have been outsourcing and expect to continue to outsource certain labour-intensive service tasks and specialised technical service tasks, primarily including cleaning, security, gardening and landscaping, car parking management and some of our daily repair and maintenance services to subcontractors. Such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our reliance on labour and enhance the overall profitability of our operations.

Our Directors believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, there had been no complaint or claims from employees or labour dispute which materially and adversely affected, or was likely to have a material adverse effect on, our operations.

Recruiting

We actively recruit skilled and qualified personnel in local markets through various channels, such as campus recruitment, advertisement placing and internal referrals. Each job applicant has an equal job opportunity. All of them will be treated equally and there is no discrimination as to gender, age and ethnicity.

Training

We believe our workforce is one of the most important assets of our Group. We have established “Landsea Jiangwutang (朗詩講物堂)”, a platform to provide tailored training programmes for our employees to enhance their knowledge of our corporate culture, property development project, sales techniques and IT skills based on their positions and expertise. We require all our employees to undergo such training before they take up their respective roles and provide continuous learning initiatives to our employees. Our human resources department also organises induction trainings and distributes entry guides to new joiners to familiarise them with the operations of our Group.

Retention

The remuneration package of our employees includes salary and benefits, such as maternity leaves for both male and female employees and additional holidays base on work performance. In general, we determine employees’ salaries based on the employees’ qualifications, experience, position and seniority and bonuses based on employees’ performance and Group’s results of operations. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

OUR BANK ACCOUNT AND CASH MANAGEMENT POLICY

We have a bank account and cash management system to manage the cash inflows and outflows of our branches in their ordinary course of business in accordance with PRC laws and regulations. We have established a cash management policy to monitor the work process of our branches, including but not limited to setting the upper cash limit on hand for our branches, setting deadlines for depositing their cash received in the bank accounts, as well as reconciling the accounts monthly to lower the risks associated with cash management. We have detailed cash management policy to regulate our cash management and bank deposits management to ensure security and the reasonable use of our cash. Details of our cash management policy are set out as follows:

Cash flow transactions**Cash handling policies and internal control measures**

Receipt of property management fees or other service fees from our customers

We typically receive our fees through bank transfer. Our cashiers and accounting staff shall verify the amount received is correct and obtain the bank receipt before recording in my account. All cash received shall be recorded and deposited to the bank on the same day.

Payments made to our suppliers by our branches

Payments by our branches to their suppliers must be pre-approved by the responsible supervising personnel after providing the payee’s name, account number and supporting documents such as invoices and payment notifications. Once approved, such payments must be made in accordance with the approved method.

BUSINESS

Cash flow transactions

Cash inventory and deposits

Cash handling policies and internal control measures

Our branches are required to reconcile and check the cash on hand on a daily basis, and are typically not allowed to keep more than RMB1,000 in cash on hand after close of business. We typically require that excess amounts be deposited into the bank accounts.

Opening and managing bank accounts of our branches

Our branches must adhere to our internal policies and procedures in relation to the opening of bank accounts. They are typically required to complete an application form before opening any bank accounts. Our branch offices are typically required to reconcile and check bank balances on a monthly basis.

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labour and safety. We have established occupational safety and sanitation systems, implemented the national occupational safety and sanitation rules and standards, and provided employees with workplace safety trainings on a regular basis to increase their awareness of work safety issues.

During the Track Record Period and up to the Latest Practicable Date, there had been no reported material safety accident occurred to our employees nor claims for personal or property damages made by our employees against us and no compensation was paid to our employees in respect of claims for personal or property damages that had a material impact on us. During the Track Record Period, no fines or penalties for non-compliance of PRC labour and safety laws and regulations were imposed on us.

We consider the environmental protection important and are committed to operating our business in compliance with applicable environmental protection laws and regulations. We have implemented reasonable measures in the operation of our businesses to comply with all applicable requirements to ensure we meet the ISO 14001 standard. Given the nature of our operations, we do not believe that we are subject to material risks or compliance costs in relation to environmental issues. 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.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we owned 163 properties, with a total GFA of 6,217.1 sq.m.. All of our owned properties are car park spaces which we had acquired from Landsea prior to the Track Record Period. We took into consideration the following factors when purchasing the car park spaces, including but not limited to, (i) the location of the car park spaces; (ii) the purchase price; (iii) the market demand for such car park spaces; and (iv) the

BUSINESS

estimated rental income to be derived from the car park spaces. Such car park spaces are held for leasing and located in a property in Changzhou, Jiangsu province which was developed by Landsea and managed by us. The revenue generated from the leasing of such car park spaces owned by us amounted to RMB287,000, RMB306,000 and RMB309,000 for FY2018, FY2019 and FY2020, respectively. Our Directors consider that such investment is of the interests of our Group because (i) it provides a new and stable source of income to our Group; and (ii) the leasing of car park spaces enable us to provide more comprehensive community value-added services to property owners and residents. Our Directors confirm that we did not acquire or dispose of any car park spaces during the Track Record Period and we currently had no plan to acquire any car park spaces for investment, or to dispose of our self-owned car park spaces. Our management will periodically review and refine our investment strategies and implementation plan, including the rental level and occupancy rate, in relation to the self-owned car park spaces. As at the Latest Practicable Date, we had obtained the real estate ownership certificates for these 163 properties. In addition to the above, we owned which we were not able to obtain the real estate ownership certificates six properties which are also car park spaces with a total GFA of 126.4 sq.m.. Given that such properties did not account for a significant GFA, our Directors consider that failing to obtain such real estate ownership certificates would not result in a material and adverse impact on our business and financial performance.

The carrying amount of our property interests, as defined in Rule 5.01(3) of the Listing Rules, amounted to RMB5.3 million, accounting for less than 1% of our total assets as at 31 December 2020, the latest date of our financial statements. As such, we have not included a property valuation report in this prospectus.

Leased Properties

As at the Latest Practicable Date, we leased 56 properties with a total GFA of 7,325.3 sq.m. for offices and staff quarters. None of these properties is individually material to our operations.

As at the Latest Practicable Date, 40 properties with a total GFA of 5,090.6 sq.m. were leased from lessors who have provided sufficient and valid ownership certificates or other ownership documents, and these leased properties accounted for 68.7% of our leased properties by GFA. Our PRC Legal Advisers has advised us that these lease agreements for our leased properties with ownership certificates or other ownership documents in the PRC are valid and enforceable, and we are lawfully entitled to use these leased buildings in accordance with the terms of the lease agreement. The remaining 17 properties with a total GFA of 2,322.8 sq.m. were leased from lessors who were unable to provide valid ownership certificates or other sufficient ownership documents, and these leased properties accounted for 30.5% of our total leased property by GFA. Our PRC Legal Advisers has advised us that any dispute or claim in relation to the titles of these properties that we use, including any litigation involving allegations of illegal, unauthorised use of these properties, may affect our rights to occupy and use the leased buildings in accordance with the terms of the lease agreements. In the event that we are required to relocate from the leased buildings as a result of the foregoing, given the nature of our operation, we do not believe that any relocation

BUSINESS

would result in material disruptions to our business. Moreover, replacement premises for the leased buildings without title certificates and proofs of property right are readily available. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations.

Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. As at the Latest Practicable Date, we, as the lessee, had not filed all of the lease agreements for our leased properties with the local housing administration authorities as required under PRC law. We were advised by our PRC Legal Advisers that the non-filing of lease agreements would not affect the validity of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not 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. Please see “Legal proceedings and non-compliance — Unregistered leases” in this section for further details.

As at the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreements described above. In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement and we are not able to rectify due to lack of cooperation from the landlords, we intend to terminate the non-compliant leases, find alternative locations nearby and relocate without causing any material disturbances. Our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages incurred as a result of the failure to register the lease agreements.

LICENCES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisers, other than business licences, there are no specific licence or permit requirement for us to provide property management services. As confirmed by our PRC Legal Advisers and according to the confirmations from relevant authorities, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences, approvals and permits from relevant PRC authorities for our operations in the PRC. We had not experienced any material difficulty in renewing such licences, permits or certificates during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of business. Most of the legal proceedings were initiated by us concerning contractual disputes against our clients. During the Track Record Period and at the Latest Practicable Date, none of our Directors was involved in the above claims and proceedings.

BUSINESS

Save as disclosed below, during the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors, which may have a material adverse effect on our business, financial position or results of operations:

In January 2021, a group of property owners initiated civil claims against another group of property owners, as the primary defendants, alleging that the primary defendants were responsible for the cracks on the walls of their properties located in Suzhou, Jiangsu Province, by carrying out various construction work. The aggregate amount of such litigations was RMB1.8 million plus additional losses caused by repairing the cracked walls of the properties of the plaintiffs, the amount of which is subject to assessment by certain statutory appraisal institution. As at the Latest Practicable Date, no assessment of the losses had been conducted. Landsea Property Management and Landsea Property Management Suzhou Branch were also named as the secondary defendants of the litigations due to their roles as the property management service provider of the properties, and were asked to be jointly and severally liable for the losses caused by the primary defendants to the plaintiffs. As at the Latest Practicable Date, such litigations were at a preliminary stage and court trials had not commenced.

Our Directors, having considered, among others, that we (a) had notified the primary defendants of the requirements for carrying out such construction, including to conduct the construction in accordance with the plan approved and conduct necessary repair works at their own costs if such construction caused damages to the structure of common areas and adjacent properties; (b) obtained written guarantee from the primary defendants on the compliance of such requirements; (c) promptly issued a rectification notice to the primary defendants and requested them to stop the construction and restore the sites to their original states when we were aware of their violation of such requirements; and (d) took the initiative to report the primary defendants to the relevant PRC government authority, which later issued an administrative notice against the primary defendants requesting them to stop the construction and restore the sites to their original states, believe that Landsea Property Management and Landsea Property Management Suzhou Branch had fulfilled their obligations as a property management service provider and it is unlikely that the court will make an order in favour of the plaintiffs against Landsea Property Management and Landsea Property Management Suzhou Branch for the losses suffered by the plaintiffs.

Legal compliance

Historical Non-Compliance Incidents

As advised by our PRC Legal Advisers, we had not been subject to significant fines or legal actions involving non-compliances with any PRC laws or regulations relating to our business which would have a material adverse effect on our business during the Track Record Period and up to the Latest Practicable Date. Below is a summary of non-compliance in relation to social insurance and housing provident fund during the Track Record Period. Our Directors believe that it will not have any material operational or financial impact on us.

Social Insurance and Housing Provident Fund Contributions

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China.

During the Track Record Period, some of our PRC subsidiaries did not register for and/or make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations.

As confirmed by our Directors, we did not register for and/or make full social insurance and housing provident fund contributions during the Track Record Period, primarily because some of our employees, especially our onsite personnel providing cleaning, greening and gardening, security, repair and maintenance services who typically demonstrate high mobility, voluntarily opted not to make contributions to social insurance and housing provident funds.

As advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations in respect of social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them, and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine from one to three times the amount of the outstanding contributions if we fail to make such payments. In respect of failure to complete the housing provident fund registration and outstanding housing provident fund contributions, we may be ordered to complete the housing provident fund registration by a deadline stipulated by the relevant authorities. If we fail to rectify by that deadline, we may be subject to a fine of RMB10,000 to RMB50,000 for each non-compliant subsidiaries and, for outstanding housing provident fund contributions that we did not fully pay within the prescribed period, the relevant government authorities may demand that we pay the outstanding housing provident fund contributions by a stipulated deadline. If we fail to rectify by that deadline, we may be subject to an order from the relevant People's court for compulsory enforcement.

Our Directors have considered the following in assessing our exposures relating to social insurance and housing provident fund contributions: (i) as at the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay shortfalls or penalties with respect to social insurance and housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties, material litigations and legal proceedings, nor were we aware of any material employee complaints nor involved in any material labour disputes with our employees with respect to social insurance and housing provident funds; (iii) for FY2018, FY2019 and FY2020, the underpayment with respect to social insurance and housing provident funds amounted to approximately RMB29.5 million, RMB36.6 million and RMB32.9 million, respectively, and we made provisions for such underpayment; (iv) we will make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities; (v) the Controlling Shareholders have undertaken that in

the event that we receive requests from the relevant authorities to pay the overdue social insurance and housing provident funds contributions, or that we are required to pay any late charges or penalties as a result of such overdue contributions, they will indemnify us the overdue contributions and any late charges and penalties imposed by the relevant authorities to the extent the provisions we made are insufficient to cover such overdue contributions, late charges and penalties; and (vi) based on the foregoing, our PRC Legal Advisers had advised us that the risks that we would be penalised for such non-compliance by the relevant government authorities is low.

Since July 2020, we began making social insurance and housing provident fund contributions in full for all of our eligible employees based on their actual salary levels. As an upward adjustment of our payment base will correspondingly increase contribution amounts due from our employees, we are also in the process of communicating with our employees to seek their understanding and cooperation in complying with the applicable payment base. Rectification of our non-compliance is in part subject to the cooperation of our employees, who may not be receptive to our communication efforts and have a different attitude towards our rectification plans, as they will be required to co-contribute. In pursuit of our commitment to being fully compliant with PRC laws and regulations relating to social insurance and housing provident funds, we will consult our PRC Legal Advisers when assessing and adjusting our payment base, and proactively liaise with the local social insurance and housing provident fund authorities for confirmation. We have also engaged an external internal control consultant to review our internal control policies and our rectification measures and put forward recommendations. We have implemented those rectification measures and have established various internal policies and procedures to ensure that we make full contributions in relation to social insurance and housing provident funds. These internal policies and procedures include (i) regularly communicating with government agencies to ensure that our calculation and payment methods are in compliance with the relevant laws and regulations; (ii) regularly consulting outside counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (iii) regularly preparing reports regarding our contribution amounts for review by our Board; and (iv) conducting internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations. As at the Latest Practicable Date, we did not receive any additional recommendations from the internal control consultant. Taking into account the above and the discussion with our internal control consultant, our Directors are of the view that the relevant internal control policies and rectification measures are adequate and effective.

Unregistered Leases

As at the Latest Practicable Date, we had not registered the lease for nine offices and 47 staff quarters with the local housing administration authorities as required under PRC laws.

These non-compliance incidents were primarily caused by lack cooperation from the landlords in registering lease agreements, including submitting their identity documentations and building title certificates to the relevant authorities, which was beyond our control.

BUSINESS

We were advised by our PRC Legal Advisers that the non-filing of lease agreements would not affect the validity of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not 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. The estimated total amount of penalty for our failure to register leases for offices and staff quarters is approximately RMB60,000 to RMB600,000.

As at the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreements described above. Our PRC Legal Advisers have advised us that the failure to register the lease agreements would not affect their validity.

In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement and we are not able to rectify due to lack of cooperation from the landlords, we intend to terminate the non-compliant leases, find alternative locations nearby and relocate without causing any material disturbances. Given the nature of our operation, we do not believe that any relocation would result in material disruptions to our business. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations. Our Controlling Shareholders have undertaken to indemnify us for any penalty or other monetary damages incurred as a result of the failure to register the lease agreements.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the responsibility of our Board to oversee and ensure that we maintain sound and effective internal control and risk management systems to safeguard our Shareholders' investment and our assets at all times.

In preparation for the Listing, we engaged an external internal control consultant to carry out a review of our internal control which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, treasury and general IT controls; and (ii) a report to us on factual findings and recommendations for improvements of internal controls over the above-mentioned processes and procedures. Our internal control consultant identified several key aspects for which we can enhance our internal controls, such as (i) formal mechanisms and policies for handling and monitoring the listing requirements such as conflict of interest, code of conduct, inside information and the process of information disclosures; (ii) policies and procedures in relation to operational processes, including but not limited to, cash and treasury management, human resources and payroll management as well as information security management; and (iii) policies and procedures in relation to financial reporting including those for the monitoring and reporting of related party and connected transactions. Our internal control consultant recommended various 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

BUSINESS

additional recommendations from the internal control consultant as at the Latest Practicable Date. Taking into account the above and the discussion with our internal control consultant, our Directors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

We face various market risks. Please see “Risk Factors” in this prospectus for a discussion of these market risks. In order to face these challenges, we maintain a set of risk management and internal control policies and measures to identify, evaluate and manage risks arising from our operations. The major features of our risks management and internal control policies including the following:

- we have adopted stringent quality control and supervision measures and procedures to prevent risks. Please see the paragraph headed “Quality control” in this section for further details;
- our human resources department is responsible for monitoring the compliance with our internal rules and manuals by our employees to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our legal risks;
- we have put in place internal procedures for handling complaints from customers; and
- we have established a selection and monitoring policy in relation to the suppliers engaged by us, including the selection criteria and the review systems.

DIRECTORS AND SENIOR MANAGEMENT

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 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 appointment with each of our non-executive Director and independent non-executive Directors.

Members of our Board

The table below shows certain information in respect of members of our Board:

<u>Name</u>	<u>Age</u>	<u>Existing position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Role and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. TIAN Ming (田明)	60	Non-executive Director and chairman of the Board	January 2005	1 December 2020 (re-designated as non-executive Director on 15 January 2021)	Responsible for providing guidance on the overall development of our Group	N/A
Ms. ZHOU Qin (周勤)	47	Executive Director	March 2019	15 January 2021	Responsible for formulating strategies for the overall development of our Group, and supervising our corporate governance and business operations	N/A
Mr. WU Xu (吳旭)	42	Executive Director	May 2017	15 January 2021	Responsible for overseeing our daily operations, community value-added services, customer relations management, formulating our business strategies and development plans and implementing our Board decisions	N/A

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Existing position</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Role and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. LIU Chao (劉超)	40	Executive Director	September 2019	15 January 2021	Responsible for overseeing the management of our financial and capital markets affairs	N/A
Dr. WONG Chi Wing (王志榮)	57	Independent non-executive Director	June 2021	15 June 2021	Responsible for providing independent judgement on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Ms. LU Mei (魯梅)	59	Independent non-executive Director	June 2021	15 June 2021	Responsible for providing independent judgement on strategy, policy, performance, accountability, internal control and corporate governance	N/A
Dr. CHEN Kevin Chien-wen (陳建文)	66	Independent non-executive Director	June 2021	15 June 2021	Responsible for providing independent judgement on strategy, policy, performance, accountability, internal control and corporate governance	N/A

Chairman of the Board and non-executive Director

Mr. Tian Ming (田明), aged 60, was appointed as our Director on 1 December 2020 and re-designated as our non-executive Director and chairman of the Board on 15 January 2021. Mr. Tian is primarily responsible for providing guidance on the overall development of our Group. Mr. Tian is the founder of Landsea Group, which Landsea Property Management was a part of until the Reorganisation.

Mr. Tian has 20 years of extensive experience in the fields of competitive strategy, operation management and property investment and development. Prior to founding our Group, Mr. Tian served at various positions within the Nanjing Municipal Government Office (南京市政府辦公廳), with his last being the deputy department head, where he was responsible for managing the daily operations of the secretariat. In December 2001, Mr. Tian founded Landsea Group and has since served as its director and chief executive officer. Mr. Tian began serving as the chairman of the board and an executive director of Landsea Green Properties, a company the shares of which are listed on the Stock Exchange (stock code: 106), since July 2013. From July 2013 onward, Mr. Tian has also served as the chairman of the board of Landleaf Technology, a company which is principally engaged in providing one-stop solution for consulting, design and operation services related to green construction technologies, and the shares of which were listed on the National Equities Exchange and

DIRECTORS AND SENIOR MANAGEMENT

Quotations Co., Ltd. (stock code: 870998) from February 2017 to March 2020. Furthermore, Mr. Tian has served as chair of the board and a director of Landsea Homes, a company listed on the NASDAQ Stock Market (symbols: “LSEA”, “LSEAW”) since January 2021.

Mr. Tian obtained a diploma in Chinese language and literature from Nanjing Amateur Liberal Arts University (南京業餘文科大學) in the PRC in December 1988, completed a master’s course programme in administrative management from Nanjing University (南京大學) in the PRC in August 1997, and obtained an executive master’s of business administration from China Europe International Business School (“CEIBS”) (中歐國際工商學院) in the PRC. In October 2019, Mr. Tian was awarded the “EY Entrepreneur of the Year” (安永企業家獎) by Ernst & Young, recognising his entrepreneurial achievements in the field of property development. Mr. Tian has also served on various committees, such as the China Real Estate Chamber of Commerce (全聯房地產商會) as vice-president from October 2016 to October 2021, the president of the CEIBS Alumni Association from April 2017 to April 2020, and the China Urban Realty Association (中城聯盟) as rotating chairman from April 2018 to April 2020.

Executive Directors

Ms. ZHOU Qin (周勤), aged 47, was appointed as our executive Director on 15 January 2021. Ms. Zhou is currently our deputy chairman and is primarily responsible for formulating strategies for the overall development of our Group, and supervising our corporate governance and business operations.

Ms. Zhou has nearly 24 years of experience in business development, investment and operation management in real estate. Prior to joining our Group, Ms. Zhou was employed at Nanjing Decoration Engineering Co. Ltd. (南京裝飾工程有限公司) from August 1993. Ms. Zhou joined Landsea Group in July 2002 and served in various managerial positions until June 2012 including as regional general manager in Shanghai. From September 2012 to March 2013, Ms. Zhou served concurrently as the assistant to the chairman, head of the secretariat and head of the supervision office at Landsea Group Company, where she was responsible for devising and implementing business strategies in Shanghai and assisting the president in various strategic, branding and senior-level human resources operations. From March 2013 to August 2013, Ms. Zhou was appointed as the general manager of Landleaf Technology, where she was responsible for its overall management. Since March 2013, she also became responsible for the business operations of Landsea Group in the U.S. Since August 2013, Ms. Zhou has served as the general manager of Shanghai Tangzheng Programming Construction Design Co., Ltd. (上海朗詩規劃設計院有限公司) (“**Landsea Architecture Design Institute**”), an indirect subsidiary of Landsea Group Company established to engage in construction design services, where she is responsible for overall management and overseeing the finance department. Ms. Zhou has also concurrently served as the vice president of Landsea Group Company since March 2014, where she is responsible for overseeing the human resources and administration department and overseas business exploration. Ms. Zhou was a non-executive director of Landsea Green Properties from January 2015 to August 2016 and an executive director of Landsea Green Properties from August 2016 to June 2020, during which she led its business development and exploration, including as president of Shenlu Property Management, which was wholly owned by Landsea Green Properties prior to its transfer to Landsea Property Management in July 2019, where she has been primarily

DIRECTORS AND SENIOR MANAGEMENT

responsible for overseeing daily operations and formulating business strategies. Since January 2021, Ms. Zhou has served as a director of Landsea Homes, a company listed on the NASDAQ Stock Market (symbols: “LSEA”, “LSEAW”).

Ms. Zhou obtained a diploma in decoration engineering from Yangzhou University (揚州大學) in the PRC in July 1993, a master’s of business administration from Nanjing University (南京大學) in the PRC in June 2006, and an executive master’s of business administration from CEIBS in the PRC in October 2011. In October 2008, Ms. Zhou was awarded the Green Ecological Building Gold Award - Elite Residential Technology Awards (綠色生態建築金獎—精瑞住宅科學技術獎) by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), to recognise her achievements in innovating with and applying green technologies. In November 2011, Ms. Zhou was certified as a senior engineer (高級工程師) by the Evaluation Committee of Advanced Professional Technical Qualifications for Construction Engineering in Nanjing, Jiangsu Province (江蘇省南京市建設工程高級專業技術資格評審委員會).

Ms. Zhou was a director of Shanghai Qianlong Property Development Co., Ltd. (上海乾龍置業有限公司) (“**Shanghai Qianlong**”), a then wholly-owned subsidiary of Landsea Group Company, and Nanjing Dinggu Decoration Design Engineering Co., Ltd. (南京鼎古裝飾設計工程有限公司) (“**Nanjing Dinggu**”), which were established in the PRC with limited liability. Shanghai Qianlong was principally engaged in property development, and Nanjing Dinggu was principally engaged in decoration engineering services. Shanghai Qianlong and Nanjing Dinggu were deregistered on 15 September 2014 and 24 December 2012, respectively. As confirmed by Ms. Zhou, such companies were solvent at the time when they were deregistered on a voluntary basis and there were no wrongful acts on her part leading to the deregistrations and she is not aware of any actual or potential claim that has been or will be made against her as a result of such deregistrations.

Mr. WU Xu (吳旭), aged 42, was appointed as our executive Director on 15 January 2021. Mr. Wu is currently our chief executive officer and is primarily responsible for overseeing our daily operations, community value-added services, customer relations management, formulating our business strategies and development plans and implementing our Board decisions. Mr. Wu joined our Group in May 2017 and currently serves as general manager of Landsea Property Management, where he is responsible for overall management.

Prior to joining our Group, Mr. Wu served as the superintendent of Xiandai Huagai Design Ltd. (上海現代華蓋建築設計研究院有限公司) from October 2010 to April 2014, a subsidiary of Arcplus Group PLC (華東建築集團股份有限公司), a company the shares of which are listed on the Shanghai Stock Exchange (stock code: 600629). From August 2016 to May 2017, Mr. Wu served concurrently as the general manager of Landsea Architecture Design Institute and the asset operation department of Landsea Group Company. From May 2017, Mr. Wu began serving as the general manager of Landsea Property Management, while also continuing to serve as the general manager of the asset operation department until it was dissolved in May 2018. Mr. Wu was responsible for general operations and management in all of the aforementioned roles.

Mr. Wu obtained a bachelor’s degree in construction engineering from the University of Shanghai for Science and Technology in the PRC in July 2001. In July 2012, Mr. Wu was

DIRECTORS AND SENIOR MANAGEMENT

certified as a senior engineer by the Shanghai Engineering Planning and Design Professional Qualification Review Committee (上海市工程系列規劃設計專業高級專業技術職務任職資格評審委員會). Mr. Wu has also served on various industry committees, such as the China Real Estate Chamber of Commerce City Renewal and Existing Building Remodeling Branch (全聯房地產商會城市更新和既有建築改造分會) as vice-president since March 2017, as well as the Commercial and Tourism Real Estate Professional Committee of the China Real Estate Association (中國房地產協會商業和旅遊地產專業委員會) as a review committee expert since August 2018.

Mr. Wu was a director of Shanghai Hengwei Architecture Technology Co., Ltd. (上海恒維建築科技有限公司), which was incorporated in the PRC with limited liability and principally engaged in the provision of architectural technology consulting services and was deregistered on 21 April 2005. As confirmed by Mr. Wu, such company was solvent at the time when it was deregistered on a voluntary basis and there were no wrongful acts on his part leading to the deregistration and he is not aware of any actual or potential claim that has been or will be made against him as a result of such deregistration.

Mr. LIU Chao (劉超), aged 40, was appointed as our executive Director on 15 January 2021. Mr. Liu is currently our chief financial officer and is primarily responsible for overseeing the management of our financial and capital markets affairs. Mr. Liu joined our Group in September 2019.

Prior to joining our Group, Mr. Liu served successively as an audit associate and a senior audit associate at PricewaterhouseCoopers Zhong Tian CPAs Ltd. Dalian Branch from August 2007 to May 2011, where he was primarily responsible for various auditing assignments. From June 2011 onwards, Mr. Liu served as the senior financial manager of Dalian Haichang Corporation Development Co., Ltd. (大連海昌企業發展有限公司), the senior financial manager of Haichang (China) Co., Ltd. (海昌(中國)有限公司) and the financial manager at Haichang Holdings (Hong Kong) Ltd. (海昌控股(香港)有限公司). From October 2017 to November 2018, he served as company secretary at Haichang Ocean Park Holdings Ltd. (海昌海洋公園控股有限公司) (HKEx stock code: 2255), where he was responsible for overseeing corporate governance, compliance with Listing Rules requirements and investor relations. Since December 2018, Mr. Liu has served as the board secretary of Landsea Green Properties, where he is responsible for overseeing corporate governance, compliance with Listing Rules requirements and investor relations. Mr. Liu will resign as the board secretary of Landsea Green Properties upon Listing.

Mr. Liu obtained a bachelor's degree in business management from Liaoning University in the PRC in July 2003, a master's degree in banking and finance from Monash University in Australia in November 2006 and a master's degree in business administration with the Hong Kong University of Science and Technology in November 2020. Mr. Liu became a certified member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2014, an associate member of the Association of International Accountants (國際會計師工會) in October 2015, a member of the Hong Kong Institute of Certified Public Accountants in October 2017 and an affiliated person of The Hong Kong Institute of Chartered Secretaries in March 2018.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Dr. WONG Chi Wing (王志榮), aged 57, was appointed as our independent non-executive Director on 15 June 2021. Dr. Wong is primarily responsible for providing independent judgment on strategy, policy, performance, accountability, internal control and corporate governance.

From May 2002 to March 2007, Dr. Wong served in various positions at PCCW Solutions (formerly known as Unihub Limited), first as assistant vice president and eventually as vice president. As vice president, he was primarily responsible for leading the presales and business development team for the telecom industry. From May 2010 to August 2014, Dr. Wong served in various positions at Accenture Consulting for Greater China, with his last position as managing director, a role in which he was primarily responsible for oversight of the management consulting and strategy expertise services business. Since March 2015, Dr. Wong has served as a managing partner at Big Data Elite Asia Limited and GCE Consulting Limited, where he was primarily responsible for leading administrative management and the provision of advisory and training services in relation to big data, digital transformation, FinTech and strategic management. Since July 2016, Dr. Wong has served as an independent non-executive Director at Autotoll Limited, where he was primarily responsible for providing independent advice to the board as it manages a business engaged in providing electronic toll collection services in Hong Kong. From September 2018 to June 2020, Dr. Wong served as an independent non-executive director at Veson Holdings Limited (KY) (formerly known as SCUD Group Limited) (stock code: 1399), where he was primarily responsible for providing independent advice to the board as it manages a business engaged in manufacturing and selling lithium-ion battery products. Since February 2020, Dr. Wong has served as an independent non-executive director at Cirtek Holdings Limited (stock code: 1433), where he was primarily responsible for supervising and providing independent advice to the board.

Dr. Wong obtained a bachelor's degree in science from the Chinese University of Hong Kong in December 1986, a master's degree in business administration from the City University of Hong Kong in November 1995, a master's degree of science in electronic commerce from the City University of Hong Kong in November 2003 and a doctorate degree in business administration from the City University of Hong Kong in February 2011. Dr. Wong has been a fellow of the HKICPA since July 2000.

Ms. Lu Mei (魯梅), aged 59, was appointed as our independent non-executive Director on 15 June 2021. Ms. Lu is responsible for providing independent judgement on strategy, policy, performance, accountability, internal control and corporate governance.

After graduating from university, Ms. Lu served in various government positions, including the department of administration and national defence of the National Audit Office of the PRC (國家審計署行政國防司) and the Ministry of Commerce of the PRC (中國國家商務部). From January 1999 to October 2008, she served as the vice president of China Jinmao Holdings Group Limited (中國金茂控股集團有限公司) (stock code: 0817), where she was primarily responsible for developing, implementing and evaluating group strategy. From October 2008 to February 2010, she served as the head of administrative affairs of GP Capital Co., Ltd. (金浦產業投資基金管理有限公司).

DIRECTORS AND SENIOR MANAGEMENT

Ms. Lu obtained a bachelor's degree in economics (majoring in finance and economics) from the Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1984 and an executive master's of business administration from CEIBS in the PRC in September 2005. Ms. Lu has also applied her expertise to advise social organisations and academic institutions, serving as institution supervisor at the Shanghai Lequn Social Work Service (上海樂群社工服務社) since April 2015, as well as senior consultant at the Chinese Academy of Financial Inclusion at the Renmin University of China (中國人民大學中國普惠金融研究院) since January 2018.

Dr. Chen Kevin Chien-wen (陳建文), aged 66, was appointed as our independent non-executive Director on 15 June 2021. Dr. Chen is responsible for providing independent judgement on strategy, policy, performance, accountability, internal control and corporate governance.

Dr. Chen has successively served as professor and chair professor of accounting of the Hong Kong University of Science and Technology (香港科技大學) (“HKUST”) since July 1996, where he was primarily responsible for teaching and research. From July 1989 to June 1999, Dr. Chen successively served as assistant professor and associate professor of the department of accounting at Rutgers University in the U.S., where he was primarily responsible for teaching and research. From July 2007 to June 2016 and from August 2017 to July 2020, Dr. Chen served as head of the Department of Accounting of HKUST while also serving as chair professor of accounting. As head of the Department of Accounting, Dr. Chen was primarily responsible for leading administrative management. Since September 2011, Dr. Chen has served as an independent non-executive Director of Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司) (stock code: 1588), where he is primarily responsible for providing independent opinion and judgement to the Board, particularly with regard to the financial aspects of the company.

Dr. Chen obtained a bachelor's degree in business administration with a major in accountancy from National Taiwan University (國立臺灣大學) in June 1976, a master's degree in accounting science from the University of Illinois at Urbana-Champaign in the U.S. in May 1983 and a doctoral degree of philosophy in accountancy from the University of Illinois at Urbana-Champaign in the U.S. in May 1985. Dr. Chen was certified as a Chartered Accountant by the Ministry of Examination of the Republic of China (中華民國考選部) in August 1976. Dr. Chen has applied his expertise to advise financial institutions in Hong Kong, serving as a member of the Financial Reporting Review Panel of the Financial Secretary of Hong Kong (香港財務匯報局財務匯報檢討委員會) from July 2010 to July 2015, where he was primarily responsible for investigating financial statement violations of listed companies. Dr. Chen has participated in hearing and determining civil proceedings related to market misconduct as a member of the Market Misconduct Tribunal (市場失當行為審裁處) in April 2019.

DIRECTORS AND SENIOR MANAGEMENT

In addition to being a Chartered Accountant as certified by the Ministry of Examination of the Republic of China, Dr. Chen also confirms he possesses the appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules, as gained through his following experiences:

- lecturing on and teaching accounting, auditing and financial management-related courses since July 1989 as associate professor of the department of accounting at Rutgers University in the U.S. and current chair professor of accounting and head of the Department of Accounting at HKUST;
- conducting financial, auditing and accounting research, staying updated on the recent industry and regulatory developments in accounting and financial management and publishing in academic journals, including *the Journal of Accounting & Economics*, *the Journal of Financial and Quantitative Analysis*, *the International Journal of Accounting*, *the Journal of Financial Economics*, *the Accounting Review*, *the Journal of Accounting, Auditing & Finance*, *the Journal of Accounting and Public Policy* and *the Contemporary Accounting Research*;
- serving as an independent non-executive director of Chanjet Information Technology Company Limited and chairman of its audit committee, and working closely with the company in financial management and auditing-related matters, including preparation and review of its financial statements and annual budget, and oversight of the company's financial reporting system, risk management and internal control systems;
- considering any significant or unusual items as may be reflected in the financial reports and accounts, investigating financial statement violations of listed companies as a former member of the Financial Reporting Review Panel of the Financial Secretary of Hong Kong, and guiding public companies in maintaining the expected high standards of transparency, integrity and compliance in financial matters; and
- through his experience serving as a former member of the Financial Reporting Review Panel of the Financial Secretary of Hong Kong and the Market Misconduct Tribunal, developing knowledge and expertise and allowing him to focus on compliance with accounting standards, the Listing Rules and other legal requirements in relation to financial reporting and considering major investigation findings on risk management and internal control matters.

Save as disclosed above, none of our Directors have held any other directorships in companies listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Additionally, there is no other information relating to the relationship of any of our Directors with other Directors and senior management officers that should be disclosed pursuant to Rule 13.51(2) or paragraph 41(3) of Appendix 1A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other information relating to the appointment of our Directors that needed to be brought to the attention of our Shareholders and there was no information relating to our Directors that had to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management officers, in addition to our executive Directors, are responsible for managing our daily business operations.

Members of our senior management

The table below shows certain information in respect of members of senior management of our Company:

<u>Name</u>	<u>Age</u>	<u>Existing position</u>	<u>Date of joining our Group</u>	<u>Role and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Ms. ZHOU Qin (周勤)	47	Deputy chairman	March 2019	Responsible for formulating strategies for the overall development of our Group, and supervising our corporate governance and business operations	N/A
Mr. WU Xu (吳旭)	42	Chief executive officer	May 2017	Responsible for overseeing our daily operations, community value-added services, customer relations management, formulating our business strategies and development plans and implementing our Board decisions	N/A
Mr. LIU Chao (劉超)	40	Chief financial officer	September 2019	Responsible for overseeing the management of our financial and capital markets affairs	N/A

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Existing position</u>	<u>Date of joining our Group</u>	<u>Role and responsibilities</u>	<u>Relationship with other Directors and senior management</u>
Mr. DENG Peng (鄧鵬)	44	Chief operations officer	October 2007	Responsible for overseeing the operation and management of our property management business	N/A
Mr. GUO Liang (郭亮)	44	Chief human resources officer	February 2008	Responsible for overseeing our human resources operations	N/A
Mr. YIN Feng (尹鋒)	44	Chief investment officer	July 2019	Responsible for overseeing our investment activities and market expansion efforts	N/A
Ms. LEI Di (雷笛)	53	Head of engineering	June 2010	Responsible for overseeing our repair and maintenance operations	N/A

Ms. ZHOU Qin (周勤), aged 47, is our executive Director and our deputy chairman. See “Board of Directors – Executive Directors – Ms. ZHOU Qin (周勤)” in this section for Ms. Zhou’s biography.

Mr. WU Xu (吳旭), aged 42, is our executive Director and our chief executive officer. See “Board of Directors – Executive Directors – Mr. WU Xu (吳旭)” in this section for Mr. Wu’s biography.

Mr. LIU Chao (劉超), aged 40, is our executive Director and our chief financial officer. See “Board of Directors – Executive Directors – Mr. LIU Chao (劉超)” in this section for Mr. Liu’s biography.

Mr. DENG Peng (鄧鵬), aged 44, is our chief operations officer. Mr. Deng is primarily responsible for overseeing the operation and management of our property management business. Mr. Deng joined our Group in October 2007 as a project manager and was responsible for handling various matters related to our operations and property management projects at Landsea Property Management. From July 2010 to April 2015, he served concurrently as the assistant to the general manager and manager of the Sunan area branch, where he was responsible for overseeing our property management operations. From April 2015 to December 2018, Mr. Deng served in various capacities such as deputy general manager, internal training manager, general manager of the Zhejiang area branch and the property management manager of the Zhejiang and Shenzhen areas, and has been primarily responsible for managing internal trainings and our business operations in various regions in

DIRECTORS AND SENIOR MANAGEMENT

the PRC. Since December 2018, Mr. Deng has served as the deputy general manager of Landsea Property Management, where he is responsible for overseeing our property management business.

Prior to joining our Group, Mr. Deng served successively as the project manager and the quality control manager at Jiangsu Changjiang Property Management Co. Ltd. (江蘇長江物業管理有限公司) from October 1999 to April 2007, where he was primarily responsible for project and quality control management.

Mr. Deng graduated from the Central Party School of the Communist Party of China (中共中央黨校) in the PRC in December 2004 for professional studies in law, and the University of International Business and Economics (對外經濟貿易大學) in the PRC in January 2020 through completing online courses. In December 2003, Mr. Deng was certified as a National Property Management Enterprise Manager (全國物業管理企業經理) by MOHURD. In August 2018, Mr. Deng was certified as a Property Management Project Excellence Evaluation Expert Committee Member (杭州市物業管理優秀項目考評專家庫成員) by the Hangzhou Property Management Association (杭州物業管理協會). In December 2019, Mr. Deng was recognised as one of the “Top 100 Property Management Talent in China” (2019中國物業經理人百強) by a joint committee including representatives from the China Property Management Association (中國物業管理協會), recognising his achievements in the field of property management.

Mr. Deng was also a supervisor of Suzhou Happy Life Decoration Engineering Co., Ltd. (蘇州樂生活裝飾工程有限公司) (“**Suzhou Happy Life**”), which was established in the PRC with limited liability. Suzhou Happy Life was principally engaged in the provision of decoration engineering services. According to Mr. Deng, Suzhou Happy Life had ceased operations and did not conduct annual inspection as required under the relevant PRC laws and regulations which led to its business licence being revoked on 22 June 2020. As confirmed by Mr. Deng, such company was solvent at the time when its licence was revoked and there were no wrongful acts on his part leading to the revocation and he is not aware of any actual or potential claim that has been or will be made against him as a result of such revocation.

Mr. GUO Liang (郭亮), aged 44, is our chief human resources officer. Mr. Guo is primarily responsible for overseeing our human resources operations. Mr. Guo joined our Group in February 2008 as the human resources department director of Landsea Property Management, where he was responsible for human resources operations such as formulating and implementing staffing, recruitment, compensation and training strategies until November 2013. He subsequently returned to our Group in May 2019 and currently serves as the deputy general manager of Landsea Property Management, where he is primarily responsible for managing human resources.

Prior to joining our Group, Mr. Guo served as deputy manager of the comprehensive operations department at Nanjing Jinqiao Shiye Co., Ltd. (南京金橋實業有限公司) from August 1997 to June 2005, where he was responsible for implementing internal policies and procedures and performance management. Upon joining Landsea Property Management in February 2008, Mr. Guo served as head of administration and manager of the comprehensive

DIRECTORS AND SENIOR MANAGEMENT

operations department until July 2013. Mr. Guo served as the general manager and the manager of Nanjing Landsea Changqingting Retirement Co., Ltd. (南京朗詩常青藤養老服務有限公司), a subsidiary of Landsea Group Company, where he was responsible for overseeing internal corporate organisation, business operation and management, from July 2013 to May 2019.

Mr. Guo graduated for professional studies in economic management and obtained a master's degree in business management from Nanjing University (南京大學) in the PRC in December 2000 and June 2007, respectively. In November 2003, Mr. Guo obtained a Human Resources Economics (Intermediate Level) (人力資源經濟(中級)) certification from the Ministry of Human Resources and Social Security ("MHRSS") (人力資源和社會保障部印製) of the PRC. In December 2011, MHRSS also certified him as a First Level Enterprise Human Resources Manager (一級企業人力資源管理師).

Mr. YIN Feng (尹鋒), aged 44, is our chief investment officer. Mr. Yin is primarily responsible for overseeing our investment activities and market expansion efforts. Mr. Yin joined our Group in July 2019 and currently serves as deputy general manager of Landsea Property Management, where he is responsible for overall management.

Prior to joining our Group, Mr. Yin served in various positions at the Yangzhou Housing Security and Real Estate Administration Development Management Office (揚州市住房保障和房產管理局), including as a deputy division chief and the head of the Yangzhou Property Management Centre (揚州市物業管理中心). He joined A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司) (stock code: 3319) in December 2017 as the general manager of the investment strategy centre, where he was responsible for formulating business and investment strategies. From December 2018 to June 2019, Mr. Yin served as the general manager of the Nanjing branch of Shandong Mingde Property Management Co., Ltd. (山東明德物業管理集團有限公司), where he was responsible for overseeing property management business in the East China region.

Mr. Yin obtained his bachelor's degree in civil engineering from Yangzhou University (揚州大學) in the PRC in July 2005. Mr. Yin has also served on various industry committees beginning from 2014, such as the Industry Development Research Center of the China Property Management Association (the "CPMA") (中國物業管理協會行業發展研究中心) as a researcher, the Property Management Maintenance Fund Research Committee of the CPMA (中國物業管理協會物業維修資金研究專業委員會) as deputy group leader, special expert and deputy secretary-general, and the Industry Development Research Committee of the CPMA (中國物業管理協會產業發展研究委員會) as a committee member since October 2019.

Ms. LEI Di (雷笛), aged 53, is our head of engineering. Ms. Lei is primarily responsible for overseeing repair and maintenance operations. Mr. Lei joined our Group in May 2010 as the general manager of the Suzhou region branch of Landsea Property Management (南京朗詩物業管理有限公司蘇州區域公司). She was promoted as the deputy general manager of Landsea Property Management in June 2014, where she was responsible for property management operations, and served as general manager of various regions including Suzhou and Wuxi.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Lei served as a management staff member of Tao Wu Real Estate Management Bureau (桃塢房管所) from July 1988 to February 1989, where she was responsible for consolidating statistical data in relation to repair and maintenance operations. From March 1989 to August 1992, Ms. Lei served as a management staff member at Jinchang District Real Estate Management Bureau (金閶區房管局). From August 1992 to March 2004, Ms. Lei served successively as the section head of the personnel secretary division and the section head of the management division at Suzhou City Liuyuan Property Development Co., Ltd. (蘇州市留園房產置業有限責任公司) (formerly known as Shantang Real Estate Management Bureau (山塘房管所)), where she was responsible for human resources, administration matters and public housing management. From May 2004 to April 2010, Ms. Lei served as manager and project manager at Jiangsu Sunan Vanke Property Management Co., Ltd. (江蘇蘇南萬科物業服務有限公司).

Ms. Lei obtained a diploma in secretarial services from Suzhou Vocational University (蘇州市職業大學) in the PRC in July 1988, and graduated from the Central Party School of the Communist Party of China (中共中央黨校) in the PRC in December 2000 for professional studies in economic management. Ms. Lei has also been certified as an assistant economist (助理經濟師) by the Suzhou Personnel Bureau (蘇州市人事局) since November 2002, a Project Manager Second-Level (專案項目經理二級) by the Suzhou Property Management Association (蘇州市物業管理協會) since December 2008 and a National Property Management Enterprise Manager (全國物業管理企業經理) by MOHURD's Department of Housing and Real Estate (中華人民共和國住房和城鄉建設部住宅與房地產業司) since September 2004.

COMPANY SECRETARY

Mr. LIU Chao (劉超), aged 40, was appointed as our company secretary on 15 January 2021. See “Board of Directors – Executive Directors – Mr. LIU Chao (劉超)” in this section for Mr. Liu's biography.

BOARD COMMITTEES

Our Board has established audit, remuneration and nomination committees, to which they have delegated various responsibilities. Our audit, remuneration and nomination committees assist our Board in discharging its duties and overseeing particular aspects of our activities.

Audit committee

We established an audit committee on 15 June 2021 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 forth in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Dr. Chen Kevin Chien-wen, Dr. Wong Chi Wing and Ms. Lu Mei, all of whom are our independent non-executive Directors. Dr. Chen Kevin Chien-wen is the chairman of the audit committee and possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The primary duties of the audit committee are to provide an independent view of the effectiveness of our financial reporting, risk management and internal control systems, oversee our audit process, develop and review policies and perform other duties and responsibilities as assigned by the Board.

Remuneration committee

We established a remuneration committee on 15 June 2021 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 forth in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, namely Dr. Wong Chi Wing, Ms. Zhou Qin and Dr. Chen Kevin Chien-wen. Dr. Wong Chi Wing is the chairman of the remuneration committee.

The primary duties of the remuneration committee include, but are not limited to (i) establish, review and advise our Board on the policy and structure of remuneration to our Directors and senior management officers; (ii) establish a formal and transparent procedure for developing policies concerning such remuneration; (iii) determine the terms of remuneration packages for each Director and senior management officer; and (iv) review and approve performance-based remuneration by reference to corporate goals and objectives as resolved by our Directors from time to time.

Nomination committee

We have established a nomination committee on 15 June 2021 with written terms of reference in compliance with paragraph A.5 of the CG Code as set forth in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Ms. Lu Mei, Ms. Zhou Qin and Dr. Wong Chi Wing. Ms. Lu Mei is the chairman 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 regarding any proposed changes to its composition; (ii) identify, select or make recommendations to our Board on the selection of nominees for directorship; (iii) ensure the diversity of our Board; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment, removal and succession of our Directors.

CORPORATE GOVERNANCE

We recognise the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability.

We have adopted the code provisions stated in the CG Code. We are committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgement.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but without limitation to property development, property management, financial management, human resources and administrative management. They completed studies in various majors including but without limitation to decoration engineering, construction engineering and business administration. We have three independent non-executive Directors who have different industry backgrounds, including information technology, accounting and finance and economics. Furthermore, our Directors are of a wide range of age, from 40 to 66 years old. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of seven Board members, we consider that the composition of our Board satisfies our board diversity policy.

We recognise the particular importance of gender diversity on our Board. Our Board currently comprises seven Directors, including two female Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after Listing. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior- levels so that we have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After Listing, our nomination committee will review our board diversity policy and its implementation annually to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) paid to our Directors for FY2018, FY2019 and FY2020 was approximately RMB0.9 million, RMB2.3 million and RMB2.1 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

The aggregate amount of fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind paid to our five highest paid individuals in respect of FY2018, FY2019 and FY2020 was approximately RMB3.1 million, RMB4.8 million and RMB7.1 million, respectively.

We did not pay any remuneration to our Directors or the five highest paid individuals as an inducement to join our Group, upon joining us, or as compensation for loss of office during the Track Record Period. Furthermore, none of our Directors have waived or agreed to waive any remuneration during the same period.

Under the arrangement currently in force, the aggregate remuneration (excluding discretionary bonus) to our Directors for FY2021 is estimated to be no more than approximately RMB6.0 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management officers with, following the Listing, the benefit of recommendations from the remuneration committee. Our remuneration committee will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed Rainbow Capital (HK) Limited as our compliance adviser to provide advisory services to our Company. We expect that the compliance adviser will, amongst other things, advise our Company with due care and skill 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 issuances and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), Honor Limited, which is wholly owned by Mr. Tian, will, in aggregate, directly or indirectly, be interested in approximately 34.16% of the total number of issued Shares. Hence, Honor Limited and Mr. Tian will be our Controlling Shareholders under the Listing Rules.

Mr. Tian was the founder of Landsea Group Company, under which Landsea Green Properties Group and our Group were established. He has approximately 20 years of experience in property development and investment and currently serves as (i) the chairman of the board and executive director of Landsea Green Properties, (ii) chairman and chief executive officer of Landsea Group Company, and (iii) chairman of the board and a director of Landsea Homes. Throughout the history of our Group, our operations and management have been entrusted to our core management team, led by Mr. Wu Xu, our chief executive officer and an executive Director so as to allow Mr. Tian to focus on his other business interests. Honor Limited is a limited liability company incorporated in the BVI for the purpose of holding Mr. Tian's interest in our Group.

DELINEATION OF BUSINESS

Our Business

We primarily provide property management services, community value-added services and value-added services to non-property owners (the “**Property Management Business**”) in developed cities of the Yangtze River Delta and certain other major cities of the PRC.

Other Businesses of our Controlling Shareholders

Apart from our business, Mr. Tian, through his interests in Landsea Group Company (in which he is interested in 50% of its total number of issued shares) and Landsea Green Properties (in which he is interested in 57.94% of its total number of issued shares), has invested in businesses including, among others, property development, decoration engineering, architectural technologies, sales of construction materials, management of staffing and human resources for property projects, asset management and investment, provision of retirement and fitness services and operation of rental apartments. In particular, the property development business carried out by Landsea involves the actual construction and development of property projects owned by Landsea as well as the provision of property development entrustment services, whereby owners of property development projects entrust their property projects to Landsea to lead and oversee the whole process of development and construction, ranging from design, operation, sales, procurement, construction, completion to acceptance and delivery of properties. In contrast, our Group provides various value-added services to non-property owners, which include cleaning, security, repair and maintenance and other sales assistance and consultancy services but does not engage in the construction and operation of property development projects. Landsea also operates rental apartments, a

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

business that involves leasing of rental apartments retained by Landsea as its investment properties to customers for short-term stays. This may be clearly delineated from our property agency services, where we act as agents for individual customers, primarily homeowners and tenants within the communities of the projects which we manage, to assist them in leasing their properties for longer terms of normally at least one to two years. Given the difference in nature between the business of our Group and the businesses of the other companies controlled by Mr. Tian, our Directors are of the view that there is a clear business delineation between our Group and the other companies controlled by Mr. Tian.

Technological Systems Operation Business

In addition, Mr. Tian indirectly controls 65.67% of the equity interest in Landleaf Technology and all of the equity interest in Nanjing Linglan (indirectly through his 50% beneficial interest in Landsea Group Company, which are primarily engaged in developing construction-related green technologies, offering green technological solutions, providing technical consultancy and advice and providing operation and maintenance services (the “**Technological Systems Operation Business**”) for technological systems (the “**systems operation services**”), which include ceiling radiation systems, fresh air displacement systems and ground-source heat pump systems installed in residential properties that maintain indoor temperatures and humidity at comfortable levels and improve air quality by filtering out harmful substances (the “**Green-Tech Systems**”).

The Property Management Business conducted by our Group is fundamentally different from the Technological Systems Operation Business. In carrying out the Property Management Business, we focus on the provision of property management services, community value-added services and value-added services to non-property owners, leveraging our expertise and experience in the daily affairs of properties. The Property Management Business is primarily focused on the maintenance and upkeep of communal areas, including but not limited to security, cleaning, gardening and landscaping, daily repair and maintenance services and other value-added services that enhance the end-user experience within residential and non-residential properties, which require close attention in the day-to-day affairs of the managed properties.

On the other hand, the focus of the Technological Systems Operation Business is on the operation and maintenance of the Green-Tech Systems installed in residential properties that maintain indoor temperatures and humidity at comfortable levels and improve air quality by filtering out harmful substances, which is not concerned with the maintenance and upkeep of communal areas and it therefore does not require close attention to the day-to-day affairs of the managed properties. As the Green-Tech Systems are designed to be environmentally friendly and energy-efficient, their operation requires basic working knowledge of climate and geographical patterns to be able to deploy them to their full potential in different seasons and locations. Staff employed to operate the Green-Tech Systems include personnel with higher education degrees in areas such as engineering and HVAC in order to be able to operate and maintain the Green-Tech Systems including the ceiling radiation systems, fresh air displacement systems and ground-source heat pump systems.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Even when providing property management services to green buildings, our Group also focuses on the maintenance and upkeep of communal areas, and not the operation of any Green-Tech Systems that may have been installed by property developers. Under the “Green Building Evaluation Standards” that set forth the certification requirements for green buildings, the role of the property management service provider covers establishing and implementing operational procedures for conserving resources, reducing waste and enhancing the natural environment, which requires close attention to the affairs and regular reviews on the daily routines and practices in relation to the maintenance and upkeep of the properties. Accordingly, our role as property management service provider concerns the practices we carry out during the course of maintaining and upkeeping communal areas, as opposed to actively operating them to conserve natural resources. As such, when engaged to manage green buildings, our Group will undertake to learn extensively about their architectural characteristics and environmental protection features. Based on our analysis of the results, we will then devise and implement property management measures and procedures that make good use of the characteristics and features of the green buildings and to create a more eco-friendly, comfortable and sustainable living environment that fulfils the various certification requirements necessary for obtaining and maintaining the “Green Building Labels” or recognitions obtained from internationally recognised environmental and building sustainable certification evaluation systems, such as installing intelligent sensors in communal areas that will turn off lighting systems when certain areas are not in use, putting signs next to elevators to promote the health benefits of stair climbing, setting up collection points for recyclables and reusable materials and supporting recycling by decorating the communal areas with art exhibits made of unwanted objects. Our aim is to reduce the ecological footprint in relation to maintaining and upkeeping the communal areas of such properties. We therefore add value to green buildings by enhancing their overall environmental sustainability through property management.

The table below further summarises the major differences between the Property Management Business and the Technological Systems Operation Business:

Differences	Property Management Business	Technological Systems Operation Business
Employee composition . .	Primarily consists of various operational personnel in charge of overseeing our property management projects, as well as handling other legal, financial and administrative affairs	Primarily consists of employees with technological expertise in engineering and HVAC to oversee the operation of, and conduct research and development in relation to, the Green-Tech Systems

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Differences	Property Management Business	Technological Systems Operation Business
Pricing policy	Property management fees are determined based on factors such as project size, types of properties, various anticipated operational expenses, service quality, customer profiles, local pricing guidelines (where applicable) and the property management fees of comparable properties. For further details, see “Business — Property Management Services — Pricing policy”	Fees for systems operation services are determined on a cost plus margin basis, taking into account factors such as utility costs, labour costs and repair and maintenance costs in relation to the Green-Tech Systems
Suppliers	Primarily sub-contractors for services such as cleaning and security	Primarily providers of repairs and maintenance services, supplies and equipment for maintaining the Green-Tech Systems and utilities
Applicable laws and regulations	Laws and regulations specifically applicable to the provision of property management services include, among others, the “Measures on the Charges of Property Management Enterprise” (《物業服務收費管理辦法》), the “Regulations on Property Management (2018 revision)” (《物業管理條例》(2018年修正)) and the “Guidance Rules of the General Meeting of the Property Owners and the Property Owners’ Association” (《業主大會和業主委員會指導規則》)	No laws and regulations specifically applicable to operating the Green-Tech Systems

Based on the above, the Technological Systems Operation Business is different and significantly distinctive in nature from the Property Management Business, which has been our principal and core business. The Technological Systems Operation Business has therefore been excluded from our Group. Our Group has no intention of conducting the Technological Systems Operation Business, or providing services similar in nature to that under the Technological Systems Operation Business, in the future. As confirmed by CIA, the Technological Systems Operation Business is regarded as separate and distinct from the Property Management Business by industry players. The task of operating Green-Tech Systems is also usually delegated to specialised service providers by property developers, who

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

take initiative in securing environmental certifications for properties so that they may be marketed as green buildings. The focus of our Group in the Property Management Business is therefore generally in line with the market and industry practice of other property management service providers in the PRC and there is a clear delineation between the Property Management Business of our Group and the Technological Systems Operation Business of our Controlling Shareholder. The conduct of the Technological Systems Operation Business by our Controlling Shareholder will not and is unlikely to compete with our Property Management Business.

In view of the aforesaid, none of the businesses of the companies controlled by Mr. Tian would compete or is expected to compete, directly or indirectly, with the business of our Group in a manner that 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 favour 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 “Deed of Non-competition” in this section below.

As at 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 Company’s business in a manner which would require disclosure under Rule 8.10 of the Listing Rules.

OUR BUSINESS RELATIONSHIP WITH LANDSEA

Our Group has had a well-established and ongoing business relationship with Landsea, as we have been providing property management services to residential properties developed by Landsea since Landsea Property Management was first established in 2005.

Landsea is principally engaged in the businesses of property development, decoration engineering, architectural technologies, sales of construction materials, management of staffing and human resources for property projects, asset management and investment, provision of retirement and fitness services and operation of rental apartments. During the Track Record Period, all of Landsea’s property development business was conducted through Landsea Green Properties Group. Landsea Green Properties Group focuses on the development of green residential properties. According to CIA, Landsea Green Properties Group is well-known for its development of green residential buildings and its asset-light model in property development among the Top 100 Real Estate Enterprises in China (中國房地產百強企業). Landsea Green Properties was also named among the “2019 Best 100 China Real Estate Developers” and “2019 Top 10 China Real Estate Developers in terms of Operating Results” at the 2019 Top 500 China Real Estate Developers Assessment Results Release and Summit, and ranked among the “China’s Top 100 Most Competitive Listed Real Estate Developers in 2019” and “China’s Top 5 Fastest Growing Listed Real Estate Developers in 2019” at the 2019 Press Conference for Evaluation of China’s Listed Property

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Developers. According to the 2020 interim report of Landsea Green Properties, Landsea Green Properties Group recorded total contracted sales of RMB12.9 billion in the six months ended 30 June 2020, and had project reserves with a total GFA of 17.8 million sq.m. and saleable area of 6.0 million sq.m. as at 30 June 2020. Taking into account the equity interests held by it, the total GFA of the project reserves attributable to Landsea Green Properties Group were 5.1 million sq.m. and saleable area of 1.3 million sq.m. as at 30 June 2020.

We consider the close business relationship between our Group and Landsea to be mutually beneficial and complementary, which is common among property management service providers and their related property development companies in the PRC. Over years of cooperation, our Group and Landsea have developed deep understanding of each other's business operations and shared a similar service philosophy. Given the long and close relationship between our Group and Landsea, our familiarity with Landsea's specific requirements and expected deliverables has enabled us to reduce communication costs, build mutual trust and consistently provide quality services that meet Landsea's specific demands and requirements for its properties. In turn, this has led us to develop a close and long-term cooperative relationship with Landsea, which we believe is instrumental to Landsea's success in establishing a nationally distinguished and well-recognised brand image, and our own success in developing our capability and experience in providing property management services for green residential buildings, reinforcing our existing market position and enhancing our competitiveness. As disclosed in the annual and interim reports of Landsea Properties, Landsea's core business strategies include (i) substantially increasing its development of green buildings by applying the latest construction-related green technologies within its properties, thereby achieving product differentiation, (ii) pursuing strategic partnerships with financial institutions and other corporations for co-developing properties, so as to increase output, lower investment risks and become more asset-light, and (iii) actively seeking opportunities to be entrusted with land or property development projects by independent third parties for carrying out construction and development work, in order to attain revenue diversification. We believe our experience in managing residential and non-residential properties and knowledge of the requirements for managing green buildings will assist us in fulfilling Landsea's business needs in a way that will generate synergies and nurture our mutual growth. We expect that our mutually beneficial and complementary relationship will continue to strengthen over time such that we will maintain our edge in securing projects developed by Landsea.

During the Track Record Period, we were engaged by Landsea to provide property management and value-added services to non-property owners for their property projects. Our Directors confirm that, to the best of their knowledge and belief, we provided property management services to a large majority of the properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest during the Track Record Period, and our bidding success rate for such projects was 100.0% during the Track Record Period. Landsea's tendering requirements in relation to property management service providers for its properties include (i) strong presence, brand name recognition and reputation for quality in regions that are core to its strategies for development and expansion, particularly the Yangtze River Delta, (ii) a history of cooperation that has been stable and mutually

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

prosperous, with an understanding of its business and growth strategies, and (iii) understanding of the architectural characteristics and specific features of the properties developed by Landsea, including ways to add value to green buildings as their property management service provider, such as planting trees or other greening procedures to minimise sounds made by machinery in power distribution rooms, installing intelligent sensors or other lighting mechanisms that would conserve electricity and actively initiating recycling campaigns in residential communities. We believe that our competitive advantages allow us to secure property management projects for properties solely developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest during the Track Record Period, which include, among others:

- (a) We are an established property management service provider with a strong brand influence and reputation in the Yangtze River Delta. Having accumulated more than 15 years of experience in providing property management services, our competitiveness and service quality have earned us numerous recognitions, such as CIA's recognition for three consecutive years as a "China Property Service Regional Brand Enterprise — East China" (中國物業服務區域品牌企業－華東) and a "Top 100 Property Management Companies in China by Service Quality" (中國物業服務百強 — 服務品質領先企業) since 2018. CIA has also ranked us as No. 24 among the "2021 Top 100 Property Management Companies in the PRC" (2021中國物業服務百強企業) in terms of overall strength;
- (b) We have the experience and ability to manage green buildings. According to CIA, we ranked third among the Top 100 Property Management Companies in the PRC in terms of the ratio of GFA under management of green buildings with an accreditation of two stars and above, and seventh in terms of the GFA under management of green buildings in 2020. We were also recognised as a "China Leading Property Management Company providing featured services — Green properties and green communities (中國特色物業服務領先企業－綠色物業&綠色社區) and China Leading Property Management Company providing featured services — Green living lifestyles and green properties (中國特色物業服務領先企業－綠色生活&綠色物業)" by CIA in 2017 and 2018, respectively; and
- (c) We have a stable and experienced management team with a proven track record of delivering high-quality property management services, as led by, among others, (i) Mr. Wu Xu, our executive Director and chief executive officer, who has over ten years of general operations and management experience in the property development and property management industries; (ii) Mr. Liu Chao, our executive Director and chief financial officer, who has been accumulating extensive experience in accounting and financial management since 2007; and (iii) Mr. Deng Peng, our chief operations officer, who has over 14 years of experience working in the property management industry. Both Mr. Wu Xu and Mr. Liu Chao have previously held positions in Landsea and are therefore familiar with its work culture, business operations and development strategies.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at 31 December 2018, 31 December 2019 and 31 December 2020, the total GFA of properties under our management which were developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest amounted to 7.6 million sq.m., 8.6 million sq.m. and 10.0 million sq.m., respectively, representing 83.4%, 57.1% and 57.7% of our total GFA under management as at the same dates, respectively. For FY2018, FY2019 and FY2020, revenue generated from property management services provided to properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest amounted to RMB164.9 million, RMB209.9 million and RMB253.3 million, respectively, representing 83.4%, 70.7% and 61.8% of our total revenue generated from the provision of our property management services. As at 31 December 2018, 31 December 2019 and 31 December 2020, the proportion of properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest to which we provided property management services in terms of GFA under management was 97.7%, 98.0% and 98.3%, respectively. As at 31 December 2020, we were also contracted to manage an additional GFA of 4.6 million sq.m. for properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest which was yet to be delivered.

Going forward, based on our mutual and complementary business relationship, we consider that it may also not be in the best interest of Landsea to engage a new service provider in place of our Group, taking into account the time required and the uncertainties involved for Landsea to engage a new service provider which is able to provide equally satisfactory services. We believe we have a competitive advantage over other property management companies that will allow us to continue securing engagements from Landsea.

Taking into consideration (i) our mutual and complementary relationship with Landsea, (ii) our bidding success rate for properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest was 100.0% during the Track Record Period, and (iii) we provided property management and value-added services to non-property owners to a large majority of the properties developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest during the Track Record Period, we believe we will continue to be engaged by Landsea to provide property management and value-added services to non-property owners for most of its projects under development before delivery to their respective property owners. See “Continuing Connected Transactions” in this prospectus for details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management. Save for the following members of our Board, there is no overlap of senior management members between our Group and Landsea (and its close associates):

<u>Member of our Board</u>	<u>Role(s) in our Group</u>	<u>Role(s) in Landsea (and its close associates)</u>
Mr. Tian	<ul style="list-style-type: none">• Chairman of the Board• Non-executive Director	<ul style="list-style-type: none">• Chairman of the board and executive Director of Landsea Green Properties• Chairman and chief executive officer of Landsea Group Company• Chairman of the board and director of Landsea Homes• Chairman of the board of Landleaf Technology
Ms. Zhou Qin	<ul style="list-style-type: none">• Executive Director• Deputy chairman	<ul style="list-style-type: none">• Vice-president of Landsea Group Company• Director of Landsea Homes
Mr. Liu Chao	<ul style="list-style-type: none">• Executive Director• Chief financial officer	<ul style="list-style-type: none">• Board secretary of Landsea Green Properties

As a non-executive Director, Mr. Tian is not required to attend to our affairs intensively on a daily basis in the management of our Group, and is not involved in our day-to-day operations. Further, despite the overlapping roles assumed by Ms. Zhou, when performing her duties in our Group and in Landsea, she has been and will continue to be supported by the separate and independent board, senior management team and employees of our Group and of Landsea (including Landsea Group Company and Landsea Homes). With a total of seven

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

directors on the board of Landsea Homes and two other senior management officers responsible for overseas business exploration and brand management assisting her work as vice-president of Landsea Group Company, Ms. Zhou's responsibilities are sufficiently shared such that she is not required to devote a disproportionately substantial amount of her time and effort to the management of Landsea. On this basis, Ms. Zhou confirmed that her involvement in the aforementioned companies will not affect the discharge of her duties as a Director to our Company. Additionally, Mr. Tian (the founder of our Group) and Ms. Zhou have been involved in overseeing the property management business of our Group throughout the Track Record Period. Notwithstanding their roles in Landsea, Mr. Tian and Ms. Zhou have a proven track record of being able to manage their duties within both our Group and Landsea. In view of their history of contribution to our growth, they were appointed to their respective roles in our Company so they may continue guiding us toward success.

In respect of Mr. Liu, as a board secretary of Landsea Green Properties, he is only involved in secretarial matters but not actively involved in the day-to-day management and business operations of Landsea Green Properties Group. Mr. Liu will resign from Landsea Green Properties upon Listing.

Each of our Directors is aware of his/her fiduciary duties, which require, among others, 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 operation of our Group independently from our Controlling Shareholders.

Should Mr. Tian and Ms. Zhou need to abstain from voting at any board meeting on Landsea-related issues, we believe the remaining Directors, which include Mr. Wu Xu, Mr. Liu Chao and three proposed independent non-executive Directors, will be able to make decisions in the best interests of our Company and its Shareholders. Mr. Wu Xu has had over ten years of general operations and management experience in the property development and property management industries, and Mr. Liu Chao has been accumulating extensive experience in accounting and financial management since 2007. Moreover, we have independent non-executive Directors who can add value to the decision-making process by providing insight from various industries, including law, accounting and finance and economics. Should our Directors wish to obtain further advice, they are also supported by and could consult the senior management of our Group, who have educational backgrounds and work experience in areas such as human resources, investment strategy and civil engineering in addition to property management. Taking into account the skills and experience possessed by our Directors and senior management, we believe there is a balanced mix of knowledge, skills and experience to uphold the effective functioning of our Board and promote good corporate governance.

Based on the reasons above, our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We engage in our businesses independently from our Controlling Shareholders and their close associates, with the independent right to make operational decisions and implement such decisions.

In respect of our property management services, we generally secure our preliminary management contracts through a standard tender process in accordance with the Interim Measures for Tender and Bidding Management for Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》). The tender process is a well-established, competitive and fairly structured process where neither Landsea nor our Group is able to exert influence on the selection of property management service providers. Tender evaluation committees must consist of an odd number of no less than five members, including at least a two-thirds majority of property management experts who are independent of our Group. The experts are selected on a random basis from a list compiled by the local real estate administrative department. In evaluating the bids, the tender evaluation committee would consider a number of factors, including reputation, quality of service, management system, human resources management and the proposed management plan. Our Group does not enjoy a preferential right to be engaged as the provider of preliminary-stage property management and value-added services for projects developed by Landsea, and our tender bids are considered on the same basis as tender bids submitted by other property management companies. We undergo the same tender process to secure preliminary management contracts with respect to residential property projects developed by Independent Third Party property developers. See “Business – Property management services – Tender process” in this prospectus for details.

After properties are delivered by property developers, we provide property management services directly to independent individual property owners, who may be represented by property owners’ associations. The property owners’ association, once formed, will be operated by the property owners, and will be entitled to enter into the property management contract with the property management service provider selected by the general meeting on behalf of the property owners. The property owners’ association, which is independent of Landsea, has the right to engage or dismiss us as the property management service provider after reviewing and evaluating our performance. According to the Civil Code of the PRC (《中華人民共和國民法典》), a general meeting of the property owners of a property, under a quorum consisting of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than two-thirds of the total number of property owners, can engage or dismiss a property management service provider with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting. The general meeting can select a new property management service provider through a public tender process or enter into contract with a specific property management service provider directly, based on certain selection criteria, including the term of the services, the overall service quality and the service fee. After obtaining the approval from the general meeting of the property owners, the property owners’ association will enter into a contract with the selected property management service provider. Landsea does not have any decisive influence over the decisions of property

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

owners or their property owners' associations to engage or dismiss property management service providers. We have to provide quality services to the residents/owners of the properties in order to secure our continuous appointment by the property owners' association. During the Track Record Period, we did not experience any early termination of our property management contracts due to the establishment of property owners' associations or our Group failing to be engaged as the property management services provider after the establishment of the property owners' associations.

As at 31 December 2018, 31 December 2019 and 31 December 2020, the total GFA of properties under our management which were developed by Landsea and properties that Landsea jointly developed with other independent third-party property developers in which Landsea may or may not have a controlling interest amounted to 7.6 million sq.m., 8.6 million sq.m. and 10.0 million sq.m., respectively, representing 83.4%, 57.1% and 57.7% of our total GFA under management as at the same dates. Despite the above, we are able to maintain a diversified customer base, primarily by continuing to provide property management services to property owners after the delivery of residential properties and participating in tender biddings organised by potential customers (such as property developers which are Independent Third Parties and property owner associations). As such, the majority of our customers are property owners and property developers who are independent from Landsea (and its joint ventures and associates). Our revenue generated from customers other than Landsea accounted for 73.1%, 78.2% and 75.0%, respectively, of our total revenue in FY2018, FY2019 and FY2020.

We have been growing our property management services portfolio during the Track Record Period, primarily by obtaining new property management service agreements. Going forward, we intend to grow our business scale and market share by (a) making aggressive efforts to participate in more tender biddings organised by potential customers (such as property developers which are Independent Third Parties); and (b) pursuing strategic acquisitions and investments in property management companies which we believe will allow us to diversify our service portfolio and customer base. We believe that, with our strong business development capabilities and market reputation, our revenue attributable to independent property owners and property developers will continue to grow due to the growth in income derived from (a) individual property owners of residential properties developed by Landsea for which we have been engaged to provide services, which is expected to account for the majority of our revenue; and (b) property developers which are Independent Third Parties, due to (i) our continuous efforts to participate in more tender biddings conducted by other property developers; and (ii) potential strategic acquisitions and investments in property management companies.

Licences required for operation

We have full rights, hold and enjoy the benefit of all relevant licences and permits, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operations independent from our Controlling Shareholders and their respective close associates and will continue to do so after Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Access to customers, suppliers and business partners

We have 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 independent team of personnel, who are experienced in the property management industry. We recruit our employees independently and primarily through various channels, such as campus recruitment, advertisement placing and internal referrals.

Continuing 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 Global Offering are set out in “Continuing Connected Transactions” in this prospectus. All such transactions shall be based on tender bidding in accordance with the relevant laws and regulations or determined after arm’s length negotiations and on normal commercial terms or better. In determining the fees for services between our Group and our Controlling Shareholders or their associates, factors such as the nature, size and location of the property projects, the service scope, and the anticipated operational costs (including labour costs, material costs and administrative costs) were taken into consideration, with reference to the rates generally offered by us to Independent Third Parties in respect of comparable services, the fees for similar services and types of projects in the market and the pricing terms as recommended by the relevant government authorities. In addition, the fees and terms offered for our Controlling Shareholders or their associates and offered for other third parties for the same types of transactions are similar.

Financial Independence

All loans, advances and balances due from and/or to our Controlling Shareholders and/or their respective close associates which were not arising out of the ordinary course of business will be fully settled upon Listing. All share pledges and guarantees provided by or to the Controlling Shareholders or their close associates on the borrowings of our Group will be released upon Listing.

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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 conduct or be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing property management services, community value-added services and value-added services to non-property owners (collectively referred to as the “**Restricted Businesses**”), or directly or indirectly 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 (i) less than 30% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange); or (ii) less than 10% of interest of any private company, 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 possess the right to control the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or been involved in, or otherwise been interested in, the relevant business.

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 such Competing Business Opportunity, 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 advisers and legal advisers 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 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 associate cease to hold, whether directly or indirectly, 10% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange. Each of our Controlling Shareholders has further undertaken to us that he/it will provide and procure is/its close associates to provide on best endeavour 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, 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 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 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 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 between our Group on one hand and our Controlling Shareholders and/or our Directors on the

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

other after Listing. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, 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/her 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 interests and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive Directors, non-executive Director(s) and independent non-executive Directors. We have appointed independent non-executive Directors and believe that they possess sufficient experience, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. See “Directors and Senior Management – Board of Directors – Independent non-executive Directors” for further details;
- (d) we have appointed Rainbow Capital (HK) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and corporate governance; and
- (e) as required by the Listing Rules, our independent non-executive Directors shall review 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 favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our 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.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Honor Limited ⁽²⁾	Beneficial owner and interest in controlled corporation	58,195 Shares (L)	53.54%	160,619,165 Shares (L)	40.15%
Mr. Tian ⁽³⁾	Interest in controlled corporation	58,195 Shares (L)	53.54%	160,619,165 Shares (L)	40.15%
Ms. Murong Xinyao (慕容馨韻) ⁽⁴⁾	Interest of spouse	58,195 Shares (L)	53.54%	160,619,165 Shares (L)	40.15%
Green Sailing (PTC) ⁽²⁾	Trustee	8,695 Shares (L)	8.00%	23,998,345 Shares (L)	6.00%
Hong Kong New Tourism	Beneficial owner	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanfang Holdings ⁽⁵⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing Tourism Group ⁽⁵⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing Urban Construction ⁽⁵⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing State-owned Assets Investment Management ⁽⁵⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing SASAC ⁽⁵⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Cliff Lin Limited	Beneficial owner	15,835 Shares (L)	14.57%	43,704,862 Shares (L)	10.93%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Lin Jinfeng ⁽⁶⁾	Interest in controlled corporation	15,835 Shares (L)	14.57%	43,704,862 Shares (L)	10.93%
CURA International (Hong Kong) Investment Management Company Limited	Beneficial owner	–	–	22,111,000 Shares (L) ⁽⁷⁾	5.53%
Shanghai CURA Investment and Management Co., Ltd. (上海中城聯盟投資管理股份有限公司) ⁽⁸⁾	Interest in controlled corporation	–	–	22,111,000 Shares (L) ⁽⁷⁾	5.53%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Green Sailing (PTC) acts as the trustee of the Green Life Trust, which is set up for the purpose of a share incentive scheme to be adopted at least six months after Listing, and is wholly owned by Honor Limited. By virtue of the SFO, Honor Limited is deemed to be interested in the Shares in which Green Sailing (PTC) Limited is interested.
- (3) Honor Limited is wholly owned by Mr. Tian. By virtue of the SFO, Mr. Tian is deemed to be interested in the Shares in which Honor Limited is interested.
- (4) Ms. Murong Xinyao is the spouse of Mr. Tian. By virtue of the SFO, Ms. Murong Xinyao is deemed to be interested in the Shares in which Mr. Tian is interested.
- (5) Hong Kong New Tourism is wholly owned by Nanfang Holdings, which had been, directly or indirectly, held as to 35.56% by Nanjing Tourism Group as at the Latest Practicable Date. Nanjing Tourism Group is held as to 60% by Nanjing Urban Construction and as to 40% by Nanjing State-owned Assets Investment Management, both of which are wholly owned by Nanjing SASAC. By virtue of the SFO, each of Nanfang Holdings, Nanjing Tourism Group, Nanjing Urban Construction, Nanjing State-owned Assets Investment Management and Nanjing SASAC is deemed to be interested in the Shares in which Hong Kong New Tourism is interested.
- (6) Cliff Lin Limited is wholly owned by Mr. Lin Jinfeng. By virtue of the SFO, Mr. Lin Jinfeng is deemed to be interested in the Shares in which Cliff Lin Limited is interested.
- (7) The number of Shares to be held by CURA International (Hong Kong) Investment Management Company Limited, our cornerstone investor, following the completion of the Capitalisation Issue and the Global Offering is based on the assumption that the Offer Price is determined at HK\$3.51 per Offer Share, being the mid-point of the indicative Offer Price Range set forth in this prospectus. Please refer to “Cornerstone Investor” in this prospectus for further details.
- (8) CURA International (Hong Kong) Investment Management Company Limited is wholly owned by Shanghai CURA Investment and Management Co., Ltd. By virtue of the SFO, Shanghai CURA Investment and Management Co., Ltd. is deemed to be interested in the Shares in which CURA International (Hong Kong) Investment Management Company Limited is interested.

SUBSTANTIAL SHAREHOLDERS

If the Over-allotment Option is fully exercised, the beneficial interest of each of Honor Limited, Mr. Tian, Ms. Murong Xinyao, Green Sailing (PTC), Hong Kong New Tourism, Nanfang Holdings, Nanjing Tourism Group, Nanjing Urban Construction, Nanjing State-owned Assets Investment Management, Nanjing SASAC, Cliff Lin Limited and Mr. Lin Jinfeng will be 38.70%, 38.70%, 38.70%, 5.78%, 17.25%, 17.25%, 17.25%, 17.25%, 17.25%, 17.25%, 10.53% and 10.53%, respectively.

Save as disclosed in this section, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our 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 Listing Date and any of their respective associates will be connected persons of our Company upon Listing.

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 Listing, 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) Trademark Licensing Agreement

On 16 June 2021, we entered into a trademark licensing agreement with Landsea Group Company (the “**Trademark Licensing Agreement**”), pursuant to which Landsea Group Company agreed to irrevocably and unconditionally grant us an exclusive, non-transferable licence to use certain trademarks registered by Landsea Group Company in the PRC (the “**PRC Trademarks**”) for a perpetual term commencing from the date of the Trademark Licensing Agreement on a royalty-free basis. For details of the registered trademarks, see “Statutory and General Information – B. Further information about our business – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Reasons for the Transaction

Our Group has been using the PRC Trademarks since 2010. Our Directors believe that entering into the Trademark Licensing Agreement, which has a term exceeding three years, can ensure the stability of our operations and is beneficial to us and our Shareholders as a whole. The Sole Sponsor is of the view that for an agreement of this type to be of such duration is consistent with normal business practices.

Implications under the Listing Rules

Landsea Group Company, as the registered proprietor of the licensed trademarks, is beneficially held as to 50% by Mr. Tian, one of our Controlling Shareholders and our non-executive Director. Landsea Group Company is therefore a connected person of our Company under the Listing Rules. Accordingly, the transaction under the Trademark Licensing Agreement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon Listing.

CONTINUING CONNECTED TRANSACTIONS

As the right to use licensed trademarks is granted to us on a royalty-free basis, the transaction under the Trademark Licensing Agreement will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and 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, ANNOUNCEMENT, CIRCULAR AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(1) Landsea Green Properties and Consulting Agreement

During the Track Record Period, our Group was engaged by Landsea Green Properties Group to provide property management services and value-added services, including preliminary property management services for properties prior to their delivery to property owners, property management services for car park units and unsold, self-use or investment properties of Landsea Green Properties Group, house repairing services, property agency services, preliminary planning and design consultancy services and sales assistance services (the “**Landsea Green Properties and Consulting Services**”).

On 28 December 2020, Landsea Property Management (for itself and on behalf of its subsidiaries) entered into a framework services agreement with Landsea Green Properties (for itself and on behalf of its subsidiaries) (the “**Landsea Green Properties and Consulting Agreement**”), pursuant to which we agreed to provide the Landsea Green Properties and Consulting Services to Landsea Green Properties Group. The Landsea Green Properties and Consulting Agreement has a term of three years from 1 January 2021 to 31 December 2023, 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 following sets forth the principal terms of the Landsea Green Properties and Consulting Agreement:

- (i) our Group shall, where we are selected by Landsea Green Properties Group in accordance with tender processes required under relevant PRC laws and regulations, provide Landsea Green Properties and Consulting Services in accordance with the tender documents and definitive management agreements to be entered into between members of our Group and Landsea Green Properties Group from time to time;
- (ii) the service fees payable by Landsea Green Properties Group, as determined based on the fee quotes submitted by our Group during tender bidding, shall take into account prevailing market prices, with reference to rates generally offered by Independent Third Parties to Landsea Green Properties Group and the rates generally offered by us to Independent Third Parties, as well as factors including but not limited to the nature, size and location of the property

CONTINUING CONNECTED TRANSACTIONS

projects, scope of services, operating costs and any pricing terms as recommended by relevant government authorities, if any; and

- (iii) the definitive management agreements to be entered into between members of our Group and Landsea Green Properties Group shall only contain provisions which are, in all material respects, consistent with the binding principles, guidelines, terms and conditions set forth in the Landsea Green Properties and Consulting Agreement.

Reasons for the Transaction

During the Track Record Period and up to the Latest Practicable Date, Landsea Green Properties Group selected us to provide Landsea Green Properties and Consulting Services through tender bidding and/or by obtaining quotations in accordance with the relevant PRC laws and regulations, taking into account our credentials, fee quote and quality of services. Through our past history of cooperation, we developed mutual trust and understanding with Landsea Green Properties Group, allowing Landsea Green Properties Group to reduce communication and related supervision costs in our daily business dealings. The transactions contemplated under the Landsea Green Properties and Consulting Agreement shall be on normal commercial terms or better and in accordance with terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

For FY2018, FY2019 and FY2020, the fees paid by Landsea Green Properties Group for Landsea Green Properties and Consulting Services amounted to RMB31.4 million, RMB29.0 million and RMB49.9 million, respectively, which included fees paid by Landsea Green Properties Group in respect of property agency services amounting to nil, RMB1.0 million and RMB13.9 million, respectively, for the same periods. The increase in revenue from property agency services was primarily due to the fact that our property agency services, which were provided for unsold properties of Landsea Green Properties Group, were newly launched in late FY2019.

Annual Caps

Our Directors estimate that the maximum amount of service fees payable by Landsea Green Properties Group to us in relation to the Landsea Green Properties and Consulting Services for FY2021, FY2022 and FY2023 will not exceed RMB75.0 million, RMB78.0 million and RMB82.0 million, respectively.

CONTINUING CONNECTED TRANSACTIONS

The substantial increase in the annual cap for FY2021 as compared to the historical transaction amount for FY2020 was primarily attributable to the estimated increase in revenue to be generated from property agency services provided to Landsea Green Properties Group. In particular, revenue to be generated from property agency services provided to Landsea Green Properties Group is forecast to further increase to RMB29.4 million, RMB32.4 million and RMB36.4 million in FY2021, FY2022 and FY2023, respectively. The estimated increase in our revenue from property agency services provided to Landsea Green Properties Group, as compared to the historical transaction amount during the Track Record Period, is primarily due to the expansion of our property agency services to cover the pre-sale period of property projects starting from FY2021, as previously we only provided property agency services to Landsea Green Properties Group in relation to properties which remain unsold after the pre-sale periods of the projects. Consequently, the estimated revenue to be generated in relation to sales of new properties, amounting to RMB23.9 million, RMB26.9 million and RMB30.9 million for FY2021, FY2022 and FY2023, respectively, will contribute to the significant increase in estimated revenue to be generated from property agency services and the Landsea Green Properties and Consulting Services as compared to the historical transaction amount of the same for FY2020. It is further estimated that our revenue from property agency services provided to Landsea Green Properties Group will increase gradually due to rising annual selling rates as we accumulate experience and expand our customer network in selling new properties. The following has been taken into account in calculating our estimated revenue for property agency services:

- (i) the estimated aggregate saleable property value of Landsea Green Properties Group of RMB18.0 billion for new properties and RMB208.3 million for unsold properties to be sold through the assistance of our Group for each of the three financial years ending FY2023, calculated with reference to the number of projects for which Landsea Green Properties Group is expected to engage us to provide property agency services for new and unsold properties in accordance with its property development plan and delivery schedule, the expected saleable value of RMB62.7 billion for the projects to be developed by Landsea Green Properties Group as at 31 December 2020 and the increase in expected new project saleable value of RMB18.4 billion during FY2020;
- (ii) the estimated annual selling rates of 5.3%, 6.0% and 6.8% in FY2021, FY2022 and FY2023, respectively, for new properties (which was estimated prudently as our property agency services for new properties only started in FY2021), and 33.0% for each of the three years ending FY2023 for unsold properties, with reference to (a) historical annual selling rates of other independent third party property agencies as based on industry data collected by CIA, ranging from 33.5% to 100.0% across different geographical areas in which Landsea Green Properties Group primarily develops properties; and (b) our historical annual selling rate in respect of unsold properties we were able to sell to the total number of unsold properties we were commissioned to sell in FY2020. As

CONTINUING CONNECTED TRANSACTIONS

we accumulate experience and expand our customer network in selling properties, we expect our annual selling rates to gradually increase; and

- (iii) our estimated commission rates, with reference to the commission rates charged within the property agency industry as advised by CIA, ranging between (a) 1% to 3% in respect of new properties; and (b) below 40% in respect of unsold properties (which, due to the relative difficulty of selling unsold properties, is generally higher than that for new properties), as well as the rates offered by Landsea Green Properties Group to other Independent Third Parties it engaged and will engage to provide property agency services for new and unsold properties.

The substantial increase in the annual cap for FY2021 as compared to the historical transaction amount for FY2020 was also partially attributable to the expected increase in the number of projects for which we may be engaged to provide sales assistance and preliminary planning and design services. In relation to our sales assistance services, we expect an increase from 18 projects in FY2020 to at least 23 projects in each of the three financial years ending FY2023. We also expect to provide preliminary planning and design services in relation to at least 1.3 million sq.m. in GFA for nine projects in each of the three financial years ending FY2023, in comparison to 0.3 million sq.m. in GFA for two projects in FY2020.

In arriving at the above annual caps for the Landsea Green Properties and Consulting Services, our Directors have considered the following factors, which are considered reasonable and justifiable in the circumstances:

- the historical transaction amounts in the Landsea Green Properties and Consulting Services during the Track Record Period;
- the estimated revenue in respect of existing contracts entered into between our Group and the Landsea Green Properties Group covering 19 property projects for a total GFA of 1.9 million sq.m. as at 31 December 2020;
- the estimated number of projects and GFA to be developed by Landsea Green Properties Group in the PRC for the three years ending 31 December 2023 under its development plan. The total GFA of the project reserves attributable to Landsea Green Properties Group was 8.9 million sq.m., saleable area of 3.1 million sq.m. and expected saleable value of RMB62.7 billion as at 31 December 2020. During FY2020, Landsea Green Properties Group recorded new project GFA of 1.7 million sq.m. (new project saleable area of 1.1 million sq.m.) as well as expected new project saleable value of RMB18.4 billion;

CONTINUING CONNECTED TRANSACTIONS

- the scope of the Landsea Green Properties and Consulting Services to be provided by our Group to Landsea Green Properties Group pursuant to the Landsea Green Properties and Consulting Agreement, with reference to the total GFA available for sale and to be delivered, geographical locations, facilities, human resources allocation and scope of services, which includes property management services, sales assistance services, preliminary planning and design consultancy services and property agency services, and the expected demand for the Landsea Green Properties and Consulting Services from Landsea Green Properties Group having taken into account the total GFA of properties developed by Landsea Green Properties Group which were under our management during the Track Record Period, which amounted to 1.8 million sq.m. as at 31 December 2020, and our estimation of the time of pre-sales and delivery with reference to its historical pre-sale and delivery schedule; and
- the estimated monthly management fees and service fees to be charged for the provision of Landsea Green Properties and Consulting Services, which is based on the same average monthly management fees and service fees charged for FY2020. Such estimated fee is considered by CIA to be in line with the expected prevailing market rate trend.

(2) Mr. Tian Properties and Consulting Agreement

During the Track Record Period, our Group was engaged by Mr. Tian's associates (excluding Landsea Green Properties and its subsidiaries but including its joint ventures and associates) (the "**Associates**") to provide property management services and value-added services, including preliminary property management services for properties prior to their delivery to property owners, property management services for car park units and unsold, self-use or investment properties of the Associates, house repairing services, property agency services, preliminary planning and design consultancy services and sales assistance services (the "**Mr. Tian Properties and Consulting Services**").

On 16 June 2021, we entered into a framework services agreement with Mr. Tian (the "**Mr. Tian Properties and Consulting Agreement**"), pursuant to which we agreed to provide the Mr. Tian Properties and Consulting Services to the Associates. The Mr. Tian Properties and Consulting Agreement has a term from the Listing Date to 31 December 2023, 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.

CONTINUING CONNECTED TRANSACTIONS

The following sets forth the principal terms of the Mr. Tian Properties and Consulting Agreement:

- (i) our Group shall, where we are selected by the Associates in accordance with tender processes required under relevant PRC laws and regulations, provide Mr. Tian Properties and Consulting Services in accordance with the tender documents and definitive management agreements to be entered into between members of our Group and the relevant Associates from time to time;
- (ii) the service fees payable by the Associates, as determined based on the fee quotes submitted by our Group during tender bidding, shall take into account prevailing market prices, with reference to rates generally offered by Independent Third Parties to the Associates and the rates generally offered by us to Independent Third Parties, as well as factors including but not limited to the nature, size and location of the property projects, scope of services, operating costs and pricing terms as recommended by relevant government authorities, if any; and
- (iii) the definitive management agreements to be entered into between members of our Group and the relevant Associates shall only contain provisions which are, in all material respects, consistent with the binding principles, guidelines, terms and conditions set forth in the Mr. Tian Properties and Consulting Agreement.

Reasons for the Transaction

During the Track Record Period and up to the Latest Practicable Date, the Associates selected us to provide Mr. Tian Properties and Consulting Services through tender bidding and/or by obtaining quotations in accordance with the relevant PRC laws and regulations, taking into account our credentials, fee quote and quality of services. Through our past history of cooperation, we developed mutual trust and understanding with the Associates, allowing the Associates to reduce communication and related supervision costs in our daily business dealings. The transactions contemplated under the Mr. Tian Properties and Consulting Agreement shall be on normal commercial terms or better and in accordance with terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

For FY2018, FY2019 and FY2020, the fees paid by the Associates for Mr. Tian Properties and Consulting Services amounted to RMB47.8 million, RMB61.4 million and RMB100.4 million, respectively, which included fees paid by the Associates in respect of property agency services amounting to nil, RMB5.7 million and RMB46.7 million, respectively, for the same periods. The increase in revenue from property agency services was primarily due to the fact that our property agency services, which were provided for unsold properties of the Associates, were newly launched in late FY2019.

CONTINUING CONNECTED TRANSACTIONS

Annual Caps

Our Directors estimate that the maximum amount of service fees payable by the Associates to us in relation to Mr. Tian Properties and Consulting Services for FY2021, FY2022 and FY2023 will not exceed RMB155.0 million, RMB155.0 million and RMB156.0 million, respectively.

The substantial increase in the annual cap of FY2021 as compared to the historical transaction amount for FY2020 was primarily attributable to the estimated increase in revenue to be generated from property agency services provided to the Associates. In particular, revenue to be generated from property agency services provided to the Associates is forecast to further increase to RMB101.6 million, RMB101.6 million and RMB102.6 million in FY2021, FY2022 and FY2023, respectively. The estimated increase in our revenue from property agency services provided to the Associates, as compared to the historical transaction amount during the Track Record Period, is primarily due to the expansion of our property agency services to cover the pre-sale period of property projects starting from FY2021, as previously we only provided property agency services to the Associates in relation to properties which remain unsold after the pre-sale periods of the projects. Consequently, the estimated revenue to be generated in relation to sales of new properties, amounting to RMB41.0 million, RMB41.0 million and RMB42.0 million in FY2021, FY2022 and FY2023, respectively, will contribute to the significant increase in estimated revenue to be generated from property agency services and the Mr. Tian Properties and Consulting Services as compared to the historical transaction amount of the same for FY2020. The following has been taken into account in calculating our estimated revenue for property agency services:

- (i) the estimated aggregate saleable value of the Associates of RMB32.4 billion for new properties and RMB2.3 billion for unsold properties to be sold through the assistance of our Group for each of the three financial years ending FY2023, calculated with reference to the number of projects for which the Associates are expected to engage us to provide property agency services for new and unsold properties in accordance with their property development plans and delivery schedules, the expected saleable value of RMB30.2 billion for the projects to be developed by the Associates as at 31 December 2020 and the increase in expected new project saleable value of RMB7.1 billion during FY2020;
- (ii) the estimated annual selling rates of 5.1%, 5.1% and 5.2% in FY2021, FY2022 and FY2023, respectively, for new properties (which was estimated prudently as our property agency services for new properties only started in FY2021) and 33.0% for each of the three years ending FY2023 for unsold properties, with reference to (a) historical annual selling rates of other independent third-party property agencies as based on industry data collected by CIA, ranging from 33.5% to 100.0% across different geographical areas in which the Associates primarily develop properties; and (b) our historical annual selling rate in

CONTINUING CONNECTED TRANSACTIONS

respect of unsold properties we were able to sell to the total number of unsold properties we were commissioned to sell in FY2020. As we accumulate experience and expand our customer network in selling properties, we expect our annual selling rates to gradually increase; and

- (iii) our estimated commission rates, with reference to the commission rates charged within the property agency industry as advised by CIA, ranging between (a) 1% to 3% in respect of new properties; and (b) below 40% in respect of unsold properties (which, due to the relative difficulty of selling unsold properties, is generally higher than that for new properties), as well as the rates offered by the Associates to other Independent Third Parties it engaged and will engage to provide property agency services for new and unsold properties.

Furthermore, based on an agreed delivery schedule with the Associates, we expect that revenue generated from property agency services for unsold properties provided to the Associates will increase from RMB46.7 million in FY2020 to RMB60.6 million for each of the three years ended FY2023. This is due to the estimated increase in the aggregate saleable value of unsold properties for which the Associates will engage us to provide property agency services, from RMB787.5 million in FY2020 to RMB2.3 billion for each of the three years ending FY2023.

The substantial increase in the annual cap for FY2021 as compared to the historical transaction amount for FY2020 was also partially attributable to the expected increase in the number of projects for which we may be engaged to provide property agency services for unsold properties, from 22 projects in FY2020 to at least 31 projects in each of the three financial years ending FY2023.

In arriving at the above annual caps for Mr. Tian Properties and Consulting Services, our Directors have considered the following factors, which are considered reasonable and justifiable in the circumstances:

- the historical transaction amounts in Mr. Tian Properties and Consulting Services during the Track Record Period;
- the estimated revenue in respect of existing contracts entered into between our Group and the relevant Associates covering 84 property projects for a total GFA of 12.8 million sq.m. as at 31 December 2020;
- the estimated number of projects and GFA to be developed by the Associates in the PRC for the three years ending 31 December 2023 under their development plans. The total GFA of the project reserves attributable to the Associates was 10.4 million sq.m., saleable area of 1.5 million sq.m. and expected saleable value of RMB30.2 billion as at 31 December 2020. During FY2020, the Associates recorded new project GFA of 0.6 million sq.m. (new project saleable area of 0.4 million sq.m.) as well as expected new project saleable value of RMB7.1 billion;

CONTINUING CONNECTED TRANSACTIONS

- the scope of Mr. Tian Properties and Consulting Services to be provided by our Group to the Associates pursuant to the Mr. Tian Properties and Consulting Agreement, with reference to the total GFA available for sale and to be delivered, geographical locations, facilities, human resources allocation and scope of services, which includes property management services, sales assistance services, preliminary planning and design consultancy services and property agency services, and the expected demand for Mr. Tian Properties and Consulting Services from the Associates having taken into account the total GFA of properties developed by the Associates which were under our management during the Track Record Period, which amounted to 8.2 million sq.m. as at 31 December 2020, and our estimation of the time of pre-sales and delivery with reference to the historical pre-sale and delivery schedule of the Associates; and
- the estimated monthly management fees and service fees to be charged for the provision of Mr. Tian Properties and Consulting Services, which is based on the same average monthly management fees and service fees charged for FY2020. Such estimated fee is considered by CIA to be in line with the expected prevailing market rate trend.

Implications under the Listing Rules

As Mr. Tian, one of our Controlling Shareholders and our non-executive Director, is beneficially interested in 50% of the total number of issued shares of Landsea Group Company, which in turn is interested in more than 50% of the total number of issued shares of Landsea Green Properties, Landsea Group Company, Landsea Green Properties and the Associates are therefore connected persons of our Company under the Listing Rules. Accordingly, the transactions contemplated under the Landsea Green Properties and Consulting Agreement and the Mr. Tian Properties and Consulting Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since the Landsea Green Properties and Consulting Services and the Mr. Tian Properties and Consulting Services (the “**Properties and Consulting Services**”) are similar in nature, the transactions under the Landsea Green Properties and Consulting Agreement and the Mr. Tian Properties and Consulting Services should be aggregated pursuant to the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the aforementioned annual caps are expected to be more than 5% on an annual basis, the transactions contemplated under the Landsea Green Properties and Consulting Agreement and the Mr. Tian Properties and Consulting Agreement constitute continuing connected transactions of our Company that are subject to the reporting, annual review, announcement and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(C) APPLICATION FOR WAIVER

The transactions described under “(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section constitute continuing connected transactions under the Listing Rules which are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements.

In respect of such continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting our Company from strict compliance with (i) the announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section, 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 agreements (as stated above).

(D) DIRECTOR’S VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described under “(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section 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 terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions under “(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

(E) SOLE SPONSOR’S VIEW

The Sole Sponsor is of the view that the continuing connected transactions described under “(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirements” in this section have been and will be carried out: (i) in the ordinary and usual course of our business, (ii) on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (iii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SHARE CAPITAL

The following is a description of the authorised 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 Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme:

		Nominal value (HK\$)
Authorised share capital:		
2,000,000,000	Shares of HK\$0.01 each	20,000,000.00
Issued and to be issued, fully paid or credited as fully paid:		
108,695	Shares in issue as of the date of this prospectus	1,086.95
299,891,305	Shares to be issued pursuant to the Capitalisation Issue	2,998,913.05
<u>100,000,000</u>	Shares to be issued under the Global Offering	<u>1,000,000.00</u>
<u>400,000,000</u>	Total	<u>4,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme 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 Offer Shares 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 prospectus 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 prospectus save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to issue, allot and deal 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 Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme); 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 that they are authorised to issue under this general mandate, allot, issue 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 our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

See "Statutory and General Information – A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 15 June 2021" in Appendix IV to this prospectus for further details on this general mandate.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase 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 Capitalisation Issue and the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised 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 "Statutory and General information – A. Further Information about our Company – 6. Buy-back by our Company of its own securities" in Appendix IV to this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

See "Statutory and General Information – A. Further information about our Company – 4. Written resolutions of our Shareholders passed on 15 June 2021" in Appendix IV to this prospectus for further details on this general mandate.

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 Companies Act, 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 "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into the cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with CURA International (Hong Kong) Investment Management Company Limited (中城國際(香港)投資管理有限公司) (the “**Cornerstone Investor**”), who has agreed to, subject to certain conditions, subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be subscribed for with an amount of the Hong Kong dollar equivalent of US\$10,000,000 (equivalent to approximately HK\$77,611,000) (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**” or the “**Cornerstone Investment**”).

The total number of Offer Shares to be subscribed for by the Cornerstone Investor (rounded down to the nearest whole board lot of 1,000 Shares) is subject to the determination of the Offer Price as illustrated below:

Offer Price	Investment Amount ⁽¹⁾	Number of Offer Shares to be subscribed for ⁽²⁾	Approximate % of the International Offer Shares		Approximate % of the Offer Shares		Approximate % of total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering	
			Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Assuming that the Over-allotment Option is not exercised	Assuming that the Over-allotment Option is exercised in full	Assuming that the Over-allotment Option is not exercised ⁽³⁾	Assuming that the Over-allotment Option is exercised in full ⁽³⁾
HK\$2.86 (being the low-end of the indicative Offer Price range) . .	US\$10,000,000 (equivalent to HK\$77,611,000)	27,136,000	30.2%	25.8%	27.1%	23.6%	6.8%	6.5%
HK\$3.51 (being the mid-point of the indicative Offer Price range) . .	US\$10,000,000 (equivalent to HK\$77,611,000)	22,111,000	24.6%	21.1%	22.1%	19.2%	5.5%	5.3%
HK\$4.16 (being the high-end of the indicative Offer Price range) . .	US\$10,000,000 (equivalent to HK\$77,611,000)	18,656,000	20.7%	17.8%	18.7%	16.2%	4.7%	4.5%

CORNERSTONE INVESTOR

Notes:

1. The investment amount excludes the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee which the Cornerstone Investor will pay in respect of the Offer Shares subscribed. The investment amount is calculated based on an exchange rate of US\$1.00 to HK\$7.7611 as described in the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion”. The actual investment amount of the Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the Cornerstone Investment Agreement.
2. Number of Offer Shares to be subscribed for is rounded down to the nearest whole board lot of 1,000 Shares.
3. It does not take into account any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme.
4. Before any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering.

To the best knowledge of our Company and save as disclosed in this section, the Cornerstone Investor is (i) independent of our Company, its connected persons and their respective associates (save for the details as disclosed below in this section), and (ii) not our existing Shareholder or close associates. The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any other Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Shares to be subscribed for by the Cornerstone Investor will carry the same rights in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 and Rule 8.24 of the Listing Rules.

Immediately following the completion of the Capitalisation Issue and the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor become our Substantial Shareholder. No preferential or special rights compared with other public Shareholders have been granted to the Cornerstone Investor pursuant to the Cornerstone Placing. There will not be any direct or indirect benefits conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares following the principles as set out in the Guidance Letter HKEX-GL51-13 at the Offer Price.

The Offer Shares to be subscribed for by the Cornerstone Investor may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus and the number of Offer Shares under the International Offering may be deducted to satisfy the public demands under the Hong Kong Public Offering. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be issued by our Company on or around Wednesday, 7 July 2021.

CORNERSTONE INVESTOR

THE CORNERSTONE INVESTOR

The following information about the Cornerstone Investor was provided to our Company by the Cornerstone Investor in relation to the Cornerstone Placing.

The Cornerstone Investor is a private limited liability company incorporated in Hong Kong in 2014 and a private equity investment and management institution with approximately US\$30 million of assets under management and mainly focuses on the real estate and other related industries in the PRC. We became acquainted with the Cornerstone Investor in relation to the Cornerstone Placing through the introduction by the Sole Global Coordinator but not Mr. Tian.

As at the Latest Practicable Date, the Cornerstone Investor had been a wholly-owned subsidiary and the investment platform of Shanghai CURA Investment and Management Co., Ltd. (上海中城聯盟投資管理股份有限公司) (“**Shanghai CURA**”). Shanghai CURA is a company established in the PRC with limited liability in 2002 and principally engages in securities investment and asset management focusing on the real estate other related industries in the PRC. Mr. Tian (being our Controlling Shareholder, the chairman of the Board and a non-executive Director of our Company) is one of the six directors of Shanghai CURA, and Landsea Group Company (being a company controlled as to 50% by Mr. Tian) is interested in only 0.61% of the total shareholding in Shanghai CURA among its 54 shareholders. Neither Landsea Group Company nor Mr. Tian has control over the general meeting or the board of directors of Shanghai CURA or the Cornerstone Investor, respectively. Both Shanghai CURA and the Cornerstone Investor are not an existing Shareholder or a close associate of any existing Shareholders. To the best knowledge, information and belief of our Directors after having made reasonable enquiries and save as disclosed above, each of the Cornerstone Investor, Shanghai CURA and their respective close associates is independent from our Company, its connected persons and their respective close associates.

Based on the size of the Cornerstone Investment as well as the internal policies of Shanghai CURA, its investment decision to proceed with the Cornerstone Investment shall be, and was in fact, made solely and independently by its general manager office (the “**General Manager Office**”) and submitted to its chairman of the board for final approval. The Cornerstone Investment is not subject to the approval from the board of directors (other than the chairman of the board) or the shareholders at the general meeting of Shanghai CURA. The members of the General Manager Office and the chairman of the board of Shanghai CURA are independent from Mr. Tian, Landsea Group Company and their respective associates and our Company. The General Manager Office comprises five members, who are experienced in, among other things, equity investments and fund investments, had participated in the investment decision making for the approval of the Cornerstone Investment. No director or shareholder of Shanghai CURA is entitled to, individually, appoint any member of the General Manager Office on its own. The investment criteria considered by the General Manager Office generally included, among other things, market environment and development prospects, performance of the investment target and the potential return from the investment. According to Shanghai CURA, the decision to proceed with the Cornerstone Investment was considered to be consistent with the above investment criteria. In view of the aforesaid, despite being a

CORNERSTONE INVESTOR

director of Shanghai CURA, Mr. Tian does not have the authority, and is not in a position, to approve the Cornerstone Investment, and Mr. Tian, Landsea Group Company and their respective associates and our Company were not involved in, and have no influences on Shanghai CURA's investment decision making process in relation to the Cornerstone Investment.

Following the development trend of the real estate and property management industries and along with the urbanisation in the PRC, Shanghai CURA aspires to increase the value of development projects and assets in the real estate and property management industries through equity investments, and to promote a healthy development of the real estate and property management industries in the PRC with its expertise and experience.

The Cornerstone Investor expects to fund its cornerstone investment with internal resources and/or external financing from financial institutions. The Cornerstone Investor may obtain external financing from CCB International Securities Limited ("**CCBI Securities**"), an affiliate of CCB International Capital Limited ("**CCBI Capital**") (being one of our Underwriters), to finance its subscription of the Offer Shares. The ultimate beneficial owner of the CCBI Securities is China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939). The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by CCBI Securities. The financings are provided in the usual and ordinary course of business of CCBI Securities. All or some of the Offer Shares to be subscribed for by the Cornerstone Investor may be charged to CCBI Securities as security for the loan facility. Under the financing arrangement, upon the occurrence of certain customary events of default, the Cornerstone Investor may be required to repay the loan before the maturity. CCBI Securities may therefore have the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. The Cornerstone Investor has agreed and undertaken to our Company to procure CCBI Securities, and CCBI Securities has also agreed and undertaken to our Company, not to dispose of the collateral Shares under the financing arrangements at any time during the period of six months following the Listing Date.

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investor to subscribe for the prescribed number of the Offer Shares under the Cornerstone Investment Agreement are subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and none of the Underwriting Agreements has been terminated;
- (b) the Offer Price having been agreed upon in accordance with the manner stipulated in this prospectus;

CORNERSTONE INVESTOR

- (c) the Stock Exchange having granted the Listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investor under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no Laws (as defined in the Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, confirmations, agreement and acknowledgment of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS OF THE SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and undertaken that, without the prior written consent of each of our Company, the Sole Global Coordinator and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), among other things, (i) dispose of, in any way, any of the Offer Shares subscribed by it under the Cornerstone Investment Agreement and any Shares or other securities of or interests in our Company which are derived from such Offer Shares subscribed by such Cornerstone Investor pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (the “**Relevant Shares**”) or any interest in any company or entity holding the Relevant Shares, save for certain limited circumstances as set out in the Cornerstone Investment Agreement; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

After expiration of the Lock-up Period, the Cornerstone Investor shall, subject to requirements under applicable laws and regulations and as specified in the Cornerstone Investment Agreement, be free to dispose of any relevant Offer Shares. During the Lock-up Period, the Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as permitted in the Cornerstone Investment Agreement, such as transfer to a wholly-owned subsidiary of the Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing, and the Cornerstone Investor undertakes to procure, that such wholly-owned subsidiary, to be bound by the Cornerstone Investor’s

CORNERSTONE INVESTOR

obligations prescribed under the Cornerstone Investment Agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

OTHER INFORMATION

According to the Cornerstone Investment Agreement, there will not be any deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investor, nor will there be any deferred settlement of payment for such Offer Shares. The Cornerstone Investor has confirmed that: (i) the Cornerstone Investor is not accustomed to take instructions from our Company, Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (ii) none of the subscriptions of the Offer Shares by the Cornerstone Investor is financed, directly or indirectly, by our Company, Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates. As confirmed by our Company, Mr. Tian, Landsea Group Company, the Cornerstone Investor, Shanghai CURA, CCBI Securities and CCBI Capital, none of them has entered into any side letter agreements/arrangements in relation to the Cornerstone Investment (save for the Cornerstone Investment Agreement and the facility agreement between CCBI Securities and the Cornerstone Investor).

Our Directors consider that the subscription of the Offer Shares by the Cornerstone Investor can demonstrate to the public and also the property management industry that our Company has the potentials for future growth and expansion and is generally perceived as a company with good reputation and value.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set out in Accountant's Report set out in Appendix I to this prospectus. Our Company's combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors" in this prospectus.

Our financial year begins on 1 January and ends on 31 December. The references to "FY2018", "FY2019" and "FY2020" mean the financial years ended 31 December 2018, 2019 and 2020, respectively.

OVERVIEW

Established in 2005, we are a growing property management service provider well-established in the Yangtze River Delta that provides diversified types of property management services and value-added services. According to CIA, we ranked the 24th among the "2021 Top 100 Property Management Companies in the PRC (2021中國物業服務百強企業)" in terms of overall strength in 2021. We strive to provide high quality featured service to our customers. Our competitiveness and service quality have earned us numerous recognitions. We received the "China Leading Property Management Company Providing Featured Services" (中國特色物業服務領先企業) and "Leading Property Management Service Brand Enterprise in East China" (中國華東物業服務領先品牌) in 2017, and we have been conferred these two honours for four consecutive years. We received "Top 100 Property Management Companies in China by Service Quality" (中國物業服務百強—服務質量領先企業) in 2018, and we have been conferred this honour for three consecutive years. We are also an established property management service provider in providing property management services for green buildings. In terms of the GFA under management ratio of green residential buildings with an accreditation of two stars or above, we ranked the third among the Top 100 PRC property management companies according to CIA. Based on the CIA Report, we ranked the seventh among the Top 100 PRC Property Management Companies in terms of the GFA under management of green buildings in 2020.

As at 31 December 2020, our property management services covered 21 cities, including 15 cities in the Yangtze River Delta and six other cities in the PRC. Our total GFA under management amounted to 17.3 million sq.m. with a total of 123 managed properties, including 102 residential properties and 21 non-residential properties, serving over 120,000 households as at 31 December 2020. Further, our total contracted GFA amounted to 23.7 million sq.m. as at 31 December 2020.

FINANCIAL INFORMATION

During the Track Record Period, we recorded significant growth in our business. Our total revenue increased by 39.6% from RMB310.1 million for FY2018 to RMB432.8 million for FY2019 and increased by 38.8% to RMB600.9 million for FY2020 whilst our net profit for the year increased by 10.6% from RMB31.0 million for FY2018 to RMB34.3 million for FY2019 and increased by 91.3% to RMB65.6 million for FY2020.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands with limited liability on 1 December 2020. In preparation for the Global Offering, we underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus. Our Group has adopted HKFRS 9, HKFRS 15 and HKFRS 16 using the full retrospective approach with which the relevant accounting policies have been consistently applied to our Group’s combined financial statements throughout the Track Record Period. For more information on the basis of presentation and preparation of our financial information included herein, please see Notes 1.3 and 2.1 of the Accountant’s Report set out in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in the section entitled “Risk Factors” in this prospectus and those discussed below:

Competition

The property management industry in the PRC is highly competitive and fragmented, according to CIA. We primarily compete against large national, regional and local property management companies based on a number of factors, including scale, branding, profitability and service quality. Our ability to effectively compete with these competitors and maintain or improve our market position depends on our ability to differentiate our Group from our competitors in the industry through ensuring our service quality and consistency. In addition, our ability to maintain our market position as a competitive and experienced property management service provider will affect our ability to source new preliminary property management agreements and property management agreements, and renew existing property management agreements to expand the number of property projects we manage and our GFA under management. If we fail to source new property management agreements or renew existing property management agreements and expand our GFA under management and services, our financial condition and results of operations may be adversely affected.

FINANCIAL INFORMATION

Our branding and pricing ability

We generally price our property management services by taking into account a number of factors, including (i) our expense forecast including the employee benefit expense and subcontracting fees; (ii) the GFA or the size of the project; (iii) the terms and conditions of the property management agreement; (iv) the scope of property management services required from our customers; (v) the types and locations of the property; and (vi) the then prevailing market condition and our estimation of our competitors' pricing. 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.

Our pricing ability can materially affect our results and operations. For illustrative purposes only, we set out below a sensitivity analysis of our profit for the periods with reference to the fluctuations of property management fees during the Track Record Period. The following table demonstrates the impact of the hypothetical fluctuation in property management fees on our profit for the year, while all other factors remain unchanged:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from our property management business	197,863	296,971	409,829
Total profit for the year	30,961	34,307	65,560
Assuming 5% increase/decrease in our property management fees			
Impact on revenue from our property management business ...	+/-9,893	+/-14,849	+/-20,491
Impact on profit for the year ^(Note) ..	+/-7,420	+/-11,137	+/-15,369
Assuming 10% increase/decrease in our property management fees			
Impact on revenue from our property management business ...	+/-19,786	+/-29,697	+/-40,983
Impact on profit for the year ^(Note) ..	+/-14,840	+/-22,273	+/-30,737

Note: Impact on profit for the year was calculated assuming EIT of 25%.

FINANCIAL INFORMATION

Our GFA under management

During the Track Record Period, we generated a significant portion of our revenue from our property management services. Revenue from our property management services amounted to RMB197.9 million, RMB297.0 million and RMB409.8 million, accounting for 63.8%, 68.6% and 68.2% of our total revenue in FY2018, FY2019 and FY2020, respectively. Accordingly, our continued revenue growth depends on our ability to grow our property management portfolio. During the Track Record Period, we recorded significant growth in our GFA under management for our property management services, which increased from 9.1 million sq.m. as at 31 December 2018 to 15.0 million sq.m. as at 31 December 2019 and 17.3 million sq.m. as at 31 December 2020. Meanwhile, a majority of our revenue from property management services was derived from residential properties and we maintained steady increase in our overall average property management fee for residential properties, which increased from RMB1.81 per sq.m. per month for FY2018 to RMB1.89 per sq.m. per month for FY2019 to RMB1.93 per sq.m. per month for FY2020; for further details, please refer to “Description of certain combined statements of comprehensive income items – Gross profit and gross profit margin” in this section.

If we are unable to grow our property management portfolio as planned or manage our future growth effectively, we may not be able to take advantage of the market opportunities which may have adverse effect on our business, financial condition and results of operations.

Our ability to mitigate the impact of rising employee benefit expense

Since the property management industry is labour intensive, employee benefit expense constitute a substantial portion of our cost of sales and services. During the Track Record Period, our employee benefit expense increased considerably as a result of the expansion of our business, increases in headcount and increases in the market price for labour. In FY2018, FY2019 and FY2020, our employee benefit expense recorded in our cost of sales and services was RMB140.7 million, RMB198.1 million and RMB225.3 million, respectively, accounting for 61.9%, 59.7% and 51.2% of our cost of sales and services, respectively. To cope with rising employee benefit expense, we have outsourced certain functions for some projects, such as cleaning, security, greening and gardening and maintenance services, to third-party subcontractors while maintaining close supervision over their services to ensure service quality. Our subcontracting costs amounted to RMB66.9 million, RMB103.8 million and RMB156.8 million for FY2018, FY2019 and FY2020, respectively, representing 29.4%, 31.3% and 35.6% of total cost of sales and services for the corresponding periods.

FINANCIAL INFORMATION

For illustrative purposes only, we set out below a sensitivity analysis of our profit for the periods indicated with reference to the fluctuation of employee benefit expense during the Track Record Period. The following table demonstrates the impact of the hypothetical fluctuation in employee benefit expense on our net profit for the year, while all other factors remain unchanged:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	140,736	198,068	225,271
Total profit for the year	30,961	34,307	65,560
Assuming 5% increase/decrease in our employee benefit expense			
Impact on our cost of sales and services	+/-7,037	+/-9,903	+/-11,264
Impact on profit for the year ^(Note) ..	-/+5,278	-/+7,428	-/+8,448
Assuming 10% increase/decrease in our employee benefit expense			
Impact on our cost of sales and services	+/-14,074	+/-19,807	+/-22,527
Impact on profit for the year ^(Note) ..	-/+10,555	-/+14,855	-/+16,895

Note: Impact on profit for the year was calculated assuming EIT of 25%.

Our business mix

Our results of operations are affected by our business mix. During the Track Record Period, we operated primarily three business lines, namely property management services, value-added services to non-property owners and community value-added services, which entailed gross profit margins ranging from 15.8% to 66.4% for the Track Record Period. Any change in the structure of revenue contribution from our business lines or change in gross profit margin of any of such business lines may have a corresponding impact on our overall gross profit margin and eventually our profitability. In addition, regarding the property management services, which was the largest revenue-generating business line, we provide services for residential properties and non-residential properties, which entailed gross profit margins ranging from 14.3% to 25.5% for the Track Record Period. In general, newly delivered property management projects may require more comprehensive services, leading to higher property management fees, which may affect our profitability. Hence, any change of our property management portfolio may have an impact on our overall gross profit margin and accordingly our profitability.

For further details of our revenue contribution by business line, please see “Description of certain combined statements of comprehensive income items – Revenue” and “Description of certain combined statements of comprehensive income items – Gross profit and gross profit margin” in this section.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Our Directors have identified certain accounting policies which are significant to the preparation of our combined financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operations are set forth in detail in Note 2 to the Accountant's Report in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items, the critical accounting estimates and judgements are set forth in detail in Note 4 to the Accountant's Report in Appendix I to this prospectus. The determination of these items requires management judgements based on information and financial data that may change in future periods.

Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Our Group provides property management services, value-added services to non-property owners and community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered. The following is a description of the accounting policy for the principal revenue stream of our Group.

Property Management Services

For property management services, our Group bills a fixed amount for services provided on a monthly, quarterly, semi-annually or annually basis and recognises as revenue in the amount to which our Group has a right to invoice and that corresponds directly with the value of performance completed. Under lump sum basis, where our Group acts as principal and is primary responsible for providing the property management services to the property owners, our Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service.

Value-added services to non-property owners

Value-added services to non-property owners mainly include: (i) sales assistance services, which mainly include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage of property sales; (ii) preliminary consultancy services and other pre-delivery services, including cleaning, inspection, repair and maintenance services to property developers at the pre-delivery stage and to a lesser extent, repair and maintenances services after delivery where such services are required by property developers based on inspection of relevant properties; (iii) property agency services for sales and leases of properties owned by property developers.

Our Group agrees the price for each service with the property developers upfront and recognises revenue in the amount to which our Group has a right to invoice and that corresponds directly with the value of performance completed.

FINANCIAL INFORMATION

Community value-added services

Community value-added services primarily consist of: (i) home-living services, which primarily include house cleaning and home repair and maintenance, (ii) public resources management services, which primarily include public spaces leasing and advertising services, (iii) property agency services for second-hand properties, which refers to the sales and leases of second-hand properties and use rights of car park spaces.

The Group recognises revenue when services are rendered. Revenue is recognised when the related community value-added services are rendered at gross basis except for the public resources management services and property agency services where our Group acts as an agent, and is primarily responsible for arranging and monitoring the services, hence its revenue was recognised at net basis, which is calculated by certain fixed amount or percentage of the total property management fees received or the contract purchase price. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Contract assets and liabilities

When either party to a contract has performed, our Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between our Group's performance and the customer's payment.

A contract asset is our Group's right to consideration in exchange for services that our Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or our Group has a right to an amount of consideration that is unconditional, before our Group transfers services to the customer, our Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when our Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or within the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

FINANCIAL INFORMATION

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.18 and Note 3.1(b) to the Accountant's Report in Appendix I to this prospectus for further information about our Group's accounting policies for trade and other receivables and a description of our Group's impairment policies.

Basis of Presentation for the Property Management Business

For the purpose of preparing our combined financial statements of the Property Management Business, transactions and balances specifically identified as relating to the Property Management Business were combined in the historical financial information, while those specified as relating to the Technological Systems Operation Business did not form part of the historical financial information.

Contract value or service fees arising from the Property Management Business and Technological Systems Operation Business were separately identifiable. Revenue generated from property management services and systems operation services were accounted for in accordance with service charges separately set forth and agreed on in our property management service contracts. As with our property management services, fees for systems operation services were charged of individual property owners and residents as a service rate multiplied by GFA. In FY2018, FY2019 and FY2020, revenue generated from the Technological Systems Operation Business amounted to RMB69.4 million, RMB77.0 million and RMB80.9 million, respectively, which were recognised by Landsea Property Management and did not form part of our historical financial information.

In relation to the provision of systems operation services, Landsea Property Management maintained a separate small team to handle the related management and customer services, and the actual operations and management of the Green Tech Systems was outsourced to Landleaf Technology and Nanjing Linglan. In FY2018, FY2019 and FY2020, costs arising from the Technological Systems Operation Business amounted to RMB88.8 million, RMB91.4 million and RMB98.4 million, respectively, which were recognised by Landsea Property Management and did not form part of our historical financial information. Cost of services of the Technological Systems Operation Business primarily consisted of utility fees for water, electricity and gas and outsourcing fees, which were separately identifiable from our costs in relation to the Property Management Business. For example, utilities expenses, which amounted to RMB60.0 million, RMB63.3 million and RMB66.7 million in FY2018, FY2019 and FY2020, respectively, were allocated according to the readings of the respective water and electricity meters operated under the two businesses. Outsourcing fees charged by Landleaf Technology and Nanjing Linglan, which amounted to RMB26.9 million, RMB26.2 million and RMB29.6 million in FY2018, FY2019 and FY2020, respectively, were determined on a cost plus margin basis, taking into account factors such as labor, repair and maintenance costs in relation to the Green-Tech Systems and market rates. As confirmed by CIA, our outsourcing fees are in line with the industry standard and paid in accordance with terms no less favorable to us than those available to or from independent third parties.

FINANCIAL INFORMATION

In addition, certain corporate level operating expenses, including administrative expenses, net impairment gains or losses on financial assets, income tax expenses, income tax credits and interest expenses were separately identified or allocated in the following manner:

- Administrative expenses, including staff costs and other miscellaneous expenses which are insignificant (such as bank service charges, office supplies and traveling expenses) were allocated to the Property Management Business or the Technological Systems Operation Business based on the headcounts of the respective operating units, actual hours incurred by staff and/or actual usage;
- Net impairment losses or gains on financial assets represent impairment loss or gain from accounts receivables and other receivables, which were allocated to the Property Management Business or Technological Systems Operation Business by multiplying their receivables by the expected credit loss rate;
- Current and deferred income taxes were calculated by multiplying the profits of the Property Management Business or the losses of the Technological Systems Operation Business by the applicable local tax rate during the Track Record Period; and
- Interest expenses were also fully attributed to the Property Management Business, as all cash and cash equivalents and borrowings had been applied solely to the Property Management Business during the Track Record Period and were therefore combined in the historical financial information.

In FY2018, FY2019 and FY2020, administrative expenses attributable to the Technological Systems Operation Business amounted to RMB0.8 million, RMB0.7 million and RMB0.6 million, respectively, while net losses on financial assets attributable to the Technological Systems Operation Business amounted to RMB0.3 million, RMB0.1 million and RMB0.4 million, respectively. During the same periods, income tax credits attributable to the Technological Systems Operation Business amounted to RMB5.1 million, RMB3.8 million and RMB4.6 million, respectively. Taking into account the revenue and costs arising from the Technological Systems Operation Business, the total net losses recorded by Landsea Property Management in connection with the Technological Systems Operation Business (which did not form part of our historical financial information) amounted to RMB15.4 million, RMB11.4 million and RMB13.9 million, respectively, during the Track Record Period.

In respect of the assets and liabilities of Landsea Property Management, apart from certain trade receivables, advances to suppliers, other receivables, trade payables, advances from customers, staff costs payables, income and other tax payables which were separately identifiable to the Property Management Business based on the respective transactions and separate accounting records of the two businesses, other sharing of resources, including plant and equipment and certain administrative personnel were allocated based on the actual usage and actual hours incurred for each of the Property Management Business and the Technological Systems Operation Business.

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

The following table summarises the combined statement of comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	310,123	432,789	600,906
Cost of sales and services	(227,460)	(331,689)	(440,176)
Gross profit	82,663	101,100	160,730
Other income	22,884	63,537	38,444
Selling expenses	(1,015)	(6,876)	(9,451)
Administrative expenses	(34,969)	(60,748)	(65,409)
Impairment (losses)/gains under expected credit loss model	(5,698)	4,357	(4,174)
Other gains/(losses), net	36	(174)	(640)
Operating profit	63,901	101,196	119,500
Finance income	48	51	130
Finance costs	(22,363)	(53,671)	(34,372)
Finance costs, net	(22,315)	(53,620)	(34,242)
Profit before income tax	41,586	47,576	85,258
Income tax expenses	(10,625)	(13,269)	(19,698)
Profit for the year	30,961	34,307	65,560
Profit for the year attributable to:			
– Equity owners of the Company .	25,265	34,005	65,560
– Non-controlling interests	5,696	302	–
	30,961	34,307	65,560

FINANCIAL INFORMATION

NON-HKFRS MEASURES

To supplement our combined financial statements which are presented in accordance with HKFRSs, we also presented adjusted net profit, adjusted total equity and adjusted bank and other borrowings and lease liabilities as additional financial measures, which are not required by, nor presented in accordance with, HKFRSs. We believe that these non-HKFRS measures facilitate comparison of our financial performance and position by eliminating the impact of items that we do not consider indicative of the actual performance of our business.

We define (i) adjusted net profit as profit and total comprehensive income for the year excluding income and costs related to borrowings and loans due from/to related parties and their tax effects; (ii) adjusted total equity as total equity excluding income and costs related to borrowings and loans due from/to related parties and their tax effects; and (iii) adjusted bank and other borrowings and lease liabilities as sum of long-term and short-term interest-bearing bank and other borrowings and lease liabilities excluding borrowings related to the ABS arrangement.

Adjusted net profit margin is calculated as adjusted net profit divided by revenue for the relevant period. Adjusted gearing ratio is calculated as adjusted bank and other borrowings and lease liabilities divided by adjusted total equity as of the respective dates.

These non-HKFRS measures eliminate the effect of borrowings and loans due from/to related parties and borrowings related to the ABS arrangement and their tax effects, which are not related to our ordinary course of business and are non-recurring in nature. We believe that these measures provide more useful information to investors and others in understanding and evaluating our combined results of operations and financial position in the same manner as our management. Our presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRSs. The following table reconciles our adjusted net profit in each period of the Track

FINANCIAL INFORMATION

Record Period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of profit and total comprehensive income for the year to adjusted net profit			
Profit and total comprehensive income for the year.....	30,961	34,307	65,560
Less:			
Other income – Interest income from related parties.....	(21,998)	(61,704)	(32,436)
Add:			
– Finance costs – Interests on ABS..	21,381	46,949	23,072
– Finance costs – Interests on amount due to related parties ...	–	4,656	11,263
– Finance costs – Interests on bank borrowings.....	920	1,954	11
Tax effects ^(Note)	(76)	2,036	(478)
Adjusted net profit	<u>31,188</u>	<u>28,198</u>	<u>66,992</u>

Note: Including tax effects on income and costs related to borrowings and loans due from/to related parties, which are calculated with tax rates of 25% for the Track Record Period.

FINANCIAL INFORMATION

During the Track Record Period, our adjusted net profit margin, defined as adjusted net profit divided by revenue for the relevant period, is 10.1%, 6.5% and 11.1%, respectively. The following table reconciles our adjusted total equity as of the dates indicated to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of total equity to adjusted total equity			
Total equity	142,643	62,757	128,383
Less:			
Income and costs related to borrowings and loans due from/to related parties and their tax effects	227	(6,109)	1,432
Adjusted total equity	142,870	56,648	129,815

The following table reconciles our adjusted bank and other borrowings and lease liabilities as of the dates indicated to the most directly comparable financial measure calculated and presented in accordance with HKFRSs:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of sum of long-term and short-term interest-bearing bank and other borrowings and lease liabilities to adjusted bank and other borrowings and lease liabilities			
Sum of long-term and short-term interest-bearing bank and other borrowings and lease liabilities ...	647,351	449,051	1,091
Less:			
Secured bank borrowings (ABS 2016, ABS 2018 and bank borrowings)	(646,081)	(448,443)	—
Adjusted bank and other borrowings and lease liabilities .	1,270	608	1,091

FINANCIAL INFORMATION

As at 31 December 2018, 2019 and 2020, our adjusted gearing ratio, defined as adjusted bank and other borrowings and lease liabilities divided by adjusted total equity and multiplied by 100%, is 0.9, 1.1 and 0.8, respectively.

Revenue

During the Track Record Period, we derived our revenue primarily from the following three major business lines:

- (i) Property management services: we provide property developers, property owners and residents with a range of property management services, primarily including security, cleaning, gardening and landscaping, car parking management, and daily repair and maintenance services. Our Group's project portfolio include the management of residential and non-residential properties, the latter type primarily including (i) office buildings; (ii) rental apartments; (iii) public facilities; (iv) industrial parks; (v) hospitals and (vi) branches of bank, which contributed to 63.8%, 68.6% and 68.2% of our total revenue in FY2018, FY2019 and FY2020, respectively; and
- (ii) Value-added services to non-property owners: we offer value-added services to non-property owners to address their various needs for property management, including (i) sales assistance services; (ii) preliminary consultancy services and other pre-delivery services; and (iii) property agency services for properties owned by property developers, which contributed to 28.3%, 22.7% and 23.4% of our total revenue in FY2018, FY2019 and FY2020, respectively; and
- (iii) Community value-added services: we offer a wide range of community value-added services in properties under our management to cater for the evolving needs of customers and improve their quality of life. The services offered primarily include (i) home-living services; (ii) public resources management services; and (iii) property agency services for second-hand properties, which contributed to 7.9%, 8.7% and 8.4%, of our total revenue in FY2018, FY2019 and FY2020, respectively.

FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue by business line for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services . . .	197,863	63.8	296,971	68.6	409,829	68.2
Value-added services to non-property owners	87,885	28.3	98,256	22.7	140,910	23.4
Community value-added services .	24,375	7.9	37,562	8.7	50,167	8.4
Total	310,123	100.0	432,789	100.0	600,906	100.0

The table below sets forth a breakdown of our total revenue by type of customers for the periods indicated:

	FY2018		FY2019		FY2020	
	Revenue		Revenue		Revenue	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Landsea	61,113	19.7	58,683	13.6	97,711	16.3
Landsea's joint ventures and associates	22,356	7.2	35,460	8.2	52,640	8.7
Independent Third Parties	226,654	73.1	338,646	78.2	450,555	75.0
Total.	310,123	100.0	432,789	100.0	600,906	100.0

During the Track Record Period, our customer primarily consists of property developers, property owners' associations and owners or residents of our managed properties. Since our Group mainly generate revenue by providing property management services and community value-added services to individual property owners during the Track Record Period, more than 70.0% of our total revenue was from Independent Third Parties.

FINANCIAL INFORMATION

(i) Revenue from property management services

The table below sets out the breakdown of our revenue from property management services by property types for the periods indicated:
As at or for the year ended 31 December

	2018			2019			2020		
	2018		GFA under management	2019		GFA under management	2020		GFA under management
	Revenue			Revenue			Revenue		
	RMB'000	%	'000 sq.m.	RMB'000	%	'000 sq.m.	RMB'000	%	'000 sq.m.
Residential properties									
(a) Properties developed by Landsea ⁽¹⁾	144,686	73.1	6,509	165,630	55.8	7,107	189,080	46.1	7,696
(b) Jointly developed properties ⁽²⁾	12,963	6.6	1,011	24,492	8.2	1,262	38,000	9.3	1,965
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾	11,547	5.8	750	22,203	7.5	933	24,759	6.0	1,125
(d) Properties developed by other independent third-party property developers ⁽⁴⁾	8,906	4.5	544	44,729	15.1	4,015	106,980	26.2	5,672
Sub-total:	178,102	90.0	8,815	257,054	86.5	13,317	358,819	87.6	16,458
Non-residential properties									
(a) Properties developed by Landsea ⁽¹⁾	7,274	3.7	50	17,992	6.1	112	22,663	5.5	139
(b) Jointly developed properties ⁽²⁾	-	-	-	1,793	0.6	106	3,519	0.9	211
(c) Properties developed by independent third-party property developers which engaged Landsea as a service provider ⁽³⁾	-	-	-	-	-	-	-	-	-
(d) Properties developed by other independent third-party property developers ⁽⁴⁾	12,487	6.3	207	20,132	6.8	1,492	24,828	6.0	538
Sub-total:	19,761	10.0	257	39,917	13.5	1,710	51,010	12.4	888
Total:	197,863	100.0	9,072	296,971	100.0	15,027	409,829	100.0	17,346

Notes:

- (1) Refers to properties developed by Landsea, or jointly developed by Landsea and independent third-party property developers in which Landsea held a controlling interest (i.e. over 50%).
- (2) Refers to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
- (3) Refers to properties solely developed by independent third-party property developers which entrusted Landsea as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise five members) for selecting the property management service providers of these properties was appointed by Landsea, and the relevant independent third-party property developers will not appoint any member to the tender evaluation committees in addition to the one appointed by Landsea. As such, our Directors considered that such arrangements did not amount to a control of Landsea over the selection process. As advised by our PRC Legal Advisers, according to relevant PRC laws and regulations, the members of the tender evaluation committee as a whole will review and rank the submitted tenders according to the bidding evaluation criteria stipulated in the bidding documents and shortlist no more than three bidders to the tenderer with basis for the consideration of the tenderer. Therefore, Landsea does not have any special role in evaluating the tender of these projects other than appointing a member in a tender evaluation committee, which will review and rank the tenders as a whole.
- (4) Refers to properties solely developed by independent third-party property developers which did not engage Landsea as a service provider to provide property development entrustment services.

FINANCIAL INFORMATION

By types of properties

Revenue generated from property management services recorded an increasing trend during the Track Record Period, amounting to RMB197.9 million, RMB297.0 million and RMB409.8 million for FY2018, FY2019 and FY2020, primarily driven by the increase in the number of both residential and non-residential properties we managed as a result of our continuous business expansion, whilst the GFA under management was 9.1 million sq.m., 15.0 million sq.m. and 17.3 million sq.m. as at 31 December 2018, 2019 and 2020, respectively.

During the Track Record Period, a majority of our revenue from property management services was derived from residential properties, which accounted for 90.0%, 86.5% and 87.6%, respectively, of our total revenue from property management services in FY2018, FY2019 and FY2020; whilst revenue from managing non-residential properties accounted for 10.0%, 13.5% and 12.4% for the respective periods. The general increase in the percentage of revenue derived from managing non-residential properties during the Track Record Period was primarily due to our company's effort in diversifying our project portfolio through obtaining more non-residential property management projects, in particular those developed by independent third-party property developers.

Revenue generated from residential property management services generally increased during the Track Record Period, primarily driven by an increase in our total GFA under management, which was in line with our business expansion, and the overall average property management fee for residential properties gradually increased from RMB1.81 per sq.m. per month for FY2018 to RMB1.89 per sq.m. per month for FY2019 and to RMB1.93 per sq.m. per month for FY2020. During the Track Record Period, there was significant growth in our GFA under management for residential properties, which increased from 8.8 million sq.m. as at 31 December 2018 to 13.3 million sq.m. as at 31 December 2019 and to 16.5 million sq.m. as at 31 December 2020, respectively.

The GFA under management for non-residential properties increased from 0.3 million sq.m. as at 31 December 2018 to 1.7 million sq.m. as at 31 December 2019, mainly due to newly awarded projects in 2019, including certain industrial parks developed by independent third-party property developers, and also an industrial park and a rental apartment developed by Landsea. Afterwards, the GFA under management for non-residential properties decreased from 1.7 million sq.m. as at 31 December 2019 to 0.9 million sq.m. as at 31 December 2020, primarily because our engagements with certain industrial parks that newly awarded to us in 2019 were expired or terminated pursuant to the terms of the agreements in 2020. The service contracts with these industrial parks were with relatively short term of one year was consistent with the industry practice, according to CIA. The revenue generated from our property management services for non-residential properties increased significantly from RMB39.9 million for FY2019 to RMB51.0 million for FY2020, mainly because of the full-year effect of revenue being recognised in FY2020 for the newly delivered projects since late FY2019, including certain industrial parks developed by independent third-party property developers, and also an industrial park and a rental apartment developed by Landsea, as aforesaid.

FINANCIAL INFORMATION

By types of property developers

During the Track Record Period, we derived a significant portion of our revenue from managing residential projects developed by Landsea. In FY2018, FY2019 and FY2020, revenue from property management services provided to residential projects developed by Landsea amounted to RMB144.7 million, RMB165.6 million and RMB189.1 million, respectively, accounting for 73.1%, 55.8% and 46.1%, respectively, of our total revenue derived from property management services for the same periods. In general, the decrease in our percentage of total revenue from managing projects developed by Landsea during the Track Record Period reflected our continuous efforts to expand our customer base and manage more projects developed by independent third-party property developers. There was significant increase in revenue generated from both residential and non-residential properties developed by independent third-party property developers, amounting to an aggregate of RMB32.9 million, RMB87.1 million and RMB156.6 million, for FY2018, FY2019 and FY2020, respectively.

By revenue model

During the Track Record Period, all of our property management fees were charged on a lump sum basis. For further details regarding the revenue recognition model, please see “Business – Property management services – Revenue model of property management services” in this prospectus.

By geographic region

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

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Yangtze River Delta						
– Jiangsu province	127,669	64.5	177,867	59.9	218,771	53.4
– Shanghai	33,717	17.0	45,556	15.3	50,402	12.3
– Zhejiang province	20,715	10.5	41,453	14.0	76,596	18.7
– Anhui province	–	–	–	–	9,018	2.2
Sub-total	182,101	92.0	264,876	89.2	354,787	86.6
Other regions ^(Note)	15,762	8.0	32,095	10.8	55,042	13.4
Total	197,863	100.0	296,971	100.0	409,829	100.0

Notes: Other regions include Hubei province, Sichuan province, Guangdong province, Chongqing and Hunan province.

FINANCIAL INFORMATION

During each period of the Track Record Period, over 85.0% of our revenue from property management services were generated from properties located in the Yangtze River Delta. We expect that our properties under management in the Yangtze River Delta will continue to account for a significant portion of our operations in the near future.

By stages

The table below sets forth a breakdown of our GFA under management as of the dates indicated, and revenue generated from property management services at different stages of our property management services for the periods indicated:

	As at or for the year ended 31 December											
	2018				2019				2020			
	GFA under management		Revenue		GFA under management		Revenue		GFA under management		Revenue	
	'000				'000				'000			
	sq.m.		'000	%	sq.m.		'000	%	sq.m.		'000	%
Preliminary stage ⁽¹⁾	8,072	89.0	176,499	89.2	10,897	72.5	241,160	81.2	10,876	84	284,185	69.3
Property owners' association stage ⁽²⁾	1,000	11.0	21,364	10.8	4,130	27.5	55,811	18.8	6,470	39	125,644	30.7
Total	9,072	100.0	197,863	100.0	15,027	100.0	296,971	100.0	17,346	123	409,829	100.0

Notes:

- (1) Includes projects which have been delivered but the property owners' association has not yet been established, or the property owners' association has been established but no new property management service agreement has been entered into with us yet.
- (2) Includes projects where we rendered services pursuant to property management service agreement with property owners' associations.

During the Track Record Period, we derived a significant portion of our revenue from managing properties at preliminary stage, amounting to RMB176.5 million, RMB241.2 million and RMB284.2 million for FY2018, FY2019 and FY2020, respectively, accounting for 89.2%, 81.2% and 69.3% for the corresponding periods. In general, the decrease in our percentage of total revenue from managing properties at preliminary stage during the Track Record Period was primarily due to our continuous efforts to expand our customer base and manage more projects developed by independent third-party property developers, where we were engaged by the property owners' associations for a significant number of these projects.

During the Track Record Period, we entered into property management agreements with the property owners' association of five properties which we had previously provided services under preliminary stage. During the Track Record Period, we have not experienced any early termination of our property management contracts due to the establishment of property owners' associations or failing to be engaged as the property management services provider after the establishment of the property owners' associations.

FINANCIAL INFORMATION

(ii) Revenue from value-added services to non-property owners

The following table sets out a breakdown of our revenue of value-added services to non-property owners by type for the periods indicated:

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales assistance services	38,264	43.5	43,766	44.5	48,264	34.3
Preliminary consultancy services and other pre-delivery services .	49,621	56.5	47,802	48.7	32,024	22.7
Property agency services for properties owned by property developers	—	—	6,688	6.8	60,622	43.0
Total	87,885	100.0	98,256	100.0	140,910	100.0

Revenue generated from value-added services to non-property owners have been continuously increasing during the Track Record Period, amounting to RMB87.9 million, RMB98.3 million and RMB140.9 million for FY2018, FY2019 and FY2020 respectively, primarily driven by the expansion of property agency services for properties owned by property developer that was launched in late FY2019. In an effort to diversify our service offerings in response to customer needs, we have launched our property agency services for properties owned by property developer in late FY2019, i.e. September 2019, whose commission varies based on types of properties involved. After launching such services since September 2019, we have facilitated more than 500 property transactions in 13 different projects in FY2019, generating revenue of RMB6.7 million in FY2019 whilst majority of the transactions were related to sales/leases of car park spaces, contributing revenue of RMB2.1 million. As such services were of much convenient to tenants and buyers with its positive performance in FY2019, we have expanded such services to more projects in FY2020. During FY2020, we have provided such services to 29 projects by completing more than 3,000 property transactions in FY2020, generating revenue of RMB60.6 million for FY2020 whilst a majority of the transactions were related to sales/leases of car park spaces, contributing revenue of RMB47.0 million. Generally, commission that we entitled to, as a percentage of the sales amount or the rent of the properties concerned, is determined after taking into account, among other things, the types of the properties, age of the properties, their location, and the target sales quantity.

During the Track Record Period, (i) the service fees of our sales assistance services were estimated at a cost-plus basis, the rate of which for the services provided to Landsea and its joint ventures and associates ranged from 4% to 20% based on our estimated cost, while that provided to independent third-party property developers ranged from 3% to 20% based on our estimated cost; (ii) the service fees of our preliminary consultancy services were generally determined with reference to the property management fee and the contracted GFA of the

FINANCIAL INFORMATION

relevant properties, the fee of which for the services provided to Landsea and its joint ventures and associates ranged from RMB1.4 per sq.m. to RMB4.0 per sq.m., while that provided to independent third-party property developers ranged from RMB0.8 per sq.m. to RMB1.9 per sq.m.. The difference is attributable to the property management fee charged in respect of such projects, which depends on, among others, the scope of property management services provided and the location of the properties; and (iii) we only provided property agency services for sales and leases of properties (including both commercial properties and car parking spaces) owned by Landsea and its joint ventures and associates. We generally charged a commission rate in respect of the properties sold, which ranged from 2% to 30%. For leased properties, we charged a commission rate in respect of the difference between the actual rent and the pre-determined minimum rent, which amounted to 20% or above depending on the number of transactions.

Our revenue from sales assistance services increased from RMB38.3 million for FY2018 to RMB43.8 million for FY2019, mainly driven by more services rendered in 2019 in relation to contracts previously entered in response to more on-site sales activities of the property developers conducted in 2019. It increased slightly by RMB4.5 million to RMB48.3 million for FY2020, primarily attributable to more services rendered by us in 2020, in line with the increase in contracts that we have entered into.

As for the preliminary consultancy services and other pre-delivery services, its revenue remained relatively stable at RMB49.6 million for FY2018 and RMB47.8 million for FY2019, and decreased to RMB32.0 million for FY2020, as the number of properties that property developers, including Landsea, delivered to us which required such services decreased in 2020 as compared to that of 2019.

(iii) Revenue from community value-added services

The following table sets out a breakdown of our revenue of community value-added services by type for the periods indicated:

	FY2018		FY2019		FY2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Home-living services	16,489	67.6	22,935	61.1	25,180	50.2
Public resources management services	7,844	32.2	14,241	37.9	15,579	31.1
Property agency services for second-hand properties	42	0.2	386	1.0	9,408	18.7
Total	24,375	100.0	37,562	100.0	50,167	100.0

FINANCIAL INFORMATION

Revenue generated from community value-added services have been continuously increasing during the Track Record Period, amounting to RMB24.4 million, RMB37.6 million and RMB50.2 million for FY2018, FY2019 and FY2020 respectively, primarily driven by the increase in number of projects we managed and widening of the scope of services we offered as a result of our continuous business expansion. In particular, after we have obtained relevant broker licence in late 2019, we were able to provide property agency services for second-hand properties to our property owners by ourselves without cooperating with other property agents, which contributed revenue of RMB9.4 million in FY2020, as compared to our co-operation with property agents, which contributed revenue of RMB42,000 in FY2018 and RMB0.4 million in FY2019.

Cost of sales and services

The following table sets out, for the periods indicated, a breakdown of our cost of sales and services by nature:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	140,736	61.9	198,068	59.7	225,271	51.2
Cleaning costs	40,113	17.6	53,951	16.3	78,534	17.8
Security costs	12,941	5.7	24,816	7.5	39,387	8.9
Maintenance costs	8,853	3.9	17,651	5.3	27,967	6.4
Utilities	7,967	3.5	14,281	4.3	24,270	5.5
Greening and gardening costs	4,964	2.2	7,425	2.2	10,897	2.5
Depreciation	1,486	0.7	1,339	0.4	1,713	0.4
Others	10,400	4.5	14,158	4.3	32,137	7.3
Total	227,460	100.0	331,689	100.0	440,176	100.0

Our cost of sales and services consists of (i) employee benefit expenses, (ii) cleaning costs, (iii) security costs, (iv) maintenance costs, (v) utilities, (vi) greening and gardening costs, (vii) depreciation and (viii) others, which mainly includes office expenses, community activities expenses, local levies and surcharges and other consumables.

During the Track Record Period, the main factors affecting our cost of sales and services were our employee benefit expense. The increase in employee benefit expense during the Track Record Period was mainly due to the increase in the staff headcount and an increase in the average salary for our business needs. As a percentage of our total cost of sales and services, employee benefit expenses decreased to 51.2% for FY2020, mainly due to (a) our continuous effort to improve cost-efficiency by subcontracting; and (b) the reduction in or exemption of payment of social insurance contributions as a result of regulatory supportive policies issued by the local governments in response to the outbreak of COVID-19, pursuant to the Notice on the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (關於階段性減免企業社會保險費的通知) and Notice on Extending

FINANCIAL INFORMATION

the Implementation Period of the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and other issues (關於延長階段性減免企業社會保險費政策實施期限等問題的通知) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration.

Subcontracting costs mainly include the fees paid for the services outsourced to subcontractors, such as cleaning, security, greening and gardening and maintenance costs. Our subcontracting costs, in aggregate amounted to RMB66.9 million, RMB103.8 million and RMB156.8 million for FY2018, FY2019 and FY2020, respectively, representing 29.4%, 31.3% and 35.6% of total cost of sales and services for respective periods. The increase in subcontracting costs during the Track Record Period was mainly due to the increase in our GFA under management resulting from the expansion of our property management service business.

Substantially all of our cost of sales and services during Track Record Period was variable costs that would vary depending on the fluctuations in, among others, our GFA under management, which accounted for 99.3%, 99.6% and 99.6% of our cost of sales and services in FY2018, FY2019 and FY2020, respectively. Accordingly, we consider all of our cost of sales and services for the Track Record Period were variable costs except for depreciation, which accounted for 0.7%, 0.4% and 0.4% of total cost of sales and services during the Track Record Period, respectively. In FY2018, FY2019 and FY2020, our variable costs amounted to RMB226.0 million, RMB330.4 million and RMB438.5 million, respectively, and our fixed costs amounted to RMB1.5 million, RMB1.3 million and RMB1.7 million, respectively.

The following table sets out, for the periods indicated, a breakdown of our cost of sales and services by business line:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services . . .	161,376	70.9	250,146	75.4	337,614	76.7
Value-added services to non-property owners	56,575	24.9	68,939	20.8	85,183	19.4
Community value-added services . .	9,509	4.2	12,604	3.8	17,379	3.9
Total	227,460	100.0	331,689	100.0	440,176	100.0

FINANCIAL INFORMATION

Gross profit and gross profit margin

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

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services.....	36,487	18.4	46,825	15.8	72,215	17.6
Value-added services to non-property owners	31,310	35.6	29,317	29.8	55,727	39.5
Community value-added services.....	<u>14,866</u>	61.0	<u>24,958</u>	66.4	<u>32,788</u>	65.4
Total/Overall.	<u>82,663</u>	26.7	<u>101,100</u>	23.4	<u>160,730</u>	26.7

During the Track Record Period, our overall gross profit margin was 26.7%, 23.4% and 26.7%, respectively. Our overall gross profit margins are affected by gross profit margins for each of our business lines as well as fluctuations in our business mix.

FINANCIAL INFORMATION

(i) Gross profit and gross profit margin from property management services

The following table sets out a breakdown of our gross profit and gross profit margin from property management services by property type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Residential properties						
– Properties developed by Landsea	27,255	18.8	23,359	14.1	35,042	18.5
– Jointly developed properties ^{Note}	2,214	17.1	3,427	14.0	6,988	18.4
– Properties developed by independent third-party property developers	3,101	15.2	9,865	14.7	19,010	14.4
	32,570	18.3	36,651	14.3	61,040	17.0
Non-residential properties						
– Properties developed by Landsea	2,494	34.3	5,634	31.3	6,867	30.3
– Jointly developed properties ^{Note}	–	–	542	30.2	(124)	(3.5)
– Properties developed by independent third-party property developers	1,423	11.4	3,998	19.9	4,432	17.9
	3,917	19.8	10,174	25.5	11,715	21.9
Total/Overall	36,487	18.4	46,825	15.8	72,215	17.6

Note: Refer to properties jointly developed by Landsea and independent third-party property developers (primarily including property development companies, investment companies, and funds and asset management companies) in which Landsea did not hold a controlling interest. The interests of Landsea in such associates and joint ventures ranged from 0.1% to 51.0%. Such associates and joint ventures were not consolidated entities of Landsea. Landsea held over 50% equity interests in certain joint ventures but not a controlling interest because the decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.

FINANCIAL INFORMATION

The gross profit margins of our property management services depend primarily on the type of contractual arrangements of the services we rendered. During the Track Record Period, we charged our property management fee under a lump sum basis, under which our gross profit margin was mainly affected by the pricing of our property management fees and the cost management initiatives we implemented.

Gross profit margin for our property management services are, to a large extent, dependent on the average property management fees per sq.m. per month we charged for our property management services and our cost of sales and services per sq.m. per month for providing such services. Generally, our property management services provided for non-residential properties such as office buildings had relatively higher average property management fees than those for residential properties, as reflected by relatively higher gross profit margin from non-residential properties for each period of the Track Record Period.

During the Track Record Period, gross profit from residential properties increased in line with the increase in revenue whilst its gross profit margin decreased from 18.3% for FY2018 to 14.3% for FY2019, despite our average property management fee for residential properties slightly increased from RMB1.81 per sq.m. per month for FY2018 to RMB1.89 per sq.m. per month for FY2019. Such decrease in gross profit margin was primarily attributable to more costs incurred in FY2019 to enhance the quality of our service when we acquired projects newly developed by Landsea and properties developed by independent third-party property developers with property owners' associations established, which generally involved existing or dated properties; in particular, the GFA under management of residential properties developed by independent third-party developers increased from 1.3 million sq.m. for FY2018 to 4.9 million sq.m. for FY2019. For example, relatively more expenses incurred for purchase of different types of supplies and training of new staff incurred during the early stage of projects since our industry was relatively labour intensive and additional resources were needed to support the early stage of the projects; especially those with property owners' associations established which our Directors believe that our service quality is vital to differentiate us from other property management service providers.

Gross profit margin from property management services for residential properties increased from 14.3% for FY2019 to 17.0% for FY2020, mainly due to (i) higher costs were incurred in 2019 to support the early stage for those newly managed properties; (ii) economies of scale as our management infrastructure matured and our GFA under management increased over such periods; (iii) our enhanced operating capabilities to improve cost-efficiency by subcontracting; and (iv) the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures, leading to lower employee benefit expenses for FY2020.

As for the gross profit margin of non-residential properties, it increased from 19.8% for FY2018 to 25.5% for FY2019, mainly due to contribution from office buildings developed by Landsea in 2019, which entailed higher average property management fees. One of these office buildings was used by Landsea as its district headquarter which required more additional services when they hold large-scale meetings or functions from time to time, which involved more labour and allowed our Group to charge extra fees. Such increase was partially

FINANCIAL INFORMATION

offset by the contribution of certain industrial parks developed by independent third-party developers, which entailed relatively lower average property management fees in the same year. Among the non-residential properties developed by Landsea, its gross profit margin decreased from 34.3% for FY2018 to 31.3% for FY2019, mainly due to newly delivered GFA in FY2019 involving an industrial park and rental apartment, which entailed lower average property management fee as the services required were not as comprehensive as compared to those of office buildings.

A jointly developed non-residential property incurred loss in FY2020 because our Group was responsible for the transformation and upgrading of the water meters, as well as the extra water and electricity fee in respect of such construction work.

The table below sets forth the average property management fee for our property management services provided to residential and non-residential projects for the periods indicated, by the type of property developer:

	Average property management fee		
	For the years ended 31 December		
	2018	2019	2020
	<i>(RMB per sq.m. per month)</i>		
Residential properties			
Properties developed by Landsea ⁽¹⁾	1.89	1.99	2.06
Jointly developed properties ⁽²⁾	1.30	1.70	1.93
Properties developed by independent third-party property developers ⁽³⁾	1.70	1.75	1.78
Overall average property management fee for residential properties	1.81	1.89	1.93
Non-residential properties			
Properties developed by Landsea ⁽¹⁾	31.57	18.03	13.74
Jointly developed properties ⁽²⁾	–	1.89	1.74
Properties developed by independent third-party property developers ⁽³⁾	6.99	2.68	1.72
Overall average property management fee for non-residential properties . . .	9.79	4.22	2.82
Overall average property management fee	1.97	2.05	2.01

FINANCIAL INFORMATION

Notes:

1. Refers to properties solely developed by Landsea or jointly developed by Landsea and independent third-party property developers in which projects Landsea held a controlling interest (i.e. over 50%).
2. Refers to properties jointly developed by Landsea and independent third-party property developers, which primarily include property development companies, investment companies, and funds and asset management companies, in which projects Landsea did not hold a controlling interest (including joint ventures in which Landsea held over 50% equity interests, but Landsea did not have control because decision-making of such joint ventures typically required the affirmative votes of at least two-thirds of the total equity interests, and Landsea did not hold sufficient equity interests to control such joint ventures according to their articles of associations). Such associates and joint ventures were not consolidated entities of Landsea. The interests of Landsea in the associates and joint ventures ranged from 0.1% to 51.0%. In general, after obtaining the required approval of the board of directors of the joint venture, Landsea would be responsible for the overall management and operation of the development of the property project.
3. Refers to properties solely developed by independent third-party property developers. These also include 5, 6 and 7 projects, representing GFA under management of 0.8, 0.9 and 1.1 million sq.m. as at 31 December 2018 and 2019 and 2020, respectively, in which Landsea was engaged by the independent third-party property developer as a service provider to provide property development entrustment services to such property developers. Landsea did not hold any equity interest in these properties. The property management service revenue derived from these projects amounted to 11.5 million, 22.2 million and 24.8 million for FY2018 and FY2019 and FY2020, respectively. Our Directors confirmed that such projects were generally obtained through tendering, and only one member of each of the tender evaluation committees (which generally comprise more than five members) for selecting the property management service providers of these properties was appointed by Landsea. As such, our Directors considered that such arrangement did not amount to a control of Landsea over the selection process.

The overall average property management fee for residential properties gradually increased from RMB1.81 per sq.m. per month for FY2018 to RMB1.89 per sq.m. per month for FY2019 and to RMB1.93 per sq.m. per month for FY2020, mainly driven by our effort to enhance the services provided which allow us to charge higher fees. The average property management fee for residential properties developed by Landsea was generally comparable to those developed by independent third-party property developers for FY2018 and FY2019. The average property management fee for residential properties developed by Landsea significantly increased from RMB1.99 per sq.m. per month for FY2019 by 3.5% to RMB2.06 per sq.m. per month for FY2020, primarily because certain partially delivered properties developed by Landsea, which have relatively large GFA and relatively high average property management fee, have had gradually delivered more GFA since 2019.

The overall average property management fee for non-residential properties decreased from RMB9.79 per sq.m. per month for FY2018 to RMB4.22 per sq.m. per month for FY2019 and further decreased to RMB2.82 per sq.m. per month for FY2020, mainly due to (i) decrease in average property management fee of office buildings developed by Landsea and (ii) the contribution of certain industrial parks developed by independent third-party developers in 2019. The average property management fee of non-residential properties developed by Landsea was generally higher than those developed by independent third-party developers as the services required by office buildings of Landsea were more comprehensive as compared to the industrial parks; for example, greening and gardening services were usually not required for those industrial parks. Furthermore, certain office buildings developed by Landsea were often used by them to hold large-scale meetings and functions from time to time. In such

FINANCIAL INFORMATION

circumstances, we were often required to provide a number of customised services such as pre-conference preparation and catering services in addition to basic property management services, where we would receive an extra fee which would result in a much higher average property management fee for a period if more meetings and functions were held during such period. The average property management fee of non-residential properties developed by Landsea decreased from RMB31.57 per sq.m. per month for FY2018 to RMB18.03 per sq.m. per month for FY2019, mainly due to newly delivered GFA in 2019 involving industrial park and rental apartments which required less services as compared to office buildings. The average property management fee of non-residential properties further decreased to RMB13.74 per sq.m. per month for FY2020, primarily because fewer meetings and functions were held in the office buildings developed by Landsea due to the outbreak of COVID-19.

(ii) *Gross profit and gross profit margin from value-added services to non-property owners*

The following table sets out a breakdown of our gross profit and gross profit margin of value-added services to non-property owners by type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Sales assistance services . . .	11,868	31.0	12,479	28.5	13,395	27.8
Preliminary consultancy services and other pre-delivery services	19,442	39.2	14,198	29.7	10,538	32.9
Property agency services for properties owned by property developers	–	N/A	2,640	39.5	31,794	52.4
Total / Overall	31,310	35.6	29,317	29.8	55,727	39.5

Gross profit generated from value-added services to non-property owners amounted to RMB31.3 million, RMB29.3 million and RMB55.7 million for FY2018, FY2019 and FY2020 respectively, generally in line with the fluctuation in our revenue during the respective periods.

Gross profit margin generated from value-added services to non-property owners was 35.6%, 29.8% and 39.5% for FY2018, FY2019 and FY2020, respectively. We recorded relatively lower gross profit margin from our value-added services to non-property owners in FY2019, mainly because of decrease in gross profit margin from our sales assistance services and preliminary consultancy services and other pre-delivery services in FY2019 as certain projects in FY2018 were with higher contract value may allow us to achieve economies of scale and leading to higher profitability in FY2018, despite we have widen our scope of

FINANCIAL INFORMATION

services by providing property agency services for properties owned by property developer in the same year with higher gross profit margin.

As for our newly launched property agency services for properties owned by property developer in late FY2019, the commission varies based on types of properties involved, which may affect the fluctuation of gross profit margin. Its gross profit margin increased from 39.5% for FY2019 to 52.4% for FY2020, mainly attributable to more costs were involved in beginning stage of the business such as staff training and deployment.

(iii) Gross profit and gross profit margin from community value-added services

The following table sets out a breakdown of our gross profit and gross profit margin of community value-added services by type for the periods indicated:

	FY2018		FY2019		FY2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%
Home-living services	6,998	42.4	10,476	45.7	10,740	42.7
Public resources management services	7,844	100.0	14,241	100.0	15,579	100.0
Property agency services for second-hand properties . .	24	57.1	241	62.4	6,469	68.8
Total/Overall.	14,866	61.0	24,958	66.4	32,788	65.4

Gross profit generated from community value-added services have been continuously increasing during the Track Record Period, amounting to RMB14.9 million, RMB25.0 million and RMB32.8 million for FY2018, FY2019 and FY2020, respectively, generally in line with the increase in our revenue during the respective periods.

Gross profit margin generated from community value-added services was 61.0%, 66.4% and 65.4% for FY2018, FY2019 and FY2020, respectively. The general increase trend was mainly attributable to increase in contribution from public resources management services and property agency services for second-hand properties, which entailed relatively higher gross profit margin as compared to home-living services, as these services were relatively less labour-intensive as compared to home-living services. Meanwhile, the continuous increase in contribution from our public resources management services were largely in line with increase in number of properties we managed.

FINANCIAL INFORMATION

Other income

The following table sets out a breakdown of our other income for the periods indicated:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from related parties	21,998	61,704	32,436
Government grants	682	819	4,537
Value-added tax (“VAT”) deductibles	–	805	1,330
Others	204	209	141
Total	<u>22,884</u>	<u>63,537</u>	<u>38,444</u>

Other income mainly represents (i) interest income from related parties, (ii) government grants, (iii) VAT deductibles and (iv) others.

During the Track Record Period, some of our amounts due from related parties were interest-bearing, ranging from 7.71% per annum to 7.88% per annum, leading to interest income from related parties being recorded of RMB22.0 million, RMB61.7 million and RMB32.4 million for FY2018, FY2019 and FY2020, respectively. Please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I for details. All of our balances with related parties will be fully settled upon Listing.

Government grants mainly comprised government subsidies to support local corporate and economic development and to encourage our effort of stabilising employment and providing high standard property management services. We recorded government grants of RMB4.5 million for FY2020 as compared to RMB0.7 million for FY2018, RMB0.8 million for FY2019, primarily due to the government subsidies for staff retention and property management industry as a result of regulatory supportive policies issued by the local governments in response to the outbreak of COVID-19. There were no unfulfilled conditions in relation to our government grants.

As the tax regulations on value-added tax deductions issued in April 2019 which allows the taxpayers in the home-living service industries to enjoy additional 10% input value-added tax deduction, we recorded VAT deductibles of RMB0.8 million and RMB1.3 million for FY2019 and FY2020, respectively.

FINANCIAL INFORMATION

Selling expenses

The following table sets out a breakdown of our selling expenses for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	605	59.6	3,669	53.3	4,832	51.1
Consulting fees.	343	33.8	956	13.9	3,062	32.4
Travel and entertainment	35	3.4	534	7.8	788	8.3
Office expenses	32	3.2	1,717	25.0	769	8.2
Total.	1,015	100.0	6,876	100.0	9,451	100.0

Selling expenses primarily include (i) employee benefit expenses for our sales and marketing personnel, (ii) consulting fees, mainly in relation to due diligence works for our business development before we acquire projects managed by other property developers, (iii) travel and entertainment, and (iv) office expenses for our sales and marketing personnel.

Administrative expenses

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	FY2018		FY2019		FY2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee benefit expenses	29,478	84.3	41,713	68.7	42,334	64.7
Professional fees	1,090	3.1	3,885	6.4	3,541	5.4
Travel and entertainment	954	2.7	2,036	3.4	3,356	5.1
Rentals and property management fees	1,047	3.0	1,648	2.7	1,696	2.6
Listing expenses	–	–	5,713	9.4	8,202	12.5
Others	2,400	6.9	5,753	9.4	6,280	9.7
Total.	34,969	100.0	60,748	100.0	65,409	100.0

Administrative expenses primarily include (i) employee benefit expenses, (ii) professional fees including auditors' remuneration, market research on brand buildings, (iii) travel and entertainment, (iv) rental expenses and property management fees, (v) listing expenses and (vi) others, mainly includes depreciation, office expenses, telecommunication, training, repair and maintenance.

FINANCIAL INFORMATION

Impairment (losses)/gains under expected credit loss model

Our impairment (losses)/gains under expected credit loss model primarily are provisions for (losses)/gains arising from potential bad debts in respect of our trade receivables and other receivables in the ordinary course of business. For further details, please refer to Note 3.1(b) to the Accountant's Report included in Appendix I to this prospectus. In FY2018 and FY2020, we recorded net impairment losses on financial assets of RMB5.7 million and RMB4.2 million, respectively. We recorded net gains on financial assets of RMB4.4 million for FY2019, primarily due to relatively significant portion of our interest-bearing loans to related parties have been settled on or before 31 December 2019, resulting in reversal of provision made in earlier periods.

Other gains/(losses), net

The following table sets out a breakdown of our net other gains/(losses) for the periods indicated:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gain on termination of leases	66	10	–
Net loss on disposal of property, plant and equipment	(1)	(11)	(39)
Others	<u>(29)</u>	<u>(173)</u>	<u>(601)</u>
Other gains/(losses), net	<u>36</u>	<u>(174)</u>	<u>(640)</u>

Other net gains/(losses) mainly include (i) gain on termination of leases, mainly arising from our early termination of lease properties in relation to office, (ii) net loss on disposal of property, plant and equipment and (iii) others.

FINANCIAL INFORMATION

Net finance costs

The following table sets out a breakdown of our net finance costs for the periods indicated:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance cost			
– Interests on ABS	21,381	46,949	23,072
– Interests on amount due to related parties	–	4,656	11,263
– Interests on bank borrowings ...	920	1,954	11
– Interests on lease liability	62	112	26
	22,363	53,671	34,372
Finance income			
– Interest income from bank deposits	(48)	(51)	(130)
	<u>22,315</u>	<u>53,620</u>	<u>34,242</u>

In FY2018, FY2019 and FY2020, we recorded net finance costs of RMB22.3 million, RMB53.6 million and RMB34.2 million, respectively; among which, our finance costs amounted to RMB22.4 million, RMB53.7 million and RMB34.4 million for respective period. Our finance costs mainly include interest on asset-backed securities, interest on amount due to related parties, interests on bank borrowings and interests on lease liabilities. For further details of our borrowings, please refer to paragraphs headed “Indebtedness” in this section and Note 24 of the Accountant’s Report in Appendix I to this prospectus. As for the details of related party transaction, please refer to paragraphs headed “Related Party Transactions” in this section and Note 31 of the Accountant’s Report in Appendix I for details.

Income tax expense

Our Group is 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, our Company incorporated in the Cayman Islands is not subject to any income tax. Our Group’s subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Track Record Period.

Our income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of our subsidiaries incorporated in the PRC. Some subsidiaries are qualified as small and micro businesses and enjoy preferential income tax rate of 5% or 10% as approved by the local tax authorities for the Track Record Period.

FINANCIAL INFORMATION

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax represents the estimated tax payable on the taxable income for the reporting period, using tax rates enacted at the end of such reporting period, plus any adjustment to tax payable in respect of previous reporting periods. For more information on the deferred tax assets and liabilities, see Note 25 of the Accountant's Report in Appendix I to this prospectus.

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	13,103	20,387	13,375
Deferred tax	(2,478)	(7,118)	6,323
Total tax charge for the year	<u>10,625</u>	<u>13,269</u>	<u>19,698</u>

For FY2018, FY2019 and FY2020, our effective income tax rates were 25.5%, 27.9% and 23.1%, respectively. We recorded higher effective tax rate for FY2019, mainly due to listing expenses of RMB5.7 million being recorded in the same year, which was partly not deductible for tax purpose.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Under the PRC enterprise income tax, enterprises are required to file and pay taxes on a monthly or quarterly basis within fifteen days following the end of each month/quarter. Settlement of tax payment is due, in conjunction with the annual income tax return, within five months after the end of the tax year. Cash tax payments made by our Group within a calendar year may include (i) the prepayment of provisional tax charge of our Group for the first three quarters in the same year; (ii) the tax payment for the fourth quarter in the previous year; and (iii) the remaining tax payment or tax refund in respect of the tax charge identified when filing annual EIT return of the previous calendar year. Hence, the timing difference in settling the aforementioned tax payments and accruing tax charges may result in discrepancy between the tax payment made and tax charge in the same calendar year.

FINANCIAL INFORMATION

Apart from the timing difference in settlement and accrual for tax charges under PRC enterprise income tax, the discrepancy between the current income tax liabilities and the tax payment for each of the years and period comprising the Track Record Period could be partly attributable to the Technological Systems Operation Business, which has been excluded from our Group.

During the Track Record Period, Landsea Property Management, one of our operating subsidiaries, was engaged in (i) Property Management Business, which is our Group's principal and core business, and (ii) the Technological Systems Operation Business, which was initially part of our Group's overall business strategy to develop a close and long-term cooperative relationship with Landsea, to increase its chances of successfully tender bidding for Landsea's property management service engagements under applicable PRC laws and regulations. Nevertheless, such Technological Systems Operation Business incurred more costs than its fees earned and it was difficult to raise the fees while its cost kept rising, leading to losses of RMB15.4 million, RMB11.4 million and RMB13.9 million, being recorded in its unaudited management account during the Track Record Period, respectively. For details, please refer to "History, Reorganisation and Corporate Structure – Exclusion of the Technological Systems Operation Business" in this prospectus. During the Track Record Period, Landsea Property Management, without taking into account the Technological Systems Operation Business, generated revenue of RMB260.0 million, RMB382.6 million and RMB511.0 million, respectively; while its net profit amounted to RMB28.1 million, RMB26.9 million and RMB31.8 million, respectively. As the Technological Systems Operation Business is different and significantly distinctive in nature from our Group's principal business, it has therefore been excluded from our Group. For details, please refer to the paragraphs headed "Relationship with Controlling Shareholders – Delineation of Business" in this prospectus.

FINANCIAL INFORMATION

The following table sets forth, for the period indicated, a reconciliation between the income tax expense, income tax payable and income tax paid of Property Management Business of our Group, as indicated in [A] in the table below, Technological Systems Operation Business, which has been carved out from Landsea Property Management, as indicated in [B] in the table below and sum of entities that have been combined in preparation of financial information without taken into account any carve out of Technological Systems Operation Business, as indicated in [C] in the table below, for the periods indicated:

		2018			2019			2020		
		Technological			Technological			Technological		
		Property	Systems		Property	Systems		Property	Systems	
		Management	Operation		Management	Operation		Management	Operation	
		Business	Business		Business	Business		Business	Business	
		[A]	[B]	[C]=[A]+[B]	[A]	[B]	[C]=[A]+[B]	[A]	[B]	[C]=[A]+[B]
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January										
Income tax payable/(receivable)	(i)	12,308	(12,042)	266	24,709	(21,288)	3,421	41,615	(26,462)	15,153
During the year										
Income tax expense/(credit)	(ii)	13,103	(9,246)	3,857	20,387	(5,174)	15,213	13,375	(3,460)	9,915
Less: income tax paid										
- prepayment of provisional tax charge		(433)	-	(433)	(129)	-	(129)	(11,115)	-	(11,115)
- tax payment for the fourth quarter in the previous year		(263)	-	(263)	(3,345)	-	(3,345)	(13,855)	-	(13,855)
- the remaining tax payment or tax refund		(6)	-	(6)	(7)	-	(7)	(1,062)	-	(1,062)
	(iii)	(702)	-	(702)	(3,481)	-	(3,481)	(26,032)	-	(26,032)
As at 31 December										
Income tax payable/(receivable)	(i)+(ii)+(iii)	24,709	(21,288)	3,421	41,615	(26,462)	15,153	28,958	(29,922)	(964)

Despite the aforesaid, since the PRC enterprise income tax was prepared on individual enterprise level, in aggregate as indicated in [C] in the above table and there was tax losses brought forward from Technological Systems Operation Business, as indicated in [B] in the above table, which could be utilised to partially offset taxable profit of the same enterprise, the actual tax payment on enterprise level that our Group have made to relevant tax authorities for each period of the Track Record Period would be reduced accordingly. During the Track Record Period, RMB9.2 million, RMB5.2 million and RMB3.5 million of tax losses incurred by the Technological Systems Operation Business for respective periods were utilised to partially offset the income tax provision of our Group's Property Management Business of RMB13.1 million, RMB20.4 million and RMB13.4 million, respectively, resulting in income

FINANCIAL INFORMATION

tax provision being made by entity level for all involved entities of RMB3.9 million, RMB15.2 million and RMB9.9 million, respectively. As aforesaid, since the PRC enterprise income tax was prepared on individual enterprise level, based on the income tax provision at entity level of all involved entities, which have already taken into account the tax losses of Technological Systems Operation Business, the tax payment needed, that was demanded by relevant tax authorities and was recorded in the cash flow statement of Property Management Business, our Group, would be RMB0.7 million, RMB3.5 million and RMB26.0 million, respectively. As for the income tax provision, as the tax losses brought forward from and incurred by the Technological Systems Operation Business is irrelevant to our Group, we have made sufficient provision for income tax arising from our Property Management Business as at the end of each year comprising the Track Record Period.

For FY2018, our Group's provision for income tax was RMB13.1 million and our Group's income tax payments of RMB0.7 million comprised balance of payments for income tax of RMB0.3 million for FY2017 and payments for PRC enterprise income tax of RMB0.4 million for the period from January 2018 to September 2018. Meanwhile, the difference between our Group's provision for income tax for FY2018 of RMB13.1 million and the aggregate amount that we have paid in 2018 and 2019 for FY2018 of RMB3.8 million is RMB9.3 million, which is mainly due to the accumulated tax losses brought forward from previous years and tax loss incurred by the Technological System Operation Business in FY2018.

For FY2019, our Group's provision for income tax was RMB20.4 million and our Group's income tax payments of RMB3.5 million comprised balance of payments for income tax of RMB3.4 million for FY2018 and payments for PRC enterprise income tax of RMB0.1 million for the period from January 2019 to September 2019. Meanwhile, the difference between our Group's provision for income tax for FY2019 of RMB20.4 million and the aggregate amount that we have paid in 2019 and 2020 for FY2019 of RMB15.0 million is RMB5.4 million, which is mainly due to tax loss incurred by the Technological System Operation Business in FY2019.

For FY2020, our Group's provision for income tax was RMB13.4 million and our Group's income tax payments of RMB26.0 million comprised balance of payments for income tax of RMB14.9 million for FY2019 and payments for PRC enterprise income tax of RMB11.1 million for the period from January 2020 to September 2020.

Our Directors confirm that we had no tax payment outstanding for the Track Record Period as of the date of this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not been charged any penalty with respect to tax filings we had made, our Directors are of the view that the tax matters discussed above would not have any material and adverse impact on our business, financial performance and results of operations.

FINANCIAL INFORMATION

In April 2021, an interview was arranged with the competent tax authority concerning the tax related matters of Landsea Property Management which have confirmed that during the Track Record Period and up to the date of such interview, Landsea Property Management: (i) did not have any dispute and/or litigation with the relevant tax authorities; (ii) had not been subject to any investigation, inspection or enquiries by, the relevant tax authorities; (iii) had not been subject to any penalties imposed by the relevant tax authorities; and (iv) had not been subject to any complaints filed by other third parties regarding violations of the tax related laws and regulations.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2020 compared to FY2019

Revenue

Our revenue increased by RMB168.1 million, or 38.8%, from RMB432.8 million for FY2019 to RMB600.9 million for FY2020, primarily due to an increase in our revenue from all of our business lines.

Revenue from property management services

Revenue from property management services increased by RMB112.8 million, or 38.0%, from RMB297.0 million for FY2019 to RMB409.8 million for FY2020. Such increase was primarily due to the increase in number of residential properties and non-residential properties from different developers we managed as a result of our continuous business expansion.

Such increase primarily consists of

- (a) *residential properties developed by Landsea*: an increase of RMB23.5 million from RMB165.6 million in FY2019 to RMB189.1 million in FY2020 while our GFA under management increased from 7.1 million sq.m. to 7.7 million sq.m. with more newly developed residential properties from Landsea;
- (b) *jointly developed residential properties*: an increase of RMB13.5 million from RMB24.5 million in FY2019 to RMB38.0 million in FY2020 while our GFA under management increased from 1.3 million sq.m. to 2.0 million sq.m.;
- (c) *residential properties developed by independent third-party property developers*: an increase of RMB64.8 million from RMB66.9 million in FY2019 to RMB131.7 million in FY2020 while our GFA under management increased from 4.9 million sq.m. to 6.8 million sq.m. because of our continuous effort in obtaining property management projects in residential properties;

FINANCIAL INFORMATION

- (d) *non-residential properties developed by independent third-party property developers*: an increase of RMB4.7 million from RMB20.1 million in FY2019 to RMB24.8 million in FY2020 with GFA under management decreased from 1.5 million sq.m. to 0.5 million sq.m. as we started managing certain industrial parks during 2019 and our engagements with certain industrial parks were expired or terminated pursuant to the terms of the agreements in 2020; and
- (e) *non-residential properties developed by Landsea*: an increase of RMB4.7 million from RMB18.0 million in FY2019 to RMB22.7 million in FY2020 while our GFA under management increased from 112,000 sq.m. to 139,000 sq.m..

Revenue from value-added services to non-property owners

Revenue from value-added services to non-property owners increased by RMB42.6 million, or 43.3%, from RMB98.3 million for FY2019 to RMB140.9 million for FY2020. Such increase was primarily due to (a) increase in revenue from property agency services for properties owned by property developer that we newly launched in late FY2019 of RMB53.9 million; being partially offset by (b) decrease in revenue from preliminary consultancy services and other pre-delivery services of RMB15.8 million, as the number of properties that property developers, including Landsea, delivered to us which required such services decreased in 2020 as compared to that of 2019.

Revenue from community value-added services

Revenue from community value-added services increased by RMB12.6 million, or 33.5%, from RMB37.6 million for FY2019 to RMB50.2 million for FY2020. Such increase was primarily due to the combined effect of (a) increase in revenue from home-living services and public resources management services in aggregate of RMB3.6 million, which was in line with increase in number of properties that we have managed and (b) contribution of new scope of services that we have offered, property agency services for second-hand properties in late FY2019 after we have obtained relevant licence, which generated revenue of RMB9.4 million in FY2020 as compared to RMB0.4 million in FY2019.

Cost of sales and services

Our cost of sales and services increased by RMB108.5 million, or 32.7%, from RMB331.7 million for FY2019 to RMB440.2 million for FY2020, primarily due to (i) the increase in employee benefit expense by RMB27.2 million as a result of the increase in the staff headcount and an increase in the average salary due to the expansion of our business; (ii) the increase in other costs, as a result of the increase number of properties we managed; in particular, our subcontracting costs increased by RMB53.0 million.

FINANCIAL INFORMATION

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB59.6 million, or 59.0%, from RMB101.1 million for FY2019 to RMB160.7 million for FY2020, which was in line with increase in revenue, whilst our gross profit margin increased from 23.4% for FY2019 to 26.7% for FY2020. Such increase in gross profit margin was primarily due to increase in gross profit margin from all of our business lines.

Gross profit and gross profit margin from property management services

Gross profit from property management services increased by RMB25.4 million, or 54.3%, from RMB46.8 million for FY2019 to RMB72.2 million for FY2020 whilst its gross profit margin increased from 15.8% for FY2019 to 17.6% for FY2020. Such increase was primarily attributable to (i) higher costs had been incurred in 2019 to support the early stage for those newly managed properties developed by independent third-party property developers; (ii) economies of scale as our management infrastructure matured and our GFA under management increased over such periods; (iii) our enhanced operating capabilities to improve cost-efficiency by subcontracting; and (iv) the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures, leading to lower employee benefit expenses for FY2020.

Gross profit and gross profit margin from value-added services to non-property owners

Gross profit from value-added services to non-property owners increased by RMB26.4 million, or 90.1%, from RMB29.3 million for FY2019 to RMB55.7 million for FY2020, whilst its gross profit margin increased from 29.8% for FY2019 to 39.5% for FY2020. Such increase was primarily attributable to (a) increase in contribution from property agency services for properties owned by property developer that we newly launched in late FY2019, which entailed relatively higher gross profit margin as compared to those from preliminary consultancy services and other pre-delivery services and (b) slight increase in gross profit margin from preliminary consultancy services and other pre-delivery services.

Gross profit and gross profit margin from community value-added services

Gross profit from community value-added increased by RMB7.8 million, or 31.2%, from RMB25.0 million for FY2019 to RMB32.8 million for FY2020 whilst its gross profit margin remained relatively stable at 66.4% for FY2019 and 65.4% for FY2020, primarily attributable to increase in contribution from property agency services for second-hand properties that newly offered in late FY2019 and these services entailed relatively higher gross profit margin, being partially offset by slight decrease in gross profit margin from home-living services.

FINANCIAL INFORMATION

Other income

Our other income decreased by RMB25.1 million from RMB63.5 million for FY2019 to RMB38.4 million for FY2020, primarily attributable to decrease in our interest income on amounts due from related parties of RMB29.3 million, mainly due to gradual settlement of our interest-bearing loans to related parties during FY2019 and FY2020, being partially offset by increase in government grants of RMB3.7 million. For further details of related party transaction, please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I.

Selling expenses

Our selling expenses increased by RMB2.6 million, or 37.7%, from RMB6.9 million for FY2019 to RMB9.5 million for FY2020, primarily due to (i) increase in consulting fee of RMB2.1 million in relation to due diligence works before we acquire projects managed by other property developers; and (ii) increase in staff cost of RMB1.2 million, in line with the increase in staff headcount, to support our needs.

Administrative expenses

Our administrative expenses increased by RMB4.7 million, or 7.7%, from RMB60.7 million for FY2019 to RMB65.4 million for FY2020, primarily due to (i) the increase in Listing expenses of RMB2.5 million; (ii) the increase in travel and entertainment of RMB1.4 million for our business needs; and (iii) the slight increase in staff costs of RMB0.6 million due to increase in staff headcount being partially offset by the reduction in or exemption of payment of social insurance contributions as part of COVID-19 relief measures.

Net finance costs

Our net finance costs decreased by RMB19.4 million, or 36.2%, from RMB53.6 million for FY2019 to RMB34.2 million for FY2020, primarily due to decrease in interest on ABS of RMB23.8 million, mainly due to certain ABS were redeemed in advance by our Group in August 2019, May 2020, October 2020 and December 2020. Such decrease was partially offset by increase in interest on amount due to related parties of RMB6.6 million. For further details of related party transaction, please refer to paragraph headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I.

Income tax expense

Our income tax expense increased by RMB6.4 million, or 48.1%, from RMB13.3 million for FY2019 to RMB19.7 million for FY2020, which was primarily attributable to our increase in profit before tax. Our effective tax rate decreased from 27.9% for FY2019 to 23.1% for FY2020, mainly due to preference tax rate of certain of our subsidiaries of 5% or 10% for FY2020 as they are qualified as small and micro business and approved by the local tax authority.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB31.3 million, or 91.3%, from RMB34.3 million for FY2019 to RMB65.6 million for FY2020. Our net profit margin increased from 7.9% for FY2019 to 10.9% for FY2020, primarily due to the improvement of our gross profit margin whilst other costs and expenses were relatively in control.

FY2019 compared to FY2018

Revenue

Our revenue increased by RMB122.7 million, or 39.6%, from RMB310.1 million for FY2018 to RMB432.8 million for FY2019, primarily due to an increase in our revenue from all of our business lines.

Revenue from property management services

Revenue from property management services increased by RMB99.1 million, or 50.1%, from RMB197.9 million for FY2018 to RMB297.0 million for FY2019. Such increase was primarily due to the increase in number of residential properties and non-residential properties we managed as a result of our continuous business expansion.

Such increase primarily consists of

- (a) *residential properties developed by independent third-party property developers*: an increase of RMB46.4 million from RMB20.5 million in FY2018 to RMB66.9 million in FY2019 while our GFA under management increased from 1.3 million sq.m. to 4.9 million sq.m. as the number of properties developed by independent third-party property developers managed by us significantly increased; and
- (b) *residential properties developed by Landsea*: an increase of RMB20.9 million from RMB144.7 million in FY2018 to RMB165.6 million in FY2019 while our GFA under management increased from 6.5 million sq.m. to 7.1 million sq.m. as more newly developed residential properties developed by Landsea were delivered to us;
- (c) *non-residential properties developed by Landsea*: an increase of RMB10.7 million from RMB7.3 million in FY2018 to RMB18.0 million in FY2019 while our GFA under management increased from 50,000 sq.m. to 112,000 sq.m., mainly due to (a) newly developed properties developed by Landsea were delivered to us, including industrial park and rental apartment; and (b) full year impact in 2019 in relation to properties delivered since late 2018, including one of the office buildings which was used as district headquarter and required more customised services; and

FINANCIAL INFORMATION

- (d) *non-residential properties developed by independent third-party property developers*: an increase of RMB7.6 million from RMB12.5 million in FY2018 to RMB20.1 million in FY2019 while our GFA under management increased from 0.2 million sq.m. to 1.5 million sq.m. as we started managing certain industrial parks in 2019.

Revenue from value-added services to non-property owners

Revenue from value-added services to non-property owners increased by RMB10.4 million, or 11.8%, from RMB87.9 million for FY2018 to RMB98.3 million for FY2019. Such increase was primarily due to increase in revenue of RMB6.7 million from property agency services for properties owned by property developer that we newly launched in late FY2019 by facilitating more than 500 property transactions of 10 projects in FY2019.

Revenue from community value-added services

Revenue from community value-added services increased by RMB13.2 million, or 54.1%, from RMB24.4 million for FY2018 to RMB37.6 million for FY2019. Such increase was primarily due to the combined effect of (a) increase in revenue from home-living services of RMB6.4 million and (b) increase in revenue from public resources management services of RMB6.4 million, which were in line with increase in number of properties that we have managed in 2019.

Cost of sales and services

Our cost of sales and services increased by RMB104.2 million, or 45.8%, from RMB227.5 million for FY2018 to RMB331.7 million for FY2019, primarily due to (i) the increase in employee benefit expense by RMB57.4 million as a result of the increase in the staff headcount and an increase in the average salary due to the expansion of our business; (ii) the increase in other costs, as a result of the increase number of properties we managed; in particular, our subcontracting costs increased by RMB36.9 million.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB18.4 million, or 22.2%, from RMB82.7 million for FY2018 to RMB101.1 million for FY2019, which was in line with increase in revenue, whilst our gross profit margin decreased from 26.7% for FY2018 to 23.4% FY2019. Such decrease in gross profit margin was primarily due to decrease in gross profit margin from property management services and value-added services to non-property owners.

FINANCIAL INFORMATION

Gross profit and gross profit margin from property management services

Gross profit from property management services increased by RMB10.3 million, or 28.2%, from RMB36.5 million for FY2018 to RMB46.8 million for FY2019 whilst its gross profit margin decreased from 18.4% for FY2018 to 15.8% for FY2019. Such decrease was primarily attributable to more costs incurred in FY2019 when we acquired projects newly developed by Landsea and properties developed by independent third-party property developers. For example, relatively more expenses incurred for purchase of different types of supplies and training of new staff incurred during the early stage of projects since our industry was relatively labour intensive and additional resources were needed to support the early stage of the projects.

Gross profit and gross profit margin from value-added services to non-property owners

Gross profit from value-added services to non-property owners remained stable at RMB31.3 million and RMB29.3 million for FY2018 and FY2019, respectively, whilst its gross profit margin decreased from 35.6% for FY2018 to 29.8% for FY2019. Such decrease was primarily attributable to decrease in gross profit margin from sales assistance services and preliminary consultancy services and other pre-delivery services as certain projects in FY2018 were with higher contract value, may allow us to achieve economies of scale and leading to higher profitability in FY2018.

Gross profit and gross profit margin from community value-added services

Gross profit from community value-added services increased by RMB10.1 million, or 67.8%, from RMB14.9 million for FY2018 to RMB25.0 million for FY2019 whilst its gross profit margin increased from 61.0% for FY2018 to 66.4% for FY2019. Such increase was primarily attributable to increase in contribution from public resources management services, which was relatively less labour-intensive and accordingly entailed higher gross profit margin as compared to home-living services and was in line with increase in number of properties we managed.

Other income

Our other income increased by RMB40.6 million, or 177.3%, from RMB22.9 million for FY2018 to RMB63.5 million for FY2019, primarily attributable to increase in interest income from related parties of RMB39.7 million in FY2019, mainly due to (i) advance to our fellow subsidiaries of RMB500.0 million at an interest rate of 7.71% per annum in the first quarter of 2019; and (ii) the full year effect of interest income derived from advance to another fellow subsidiaries in 2019 as compared to the two-month period in 2018. For further details of related party transaction, please refer to paragraph headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I.

FINANCIAL INFORMATION

Selling expenses

Our selling expenses increased by RMB5.9 million, or 590.0%, from RMB1.0 million for FY2018 to RMB6.9 million for FY2019, primarily due to (i) increase in staff cost of RMB3.1 million as a result of the increase in the staff headcount and (ii) increase in other operating expenses, including consulting fees in relation to due diligence works before we acquire projects managed by other property developers and travel and entertainment, which in aggregate increased by RMB1.2 million, to support our business expansion.

Administrative expenses

Our administrative expenses increased by RMB25.7 million, or 73.4%, from RMB35.0 million for FY2018 to RMB60.7 million for FY2019, primarily due to (i) increase in staff costs of RMB12.2 million which mainly due to the increase in staff number and average salaries per employee; (ii) increase in Listing expenses of RMB5.7 million; and (iii) increase in other administrative expenses such as professional fees, travel and entertainment which in aggregate increased by RMB3.8 million, in line with the expansion of our business scale.

Net finance costs

Our net finance costs increased by RMB31.3 million, or 140.4%, from RMB22.3 million for FY2018 to RMB53.6 million for FY2019, primarily attributable to the combined effect of (i) increase in interest on ABS of RMB25.5 million because of the full year effect of ABS being issued in December 2018 with total principal of RMB470.0 million and RMB25.0 million for priority level and subprime level, respectively; and (ii) increase in interest on amounts due to related parties of RMB4.7 million. For further details of related party transaction, please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I.

Income tax expense

Our income tax expense increased by RMB2.7 million, or 25.5%, from RMB10.6 million for FY2018 to RMB13.3 million for FY2019, which was primarily attributable to our increase in profit before tax. Our effective tax rate increased from 25.5% for FY2018 to 27.9% for FY2019, mainly due to tax effect of non-deductible expenses of RMB0.9 million in FY2019 as compared to RMB66,000 in FY2018. During FY2019, we have incurred listing expenses of RMB5.7 million, which was partly not deductible for tax purpose.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB3.3 million, or 10.6%, from RMB31.0 million for FY2018 to RMB34.3 million for FY2019. Our net profit margin decreased from 10.0% for FY2018 to 7.9% for FY2019, primarily due to the combined effect of decrease in our gross profit margin and significant increase in administrative expenses, including listing expenses of RMB5.7 million and net finance costs despite there was increase in other income for the same year.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash flow

Our primary uses of cash are for the payment of staff costs, purchases from suppliers, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations, borrowings and balances with related parties. We currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed “Future Plans and Use of Proceeds” in this prospectus.

The following table summarises, for the periods indicated, our statements of cash flows:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
– <i>Operating cash flow before changes in working capital</i>	50,076	38,121	94,484
– <i>Changes in working capital</i>	44,459	82,606	24,469
– <i>Income tax paid</i>	(702)	(3,481)	(26,032)
Net cash generated from operating activities	93,833	117,246	92,921
Net cash (used in)/generated from investing activities	(423,564)	733,266	119,629
Net cash generated from/(used in) financing activities	397,157	(278,463)	(554,641)
Net increase/(decrease) in cash and cash equivalents	67,426	572,049	(342,091)
Cash and cash equivalents at beginning of year	16,815	84,241	656,290
Effect of foreign exchange rate changes	–	–	66
Cash and cash equivalents at end of year	<u>84,241</u>	<u>656,290</u>	<u>314,265</u>

During FY2020, we experienced significant growth in our business, our revenue increased by 38.8% or RMB168.1 million to RMB600.9 million for FY2020 as compared to that of FY2019, resulting in our operating cash flows before changes in working capital increased by 148.0% or RMB56.4 million to RMB94.5 million for FY2020 as compared to that of FY2019. In line with the business growth and partly affected by the outbreak of COVID-19, our trade receivables increased significantly by 98.3% or RMB57.3 million to RMB115.6 million as at 31 December 2020 as compared to that of 2019 whilst our contract

FINANCIAL INFORMATION

liabilities increased by 29.7% or RMB33.6 million to RMB146.7 million as at 31 December 2020 as compared to that of 2019. In addition, in preparation of Listing, we had gradually settled balances with our related parties, these combined factors led to lower level of net cash generated from operating activities for FY2020 as compared to that of FY2018 and FY2019. Meanwhile, prior to and during the Track Record Period, as part of Landsea Group, our Group entered into ABS 2016 and ABS 2018 for the purpose of providing financing to Landsea Group at the time; for details, please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I for details of funding arrangement with Landsea Group. In preparation of listing, our ABS 2018 were repurchased in advance by our Group in May 2020, October 2020 and December 2020 of RMB200.0 million, RMB117.0 million and RMB76.5 million, respectively and we had, therefore, recorded relatively higher level of net cash used in financing activities in FY2020. As such, we recorded lower level of cash and cash equivalents as at 31 December 2020 as compared to that of 2019.

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our services. Our cash outflow used in operating activities was principally for payment of various operating costs and expenses including employee benefit expenses and subcontracting costs.

For FY2020, we had net cash generated from operating activities of RMB93.0 million. This amount represents profit before income tax of RMB85.3 million, adjusted for (i) certain gains and expense of RMB9.3 million, mainly included interest income, interest expenses, provision for impairment losses under expected credit loss model, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included increase in trade and other payables of RMB63.5 million, mainly due to increased purchase and increase in contract liabilities of RMB33.5 million, mainly due to the increase in number of property projects we managed, being partially offset by changes in certain working capital items that negatively affected operating cash flow, mainly included increase in trade receivables of RMB62.2 million, primarily in line with significant growth in our business and partly due to the outbreak of COVID-19 and increase in prepayments, deposits and other receivables of RMB10.3 million and (iii) income tax paid of RMB26.0 million.

For FY2019, we had net cash generated from operating activities of RMB117.2 million. This amount represents profit before income tax of RMB47.6 million, adjusted for (i) certain gains and expense of RMB9.5 million, mainly included interest income, interest expenses, gains under expected credit loss model, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included increase in contract liabilities of RMB48.6 million mainly due to the increase in number of property projects we managed and increase in trade and other payables of RMB76.9 million, mainly due to increased procurement to support our business expansion, being partially offset by changes in certain working capital items that negatively affected operating cash flow, mainly included increase in trade receivables of RMB32.0 million, in line with our business growth, increase in prepayments, deposits and other receivables of RMB9.7 million and (iii) income tax paid of RMB3.5 million.

FINANCIAL INFORMATION

For FY2018, we had net cash generated from operating activities of RMB93.8 million. This amount represents profit before income tax of RMB41.6 million, adjusted for (i) certain gains and expense of RMB8.5 million, mainly included interest income, interest expenses, provision for impairment losses under expected credit loss model, (ii) changes in certain working capital items that positively affected operating cash flow, mainly included increase in trade and other payables of RMB49.2 million for our business needs, increase in contract liabilities of RMB11.7 million and decrease in prepayments, deposits and other receivables of RMB1.6 million being partially offset by changes in certain working capital items that negatively affected operating cash flow, mainly included increase in trade receivables of RMB17.6 million and (iii) income tax paid of RMB0.7 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally collection of funding to related parties, which reflects receipts from the repayment of advances and loans made to Landsea Group other than those received by a financial institution, interest received, net proceeds from disposal of subsidiaries, and proceeds from disposal of property, plant and equipment. Our cash outflow used in investing activities was principally for funding to related parties, which reflects advances and loans made to Landsea Group other than those made by a financial institution and purchases of property, plant and equipment and intangible assets.

For FY2020, our Group had net cash from investing activities of RMB119.6 million, primarily attributable to (i) net collection of fundings to related parties of RMB31.7 million and (ii) interest received of RMB92.9 million, which was partially offset by (iii) purchase of intangible assets of RMB2.3 million and (iv) purchase of property, plant and equipment of RMB2.7 million.

For FY2019, our Group had net cash from investing activities of RMB733.3 million, primarily attributable to (i) net collection of funding to related companies of RMB730.6 million, (ii) net proceeds from disposal of subsidiaries of RMB4.3 million, which was partially offset by (iii) purchase of intangible assets of RMB0.7 million, (iv) purchase of property, plant and equipment of RMB1.0 million. To better focus in our property management operation, we have disposed of certain subsidiaries during the Track Record Period. For further details, please refer to the section headed “History, Reorganisation and Corporate Structure – Our corporate development – Disposal of subsidiaries during the Track Record Period” in this prospectus.

For FY2018, our Group had net cash used in investing activities of RMB423.6 million, primarily attributable to (i) net funding to related parties of RMB454.8 million and (ii) purchase of property, plant and equipment of RMB0.9 million, which was partially offset by (iii) interest received of RMB32.2 million.

FINANCIAL INFORMATION

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from borrowings and related parties and capital contribution by the then shareholders of our Group. Our cash outflow used in financing activities was principally for repayment of borrowings and related parties, increase in restricted cash, net payment for acquisition of subsidiaries, principal element of lease payments and interest paid.

For FY2020, our Group had net cash used in financing activities of RMB554.6 million, primarily attributable to (i) net repayment of borrowings of RMB451.5 million, (ii) interest paid of RMB31.3 million, (iii) net payment for acquisition of subsidiaries, as part of our Reorganisation of RMB73.0 million and (iv) listing expenses paid of RMB1.9 million, which was partially offset by (v) net proceeds from related parties of RMB4.3 million.

For FY2019, our Group had net cash used in financing activities of RMB278.5 million, primarily attributable to (i) net repayments of borrowings of RMB203.5 million, (ii) interest paid of RMB47.8 million, (iii) net payments for acquisition of subsidiaries, as part of our Reorganisation of RMB42.5 million and (iv) listing expense paid of RMB1.4 million, which was partially offset by (v) net proceeds from related parties of RMB18.0 million.

For FY2018, our Group had net cash from financing activities of RMB397.2 million, primarily attributable to (i) net proceeds from borrowing of RMB387.0 million, (ii) capital contribution by the then shareholders of our Group of RMB30.0 million and (iii) net proceeds from related parties of RMB3.0 million, which was partially offset by (iv) interest paid of RMB22.0 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (Unaudited)
Trade receivables	28,527	58,343	115,611	150,408
Inventories	539	1,768	1,839	1,432
Prepayments, deposits and other receivables	895,715	240,107	160,872	64,401
Cash and cash equivalents . . .	84,241	656,290	314,265	137,651
Total current assets	1,009,022	956,508	592,587	353,892
Trade and other payables	149,285	315,971	310,816	221,146
Contract liabilities	64,581	113,133	146,663	106,308
Lease liabilities	862	608	949	255
Borrowings	136,449	72,362	–	–
Current income tax liabilities	24,709	41,615	28,958	8,822
Total current liabilities	375,886	543,689	487,386	336,531
Net current assets	633,136	412,819	105,201	17,361

Our Group's net current assets decreased by RMB220.3 million from RMB633.1 million as at 31 December 2018 to RMB412.8 million as at 31 December 2019, primarily due to (i) the decrease in amounts due from related parties, being a part of our prepayment, deposits and other receivables, of RMB673.1 million, (ii) the increase in amounts due to related parties, being a part of our trade and other payables, of RMB91.0 million, (iii) the increase in trade payable of RMB31.4 million, (iv) the increase in our contract liabilities of RMB48.6 million and (v) the increase in current income tax liabilities of RMB16.9 million, which were in line with our business growth, being partially offset by (vi) the increase in cash and cash equivalents of RMB572.0 million and (vii) the increase in trade receivables of RMB29.8 million and (viii) the decrease in current portion of our borrowings of RMB64.0 million, mainly due to repayment of bank borrowings and ABS 2016 being redeemed in advance by our Group.

FINANCIAL INFORMATION

Our Group's net current assets decreased by RMB307.6 million from RMB412.8 million as at 31 December 2019 to RMB105.2 million as at 31 December 2020, primarily due to (i) the decrease in amounts due from related parties, being a part of our prepayment, deposits and other receivables, of RMB92.2 million, (ii) the decrease in cash and cash equivalents of RMB342.0 million, (iii) the decrease in amounts due to related parties, being a part of our trade and other payables, of RMB68.7 million, being partially offset by (iv) the decrease in current portion of our borrowings of RMB72.4 million as ABS 2018 was redeemed in advance by our Group, (v) the increase in trade receivables of RMB57.3 million, and (vi) the increase in our contract liabilities of RMB33.6 million.

Our Group's net current assets decreased from RMB105.2 million as at 31 December 2020 to RMB17.4 million as at 30 April 2021, primarily due to (i) decrease in cash and cash equivalent of RMB176.6 million, mainly due to payment of daily operating expenses such as purchase from suppliers and staff costs, (ii) decrease in prepayments, deposits and other receivables of RMB96.5 million, mainly because of transfer of Technological Systems Operation Business as part of our Group's reorganisation; being partially offset by (iii) decrease in trade and other payables of RMB89.7 million, partly due to transfer of Technological Systems Operation Business as aforesaid. For details, please refer to "History, Reorganisation and Corporate Structure – Exclusion of the Technological Systems Operation Business" in this prospectus.

During FY2020, we experienced significant growth in our business, our revenue increased by 38.8% or RMB168.1 million to RMB600.9 million for FY2020 as compared to that of FY2019. We also recorded substantial changes in our net current asset position as at 31 December 2020 as compared to those of 31 December 2018 and 2019, primarily because of (i) significant increase in our trade receivables of RMB57.3 million, which was in line with significant growth in our business and partly affected by the outbreak of COVID-19; among which, majority of the increase was from third parties in relation to the property management fees, (ii) increase in our contract liabilities of RMB33.6 million because of increase in number of property projects we managed, (iii) our ABS 2018 were repurchased in advance by our Group in May 2020, October 2020 and December 2020 of RMB200.0 million, RMB117.0 million and RMB76.5 million, respectively; prior to and during the Track Record Period, as part of Landsea Group, our Group entered into ABS 2016 and ABS 2018 for the purpose of providing financing to Landsea Group at the time; for details, please refer to paragraphs headed "Related party transactions" in this section and Note 31 of the Accountant's Report in Appendix I for details of funding arrangement with Landsea Group, and (iv) gradual settlement of balances with our related parties in preparation of Listing.

FINANCIAL INFORMATION

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this prospectus.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of the construction materials and consumables. As at 31 December 2018, 2019 and 2020, our inventories amounted to RMB0.5 million, RMB1.8 million and RMB1.8 million, respectively.

Trade receivables

Our trade receivables primarily consist of receivables for our property management services, value-added services to non-property owners and community value-added services from our customers. Despite the fact we generally charge and collect in advance property management fees monthly, quarterly, semi-annually or annually, depending on the terms of our property management contracts and demand notes to the residents, we had relative significant trade receivables in respect of our property management services as of the end of each reporting period, as the actual settlement made by our property owners and residents was normally later. In respect of the outstanding trade receivables, we perform extra collection work. For details, please refer to the paragraphs headed "Business – Property management services – Payment terms and credit terms" in this prospectus. We generally have no credit period for trade receivables from property owners, residents and property developers in relation to provision of property management services, value-added services to non-property owners and community value-added services.

FINANCIAL INFORMATION

The following table sets out the breakdown of our trade receivables as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
– Related parties	8,871	16,431	51,842
– Third parties	22,454	46,883	73,675
	<u>31,325</u>	<u>63,314</u>	<u>125,517</u>
Less: Provision for bad debt.....	<u>(2,798)</u>	<u>(4,971)</u>	<u>(9,906)</u>
	<u>28,527</u>	<u>58,343</u>	<u>115,611</u>

Our trade receivables increased by RMB29.8 million from RMB28.5 million as at 31 December 2018 to RMB58.3 million as at 31 December 2019, and further increased by RMB57.3 million to RMB115.6 million as at 31 December 2020, which was generally in line with the increase in our revenue as a result of our business expansion; in particular, our property management services and value-added services to non-property owners and partly due to the outbreak of COVID-19. Despite we generally charge and collect in advance property management fees, our collection of trade receivables is subject to seasonal fluctuation; in particular, those arising from property management services. As these prepayment related billing activities for property management services were usually carried out in the forth quarter of the year, our customers may develop tendency to settle the balances toward the year-end instead of middle of the year out of payment preference. As such, we may record relatively longer turnover days of trade receivables and lower collection rate in the middle of the year as compared to those of full-year.

FINANCIAL INFORMATION

The following table sets out the ageing analysis of our trade receivables subsequent settlement based on the invoice date as at the dates indicated and subsequent settlement of our trade receivables outstanding as at 31 December 2020 up to 30 April 2021:

	As at 31 December			Subsequent settlement up to 30 April 2021
	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000
Related parties				
– Less than one year ..	8,871	15,031	47,580	32,856
– One to two years	–	1,400	2,862	1,473
– Two to three years ..	–	–	1,400	–
	<u>8,871</u>	<u>16,431</u>	<u>51,842</u>	<u>34,329</u>
Third parties				
– Less than one year ..	17,975	39,204	57,007	19,169
– One to two years	2,075	4,840	12,062	2,381
– Two to three years ..	837	1,047	2,289	129
– Three to four years ..	572	546	711	29
– Four to five years ...	454	430	438	20
– Over five years	541	816	1,168	59
	<u>22,454</u>	<u>46,883</u>	<u>73,675</u>	<u>21,786</u>
	<u>31,325</u>	<u>63,314</u>	<u>125,517</u>	<u>56,115</u>

Trade receivables aged over one year amounted to RMB4.5 million, RMB9.1 million and RMB20.9 million as at 31 December 2018, 2019 and 2020, respectively, which accounted for 14.4%, 14.4% and 16.7%, respectively, of our trade receivables as at the respective dates. Our Directors consider that there is no material recoverability issue with respect to such trade receivables aged over one year for the following reasons: (i) such trade receivables were mainly from third parties which are primarily related to property management fees receivables from a large number of individual property owners each involving a relatively limited amount of outstanding trade receivables, (ii) we monitor long-ageing trade receivables closely.

In respect of our trade receivables from independent third parties that were aged more than one year, our Directors are of the view that there is no material recoverability issue associated with these receivables, given that (i) provisions have already been made as and where appropriate; and (ii) we have put in place a number of enhanced internal control measures on the collection of our property management fees, such as “Civil Complaint Operation Guidelines” and “Guidelines of Issuing Letters For Collecting Property

FINANCIAL INFORMATION

Management Fees”, which set out, among others, our procedures and timelines of collecting property management fees and initiating the relevant civil claims. Under these guidelines, we conduct regular review of our trade receivables and follow up regularly with our customers to settle the outstanding balance. For example, we may visit our customers to make inquiries and may call, text or fax such customers to follow up on the settlement. If the outstanding fees remain unpaid after our repeated efforts, we may file a lawsuit against such customer to claim the outstanding amounts.

Trade receivables aged over three years amounted to RMB1.6 million, RMB1.8 million and RMB2.3 million as at 31 December 2018, 2019 and 2020, respectively, which accounted for 5.0%, 2.8% and 1.8%, respectively, of our trade receivables as at the respective dates. As advised by our PRC Legal Advisers, the limitation period for claiming the outstanding property management fees at the court is generally three years pursuant to the relevant laws and regulations of the PRC. The Group’s the trade receivables aged over three years only amounted to RMB2.3 million as at 31 December 2020, while the Group made provision for impairment amounted to RMB2.0 million under the applicable expected credit loss rate, which accounted for a significant portion of its trade receivables. For details, please refer to Note 3.1(b) to the Accountant’s Report included in the Appendix I to the Prospectus. Given the above, our Directors consider, and the Sole Sponsor concurs, that the recoverability of trade receivables aged over three years would not have a material adverse impact on the Group’s business operation and financial operation. Moreover, we have established and put in place internal policies such as “Civil Complaint Operation Guidelines” and “Guidelines of Issuing Letters For Collecting Property Management Fees”, which set out, among others, our procedures and timelines of collecting property management fees and initiating the relevant civil claims. Based on the above, our Directors consider that our enhanced internal control policies on trade receivables are sufficient and effective.

During the Track Record Period, we typically require our customers to prepay the property management fees and we usually notify our customers to pay property management fees of the next payment period before the end of the current payment period; whilst our collection rates for property management fees in respect of residential properties, calculated by dividing the management fees we actually received by the total property management fees payable to us for the same period, were 91.6%, 85.9% and 88.9%, for FY2018, FY2019 and FY2020, respectively. For details of payment terms and credit terms, please see paragraphs headed “Business – Property management services – Payment terms and credit terms” in this prospectus.

We recognise loss allowance for expected credit losses on our trade and other receivables. Expected credit losses are a probability-weighted estimate of credit losses, which are measured as the present value of all expected cash shortfalls. When we estimate the expected credit losses for our trade receivables, we use a provision matrix taken into account our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. We did not hold any collateral over our trade receivables. During the Track Record Period, we recorded impairment loss of RMB1.3 million, RMB2.2 million and RMB4.9 million, respectively. For further details of the credit risk exposure of our Group’s trade receivables using a provision matrix, please refer to Note 3.1(b)(i) of the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

The table below sets out a summary of average turnover days of trade receivables for the periods indicated:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Average turnover days of trade receivables from related parties ^(Note)	25	49	82
Average turnover days of trade receivables from third parties ^(Note)	24	33	43
Average turnover days of trade receivables ^(Note)	24	37	53

Note: Average turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by number of days in the relevant period (365 days for FY2018 and FY2019 and 366 days for FY2020).

Our average turnover days of trade receivables was 24 days, 37 days and 53 days during the Track Record Period.

The average turnover days of trade receivables from related parties increased from 25 days for FY2018 to 49 days for FY2019 and 82 days for FY2020. Our average turnover days of trade receivables from related parties were generally longer than our average turnover days of trade receivables from third parties, primarily because we did not collect payments from our related parties as frequently as we did from third parties. The relatively longer average turnover days of trade receivables from related parties during the Track Record Period was mainly because we considered that the default risk of our related parties was low and it therefore took a longer time for related party customers to settle their trade receivables. As for the relatively higher turnover days from related parties for FY2020, it was largely attributable to one of the value-added services to non-property owners that we have launched in September 2019, the property agency services for properties owned by property developer, which facilitated the sales and leases of properties owned by Landsea and its joint ventures and associates. After launching such services, it was much well-received and it typically had longer turnover days as compared to those of other services, leading to increase in turnover days of trade receivables from related parties.

FINANCIAL INFORMATION

As for the average turnover days of trade receivables from third parties, it increased from 24 days for FY2018 to 33 days for FY2019, primarily attributable to increase in contribution from value added services to property developers, which generally require longer time for settlement as we typically get paid after we finish performing the relevant services. The average turnover days of trade receivables from third parties further increased to 43 days for FY2020, primarily attributable to higher balance as at 31 December 2020 because of increase in contribution from value added services to property developers as aforesaid and partly due to the outbreak of COVID-19.

In view of the relatively longer average turnover days for related parties as compared to third parties, we intend to strengthen credit controls over trade receivables from related parties with an aim to narrowing down the gap between our average trade receivable turnover days for related parties and for third parties after the Listing. We enhanced internal control policies on trade receivables due from related parties to closely monitor the payment progress. In particular, we conducted monthly review of our trade receivables due from related parties and followed up regularly with related parties to settle the outstanding balance. We will also designate special personnel to track the progress of collecting property management fees due from related parties, and regularly evaluate performance of such special personnel based on collection rate.

Up to 30 April 2021, RMB56.1 million or 48.6% of our trade receivables outstanding as at 31 December 2020 had been settled; among which, RMB34.3 million or 66.2% of our trade receivables for related parties outstanding as at 31 December 2020 had been settled whilst that RMB21.8 million or 29.6% of our trade receivables for third parties outstanding as at 31 December 2020 had been settled.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables consist of (i) prepayments to suppliers, (ii) prepaid listing expenses, (iii) prepayment for value added tax and other surcharges, and (iv) other prepayments for daily maintenance such as prepayments for elevator inspections, greening and gardening expenses, (v) amounts due from related parties, (vi) other deposits including community deposits for access cards, performance bond and tender bond, (vii) prepayments on behalf of property owners and (viii) advance to employees and (ix) others.

FINANCIAL INFORMATION

The following table sets out the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayments			
– Prepayments to suppliers	259	1,692	7,066
– Prepaid listing expenses.....	–	2,812	6,155
– Prepaid VAT and other surcharges	102	67	–
– Other prepayments	2,133	2,202	343
	<u>2,494</u>	<u>6,773</u>	<u>13,564</u>
Other receivables			
– Amounts due from related parties	898,065	224,916	132,746
– Deposits	3,280	7,030	10,058
– Payment on behalf of property owners	878	1,185	3,452
– Others	107	2,782	2,870
	<u>902,330</u>	<u>235,913</u>	<u>149,126</u>
Less: provision for bad debt	<u>(9,109)</u>	<u>(2,579)</u>	<u>(1,818)</u>
	<u>893,221</u>	<u>233,334</u>	<u>147,308</u>
Total	<u>895,715</u>	<u>240,107</u>	<u>160,872</u>

Our prepayments, deposits and other receivables decreased by RMB655.6 million from RMB895.7 million as at 31 December 2018 to RMB240.1 million as at 31 December 2019, which was primarily attributable to (i) the decrease in amounts due from related parties of RMB673.1 million. Such decrease was partially offset by (ii) increase in prepayments to suppliers of RMB1.4 million, (iii) increase in prepaid listing expenses of RMB2.8 million, (iv) increase in deposits, including performance bond and tenders bond, of RMB3.8 million and (v) increase in other prepayments and other receivables, in aggregate of RMB2.7 million, and were in line with our business growth.

FINANCIAL INFORMATION

Our prepayments, deposits and other receivables decreased by RMB79.2 million from RMB240.1 million as at 31 December 2019 to RMB160.9 million as at 31 December 2020, which was primarily attributable to (i) the decrease in amounts due from related parties of RMB92.2 million, which the balance will be fully settled before the Listing. Such decrease was partially offset by (ii) the increase in prepayments to suppliers of RMB5.4 million, (iii) increase in prepaid listing expenses of RMB3.3 million, (iv) the increase in other deposits, including performance bond and tender bond of RMB3.0 million, (v) increase in payment on behalf of property owners of RMB2.3 million, which were in line with our business growth.

As at 31 December 2018 and 2019 and 2020, the year-end balance of our prepayments, deposits and other receivables was largely affected by that of our amounts due from related parties. In accordance with HKFRS 9, our Group assessed the expected credit loss provision needed and we recorded impairment loss under expected credit loss model of RMB4.5 million for FY2018 and recorded gains under expected credit loss model of RMB6.5 million and RMB0.8 million for FY2019 and FY2020, respectively. We assess the impairment of other receivables under general approach which measures the credit risk of the other receivables as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. In calculating the expected credit loss rates, we consider both historical loss rates and forward-looking macroeconomic data. As at 31 December 2018, 2019 and 2020, we had assessed the credit risk of the other receivables taking into account, amongst others, the historical default experience, the future prospects of the industries of the counterparties, and various external sources of actual and forecast economic information, as appropriate. Given that (a) there was no material change in the historical loss rates and/or forward-looking data during the Track Record Period in relation to other receivables; and (b) there was no significant increase in the credit risk for other receivables, the expected credit loss rate of other receivables remained stable throughout the Track Record Period. For further details of the credit risk exposure of our Group's other receivables using a provision matrix, please refer to Note 3.1(b)(ii) of the Accountant's Report in Appendix I to this prospectus.

Trade and other payables

Trade payables

Our trade payables primarily consist of payables to suppliers and subcontractors.

Our trade payables increased by RMB31.4 million from RMB17.3 million as at 31 December 2018 to RMB48.7 million as at 31 December 2019, and further increased by RMB28.6 million to RMB77.3 million as at 31 December 2020, which was mainly due to our increased procurement including increased subcontracting, to cope with our business growth.

FINANCIAL INFORMATION

Our trade payables are interest-free and generally settled on terms within 90 days. The table below sets out the ageing analysis of our trade payables based on the goods and services received as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Less than one year	17,087	48,381	74,806
One to two years	179	199	2,516
Two to three years	–	97	–
	<u>17,266</u>	<u>48,677</u>	<u>77,322</u>

The table below sets out a summary of average turnover days of trade payables for the periods indicated:

	FY2018	FY2019	FY2020
Average turnover days of trade payables ^{Note}	<u>21</u>	<u>36</u>	<u>52</u>

Note: Average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and services and multiplying by number of days in the relevant period (365 days for FY2018 and FY2019 and 366 days for FY2020).

The average turnover days of trade payables increased from 21 days for FY2018 to 36 days for FY2019, and further increased to 52 days for FY2020, which were within credit period granted by our suppliers during the Track Record Period.

Up to 30 April 2021, RMB57.2 million or 74.0% of trade payables outstanding as at 31 December 2020 has been settled.

Other payables, deposits and accruals

Other payables, deposits and accruals primarily consist of (i) amounts due to related parties, (ii) amounts collected on behalf of property owners such as public water, garbage and utilities fees, (iii) deposits received from residents for their properties' renovations and decorations, which will be returned after such works are finished, (iv) accruals for staff including payroll and welfare payable, (v) value added tax and other tax payables and (vi) others.

FINANCIAL INFORMATION

The following table sets out the breakdown of our other payables, deposits and accruals as at the dates indicated.

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Other payables			
– Amounts due to related parties .	8,561	99,557	30,899
– Amounts collected on behalf of property owners	26,576	41,629	59,540
– Deposits received	5,359	6,004	7,781
– Others	3,019	4,524	4,212
	43,515	151,714	102,432
Accruals for staff costs	65,957	80,582	95,480
VAT and other tax payables	22,547	34,998	35,582
	132,019	267,294	233,494

Our other payables, deposits and accruals increased by RMB135.3 million from RMB132.0 million as at 31 December 2018 to RMB267.3 million as at 31 December 2019, which was primarily attributable to (i) the increase in amounts due to related parties of RMB91.0 million, (ii) increase in accruals for staff costs of RMB14.6 million, as a result of the increase in staff number and average salaries per employee, (iii) increase in value added tax and other tax payables of RMB12.5 million and (iv) the increase in amounts collected on behalf of property owners of RMB15.0 million, as a result of the increase of number of properties we managed.

Our other payables, deposits and accruals decreased by RMB33.8 million from RMB267.3 million as at 31 December 2019 to RMB233.5 million as at 31 December 2020, which was primarily attributable to (i) the decrease in amounts due to related parties of RMB68.7 million, which the balance will be fully settled upon the Listing. Such decrease was partially offset by (ii) the increase in accruals for staff costs of RMB14.9 million, in line with increase in the staff headcount and (iii) the increase in amounts collected on behalf of property owners of RMB17.9 million as a result of the increase of number of properties we managed.

FINANCIAL INFORMATION

Contract liabilities

Our Group receives payments from customers based on billing schedules as established in the property management agreements. Payments are usually received in advance of the performance under the contracts which are mainly from property management services. According to the business model of our Group, for revenue recognised from provision of property management services, all such revenue are carried forward from contract liabilities during the Track Record Period. All of our contract liabilities are expected to be recognised as revenue within one year as at 31 December 2018, 2019 and 2020, respectively.

Our contract liabilities increased from RMB64.6 million as at 31 December 2018 to RMB113.1 million as at 31 December 2019 and increased further to RMB146.7 million as at 31 December 2020, mainly due to the increase in number of property projects we managed.

INDEBTEDNESS

Borrowings

The following table sets out our total interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December						As at 30 April	
	2018		2019		2020		2021	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Unaudited)	(Unaudited)
Secured								
– Asset-Backed Securities								
– 2016 (ABS 2016) . .	88,407	92,448	–	–	–	–	–	–
– Asset-Backed Securities								
– 2018 (ABS 2018) . .	48,042	417,184	42,304	376,081	–	–	–	–
– Bank borrowings	–	–	30,058	–	–	–	–	–
Total secured borrowings .	136,449	509,632	72,362	376,081	–	–	–	–
Total unsecured borrowings	–	–	–	–	–	–	–	–
Total borrowings	136,449	509,632	72,362	376,081	–	–	–	–

FINANCIAL INFORMATION

During the Track Record Period, our borrowings carry weighted average effective interest rate of 8.45%, 8.26% and 8.68% per annum. Our Group's borrowings are repayable as follows as at the dates indicated:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Within 1 year	136,449	72,362	—	—
Between 1 and 2 years	134,510	376,081	—	—
Between 2 and 5 years	375,122	—	—	—
	<u>646,081</u>	<u>448,443</u>	<u>—</u>	<u>—</u>

ABS 2016

In September 2016, our Group entered into an asset-backed special agreement with Boser Capital Management Co., Ltd. in the form of asset securitisation. ABS 2016 issued by BOSERA Capital-Nanjing Landsea Property Asset-Backed Special Plan (“**BOSERA Special Plan**”) are divided into priority level and subprime level with total principal of RMB396.0 million and RMB21.0 million, respectively. The priority level investors receive interest at a fixed nominal rate ranging from 4.45% to 6.20% per annum, and subprime level investors receive residual investment income distribution. Our Group purchased all the subprime level of ABS 2016. As a result, BOSERA Special Plan became a consolidated structured entity of our Group.

The priority level ABS 2016 is collateralised by the future earnings relating to property management fee of certain properties, 100% equity interest of Landsea Property Management, an indirectly wholly owned subsidiary of our Group and guarantee by Landsea Group Company.

The ABS 2016 carries effective interest rate of 8.61% per annum. The ABS 2016 were redeemed in advance by our Group in August 2019 without any penalties.

Asset-Backed Securities – 2018

In December 2018, our Group entered into an asset-backed special agreement with CITIC Securities Co., Ltd. in the form of asset securitisation. ABS 2018 issued by CITIC Securities-Landsea Property Asset-Backed Special Plan (“**CITIC Special Plan**”) are divided into priority level and subprime level with total principal of RMB470.0 million and RMB25.0 million, respectively. The priority level investors receive interest at a fixed nominal rate ranging from 5.50% to 7.50% per annum, and subprime level investors receive residual investment income distribution. Landsea Group Company subscribed priority level amounted

FINANCIAL INFORMATION

to RMB50.0 million and RMB22.6 million as of 31 December 2018 and 2019, respectively. Our Group purchased all the subprime level of ABS 2018. As a result, CITIC Special Plan became a consolidated structured entity of our Group.

The priority level ABS 2018 is collateralised by the future earnings relating to property management fee of certain properties and guarantee by Landsea Group Company.

At the end of year 2021 and 2024, our Group as the issuer is entitled to adjust the interest rate and may at our Group's option to buy back certain portion of the ABS 2018 from the holder in whole or in part at face value of their principal amount. At the same time, the holders of ABS 2018 may at their options to sell back certain portion of the ABS 2018 to our Group in whole or in part at face value of their principal amount.

The ABS 2018 carries effective interest rate of 8.27% per annum. The priority level of ABS 2018 with principal amount of RMB200.0 million and RMB117.0 million were repurchased in advance by our Group in May 2020 and October 2020 respectively without any penalties.

On 8 December 2020, our Group has convened a meeting with the priority level investors and decided to early terminate and redeem all the outstanding principal together with the related interests of the ABS on 18 December 2020 and the pledge of our Group's future earnings relating to property management fee for certain properties as mentioned above has then been released accordingly.

According to CIA, it is common that property management companies in the PRC enter into ABS arrangements for the purpose of obtaining financing for their affiliated property development companies, given that traditional bank borrowings often require fixed assets (with a value that is comparable to the principal amount of the loan) as security for the borrowings, while the ABS is a flexible means of fundraising tailored to the characteristics of property management companies, pursuant to which trade receivables of property management fees and loan receivables could be securitised into borrowings. Such financing arrangement takes into consideration of our payment ability given the stable collection rate of our property management fees and future cash inflow from continued and successful operational management. In view of the above characteristics of ABS and the property management industry, Landsea Group and we had decided to enter into the ABS agreements because such funding channel is more flexible as to the requirements on collateral when comparing to traditional bank borrowings to obtain substantial funding for Landsea Group with lower financing costs and on relatively commercially desirable terms with collateral tailored to our composition of assets, cash flow and business model.

FINANCIAL INFORMATION

Prior to and during the Track Record Period, the Landsea Group centralised all the funding needs of its subsidiaries and affiliates, and allocated funds among them based on a centralised fund management mechanism. Such fund management and financing measures may include ABS arrangements, bank borrowings and inter-company borrowings and loans. As part of Landsea Group, our Group entered into ABS 2016 and ABS 2018 for the purpose of providing financing to Landsea Group at the time and provided funding to the Landsea Group with its operating surplus cash. These arrangement are non-recurring in nature and our Directors confirm that our Group has no intention to enter into similar arrangements after the Listing. Please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I for details of funding arrangement with Landsea Group.

As advised by our PRC Legal Advisers, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC. Further, pursuant to Article 73 of the General Lending Provisions, the PBOC may impose on the non-compliant lender a fine of one to five times the income received by the lender from such loans. Our PRC Legal Advisers further advised that, notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions in the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”) which came into effect on 1 September 2015 and was amended on 19 August 2020 and 29 December 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People’s Court recognises the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of laws and regulations.

As at the Latest Practicable Date, we had not received any notice of claim or was subject to any investigation or penalty relating to the interest-bearing loans to related parties and based on the public searches conducted by our PRC Legal Advisers, we had not been subject to any administrative penalty in respect of such interest-bearing loans by government authorities as of the Latest Practicable Date.

Based on the above, our PRC Legal Advisers are of the view that the risk that we would be subject to any penalty with respect to such interest-bearing loans pursuant to the General Lending Provisions by the relevant regulatory authorities is low, and the interest-bearing loans to related parties do not constitute material non-compliance of laws and regulations, and do not have a material adverse impact on the Listing.

For the risk in relation to our interest-bearing loans to related parties by using proceeds from the issuance of ABS 2016 and ABS 2018, see “Risk Factors – Risks relating to our business and industry – We charged interest on advances made to other parties during the Track Record Period” for further details.

FINANCIAL INFORMATION

Bank borrowings

As at 31 December 2019, our Group recorded bank borrowings of RMB30.1 million, whose effective interest rate was 6.5%. Such borrowing is guaranteed by Landsea Group Company and has been repaid during FY2020.

As at 31 December 2020, we had nil interest-bearing bank borrowings. As at the Latest Practicable Date, our Directors confirmed that we had nil banking facilities.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us.

Lease liabilities

Our Group has adopted HKFRS 16, by using the full retrospective approach with which the relevant accounting policies have been applied consistently throughout the Track Record Period. Leases have been recognised in the form of an asset (for the right-of-use assets) and a financial liability (for the payment obligation) in our Group's combined statement of financial position. For details, see Note 17 of the Accountant's Report in Appendix I to this prospectus. As at 31 December 2018, 2019 and 2020 and 30 April 2021, our Group has lease liabilities amounted to RMB1.3 million, RMB0.6 million, RMB1.1 million and RMB0.4 million, respectively.

Contingent Liabilities

As at 30 April 2021, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. Our Directors confirm that as at 30 April 2021, we did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have outstanding indebtedness as at 30 April 2021 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities on a consolidated basis.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

Our Group's capital expenditures principally consist of expenditures on purchase of property, plant and equipment and intangible assets. Our Group incurred capital expenditures of RMB0.9 million, RMB1.7 million and RMB5.0 million, for FY2018, FY2019 and FY2020, respectively.

FINANCIAL INFORMATION

For the year ending 31 December 2021, we estimate that the capital expenditures will be in aggregate amount to RMB18.9 million, primarily for purchases of property, plant and equipment, which mainly includes addition in IT systems.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please see the section headed "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our capital expenditures principally through the net proceeds we receive from the Global Offering and cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our capital expenditure needs for the next 12 months.

Capital commitments

There are no significant capital commitments outstanding at the respective year end not provided for at 31 December 2018, 2019 and 2020.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. Certain related party transactions entered into by our Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below. For further details, please refer to Note 31 of the Accountant's Report in Appendix I.

Provision of services

During the Track Record Period, we have generated revenue from provision of property management services, value-added services to non-property owners and community value-added services to related parties, in aggregate amounted to RMB83.5 million, RMB94.1 million and RMB150.4 million, respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of revenue derived from related parties by business segment for the periods indicated:

	FY2018	FY2019	FY2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property management services	10,196	17,184	28,572
Value-added services to non-property owners	72,948	76,134	121,395
Community value-added services.....	325	825	384
	<u>83,469</u>	<u>94,143</u>	<u>150,351</u>

Balances with related parties

The following table sets forth a breakdown of our related party balances as of the dates indicated:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Receivables from related parties			
Trade related			
Trade receivables	8,871	16,431	51,842
Non-trade related			
Amounts due from related parties	898,065	224,916	132,746
	<u>906,936</u>	<u>241,347</u>	<u>184,588</u>
Payables to related parties			
Non-trade related			
Amounts due to related parties	8,561	99,557	30,899

Our amounts due to and due from related parties arose when Landsea Group was the parent company of our business prior to the Reorganisation. At that time, Landsea Group centralised all the funding needs of its subsidiaries and affiliates, and allocated funds among them based on a centralised fund management mechanism. The foregoing balances were subsequently classified as related party balances of a non-trade nature following the Reorganisation. In order to meet the requirement for financial independence, Landsea Group has discontinued the centralised fund management mechanism, and all of the outstanding non-trade related party balances will be settled upon Listing.

FINANCIAL INFORMATION

Interest-bearing loans to related parties

During the Track Record Period, we provided certain interest-bearing loans to related parties using the proceeds from the issuance of ABS 2016 and ABS 2018 at an interest ranging from 7.71% to 7.88% per annum and recognised interest income of RMB22.0 million, RMB61.7 million and RMB30.6 million, respectively. As at 31 December 2018 and 2019, our interest-bearing loans to related parties amounted to RMB766.5 million and RMB72.2 million, respectively. As at 31 December 2020, such interest-bearing loans had been fully repaid by the related parties. Despite the interest-bearing loans to related parties involved using the proceeds from issuance of ABS 2016 and ABS 2018, the interest income from related parties was higher than the interest expenses on ABS 2016 and ABS 2018 during FY2018, FY2019 and FY2020, as the ABS 2016 and ABS 2018 would not be entitled to input value-added tax deduction and Landsea Group decided to compensate us for the above with slightly higher interest income. Such interest income was higher than the compensation of the value-added tax because, in addition to the abovementioned ABS arrangements, we had provided funding to the Landsea Group with our operating surplus cash and recognised interest income for such funding.

Our PRC Legal Advisers advised us that Article 61 of the General Lending Provisions (《貸款通則》) issued by the PBOC prohibits any financing arrangements or lending transactions between non-financial institutions. For the risk in relation to non-compliance of the General Lending Provisions, see “Risk Factors – Risks relating to our business and industry – We charged interest on advances made to other parties during the Track Record Period” for further details.

Interest-bearing loans from related parties

During the Track Record Period, we received advances from related parties at an interest ranging from 7.71% to 7.88% per annum and recorded interest expenses of nil, RMB4.7 million and RMB11.3 million, respectively. Such balance was fully settled in May 2021.

Guarantees

As of 31 December 2018, 2019 and 2020, our ABS 2016, ABS 2018 and bank borrowings were guaranteed by Landsea Group Company, which amounted to RMB646.1 million, RMB448.4 million and nil, respectively. Our Directors confirmed that the guarantee have been released on or before 31 December 2020. For further details, please refer to Notes 24 and 31(e) of the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Technological Systems Operation Business

During the Track Record Period, Landsea Property Management was engaged in the Technological Systems Operation Business by maintaining a separate small team to handle the related management and customer services. The actual operations and management of the Green-Tech Systems had also been outsourced to Landleaf Technology and Nanjing Linglan, with Landleaf Technology responsible for technical consultancy and advice and Nanjing Linglan providing operation and maintenance services under the guidance of Landleaf Technology. The Technological Systems Operation Business does not form part of our core business. As part of our plan to cease the operation of the Technological Systems Operation, in January 2021, Landsea Property Management completed the transfer of the Technological Systems Operation Business to Landsea Equipment at a consideration which was valued as a net liability of RMB126.8 million as at 31 December 2020 and was fully settled by way of a payment to Landsea Equipment in May 2021 after netting off the relevant amounts paid or received by us on behalf of the Technological Systems Operation Business as at 31 December 2020.

Upon the completion of transfer of Technological Systems Operation Business as part of the Group's reorganisation, our total equity shall be reduced to a lower level as compared to that of 31 December 2020. In addition, the consolidated net tangible assets attributable to the equity owners of our Company was therefore decreased by RMB92.9 million, representing the deemed distribution (as a debit to equity) arising from the difference from the cash settlement after offsetting (i) the relevant amounts due from the Technological Systems Operation Business; and (ii) the relevant income and other tax obligations, arising from the completion of the said business transfer.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

FINANCIAL RISK MANAGEMENT

Please see Note 3.1 to the Accountant's Report in Appendix I to this prospectus for details of financial risk management.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at each of the dates indicated:

	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>
Return on equity (%) ⁽¹⁾	28.6	33.4	68.6
Return on total assets (%) ⁽²⁾	4.1	3.4	8.2
	<u>As at 31 December</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Current ratio ⁽³⁾	2.7	1.8	1.2
Gearing ratio (%) ⁽⁴⁾	459.8	874.2	24.9

Notes:

- (1) Return on equity for FY2018, FY2019 and FY2020 was calculated based on the profit for the year for the respective years divided by the total equity as at the beginning and end of that year and multiplied by 100%.
- (2) Return on total assets for FY2018, FY2019 and FY2020 was calculated based on the net profit for the respective years divided by the total assets as at the beginning and end of that year and multiplied by 100%.
- (3) Current ratio as at 31 December 2018, 2019 and 2020 was calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.
- (4) Gearing ratio as at 31 December 2018, 2019 and 2020 was calculated based on the total debt, including amounts due to related parties, as at the respective dates divided by total equity as at the respective years and multiplied by 100%.

Return on equity

Our return on equity increased from 28.6% for FY2018 to 33.4% for FY2019, primarily due to (i) the decrease in average balance of our total equity as at respective dates as a result of acquisition of subsidiaries from the then shareholder of our Group for the Reorganisation; and (ii) the increase of profit for the years.

Our return on equity increased to 68.6% for FY2020, primarily due to the significant increase in profit for the year whilst the average balance of our total equity as at respective dates remained relatively stable.

FINANCIAL INFORMATION

Return on total assets

Our return on total assets decreased from 4.1% for FY2018 to 3.4% for FY2019, primarily due to the increase in average balance of our total assets as at respective dates as a result of accumulation of profit of respective years and increase in our average amounts due from related parties. Please refer to paragraphs headed “Related party transactions” in this section and Note 31 of the Accountant’s Report in Appendix I for details.

Our return on total assets increased to 8.2% for FY2020, primarily due to (i) the significant increase in profit for the year and (ii) the decrease in average balance of our total assets as at respective dates, primarily attributable to the decrease in cash and cash equivalents of RMB342.0 million to redeem our ABS in advance.

Current ratio

Our current ratio decreased from 2.7 times as at 31 December 2018 to 1.8 times as at 31 December 2019, primarily attributable to (i) the changes in balances with related parties, (ii) the increase in trade payables, contract liabilities and current income tax liabilities, which were in line with our business growth, being partially offset by (iii) the increase in trade receivables and (iv) the decrease in current portion of our borrowings of RMB64.1 million, mainly due to repayment of bank borrowings and ABS 2016 being redeemed in advance by our Group.

Our current ratio decreased to 1.2 times as at 31 December 2020, primarily attributable to the decrease in cash and cash equivalents of RMB342.0 million to redeem in advance our ABS.

Gearing ratio

Our gearing ratio increased from 459.8% as at 31 December 2018 to 874.2% as at 31 December 2019, primarily attributable to the decrease in our total equity as at respective dates because of the acquisition of subsidiaries from the then shareholder of our Group for the Reorganisation, being partially offset by the decrease in our total debts, which decreased from RMB655.9 million as at 31 December 2018 to RMB548.6 million as at 31 December 2019, mainly because certain ABS were redeemed in advance by our Group in August 2019, despite our non-trade related amounts due to related parties increased from RMB8.6 million as at 31 December 2018 to RMB99.6 million as at 31 December 2019.

Our gearing ratio further decreased to 24.9% as at 31 December 2020, primarily attributable to the combined effect of (i) increase in our equity and (ii) the decrease in our total debts which decreased from RMB548.6 million as at 31 December 2019 to RMB32.0 million as at 31 December 2020, mainly because certain ABS were redeemed in advance by our Group in May 2020, October 2020 and December 2020.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

ACCUMULATED LOSSES

Throughout more than 15 years of experience and operations in the property management industry, our Group was once a supporting segment of a property developer and has undergone various business development stages and successfully transited to a profitable independent property management service provider. Prior to the Track Record Period, our Group had relatively smaller business scale and we had to incur additional initial investment costs for newly acquired property projects developed by Landsea Group as well as independent third party property developers, leading to relatively lower profitability. Besides, due to the nature of property management services, we need to maintain different types of service staff for our project management regardless of the project size and we might not yet generate sufficient revenue to cover our operating expenses; in particular, the staff costs. In addition, our relatively smaller business scale were more vulnerable to the interest expenses of ABS 2016, which was beyond our control. As such, as at 1 January 2018, our Group had recorded accumulated losses of RMB8.3 million.

During the Track Record Period, we endeavoured to improve our financial performance including (i) growth in the GFA under management of properties with, leading to GFA under management increased from 7.6 million sq.m. as at 31 December 2017 to 17.3 million sq.m. as at 31 December 2020; and (ii) diversification of service portfolio by providing value-added services to non-property owners and community value-added services, which enabled us to expand our business scale. As a result, our net profits recognised in 2018 would offset the accumulated losses brought forward in prior years and resulted in the retained earnings of RMB15.8 million as at 31 December 2018.

LISTING EXPENSES

Assuming the Offer Price of HK\$3.51 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the total amount of expenses in relation to the Listing including the underwriting commission and other listing expenses and fees are estimated to be RMB50.0 million, as 17.4% of gross proceeds, which shall be borne by our Company. For FY2019 and FY2020, we incurred listing expenses of RMB5.7 million, RMB8.2 million, respectively. It is estimated that RMB15.8 million will be charged to the Group's profit and loss for the year ending 31 December 2021, and RMB16.3 million is estimated to be directly attributable to the issue of the new Shares and is to be accounted for as a deduction from the equity in accordance with the relevant accounting standard after Listing.

FINANCIAL INFORMATION

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation. The dividends declared and settled by our Group to its then shareholders was nil, nil and nil for FY2018, FY2019 and FY2020, respectively. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and our constitutional documents, our Company may in general meeting declare dividends in any currency to be paid to the shareholders, but no dividend may be declared in excess of the amount recommended by our Board.

The declaration of final dividends is subject to the recommendation of the Board at its discretion and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Cayman Companies Act, including, save for interim dividend, the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our PRC operating subsidiaries may also be subject to any restrictive covenant in bank credit facilities or loan agreements, convertible bond instruments or other agreements that we or they may enter into in the future.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 1 December 2020 as an exempted company incorporated in the Cayman Islands. There were no reserves available for distribution to the Shareholders as at 31 December 2020.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see "Appendix II – Unaudited Pro Forma Financial Information" in this prospectus for our unaudited pro forma adjusted combined net tangible assets.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our contracted GFA amounted to 24.1 million sq.m. as at the Latest Practicable Date, including 54 projects developed by Landsea with an aggregate contracted GFA of 8.3 million sq.m., 45 projects jointly developed by Landsea and independent third-party property developers with an aggregate contracted GFA of 6.3 million sq.m., and 62 projects developed by independent third-party property developers with an aggregate contracted GFA of 9.5 million sq.m. Among such aggregate contracted GFA as at the Latest Practicable Date, the aggregate GFA delivered for our management was 17.5 million sq.m., including projects developed by Landsea with an aggregate GFA under management of 7.8 million sq.m., projects jointly developed by Landsea and independent third-party property developers with an aggregate GFA under management of 2.3 million sq.m., and projects developed by independent third-party property developers with an aggregate GFA under management of 7.4 million sq.m. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had been awarded eight new property management projects, all of which were developed by independent third-party property developers, with an aggregate contracted GFA of approximately 0.8 million sq.m. Six of the projects are for the provision of property management services to residential properties, while the remaining two are for the provision of property management services to an industrial park and rental apartment, respectively.

As at the Latest Practicable Date, we were contracted to provide property management services for 52 properties which were still under development. Among these properties, 35 of them with an aggregate undelivered GFA of 4.5 million sq.m. were developed by Landsea or its associates or joint ventures, the majority of which (i.e. 82.2%, being 3.7 million sq. m. undelivered GFA) is expected to be delivered by the year ending 31 December 2022; the remaining 17 with an aggregate undelivered GFA of 2.1 million sq.m. were developed by independent third-party property developers, the majority of which (i.e. 57.1%, being 1.2 million sq. m. undelivered GFA) is expected to be delivered by the year ending 31 December 2021.

After due and careful consideration, our Directors confirm that, since 31 December 2020 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2020 (being the date to which our Company's latest combined financial results were prepared), and there has been no events since 31 December 2020 which would materially affect the information shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering, after deducting the underwriting fees and expenses payable by us in the Global Offering, of HK\$290.1 million (assuming an Offer Price of HK\$3.51 per Share, being the midpoint of the indicative Offer Price range), assuming no exercise of the Over-allotment Option.

We intend to apply these net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Our strategies	% of Net Proceeds	Amount (HK\$ in millions)	Sub-categories	Specific Plans	% of Net Proceeds	Timeframe		
						2021	2022	2023
						(HK\$ in millions)		
Expand our business scale through multiple channels	56.8%	164.8	Strategic acquisitions and investments	Acquire not more than four other property management companies, preferably in the Yangtze River Delta, South China and Southwest China with a portfolio of properties under management comprising both residential and non-residential properties	56.8%	45.2	81.4	38.2
Continue to enhance our user-centric and data-driven operation ability	15.3%	44.4	(a) Further upgrade the software and hardware of our digitalised smart systems	We plan to upgrade the relevant software and hardware we use in our managed properties, including the intelligent door lock system, smart car parking management system and smart fire prevention systems, with functions such as security surveillance, licence plate identification and intelligent sensors, to optimise management efficiency and reduce labour costs.	8.2%	4.8	7.1	11.9

FUTURE PLANS AND USE OF PROCEEDS

Our strategies	% of Net Proceeds	Amount	Sub-categories	Specific Plans	% of Net Proceeds	Timeframe		
						2021	2022	2023
		(HK\$ in millions)				(HK\$ in millions)		
			(b) Improve customer data security and establish a strategy analysis platform	We plan to establish a strategy analysis platform to assist our senior management in devising strategies and making management decisions and plan to purchase various data and internet security systems to further enhance customer data security.	2.8%	2.4	2.7	3.0
			(c) Develop and upgrade our internal management systems	We plan to develop and upgrade our internal management systems, such as our human resources planning and management system, financial data sharing and management system and our business expansion management system, with technologies such as cloud computing and big data, to optimise management efficiency, reduce labour costs and provide basis for increasing property management fees given that more advanced hardware are used in property projects.	2.3%	2.9	2.1	1.7
			(d) Continue to upgrade our Landsea e Cloud and the IT tools and software for running our WeChat service accounts	We plan to upgrade the software and enrich the functions of Landsea e Cloud to optimise operation efficiency and the IT tools and software for running our WeChat service accounts.	2.0%	2.0	2.1	1.7

FUTURE PLANS AND USE OF PROCEEDS

Our strategies	% of Net Proceeds	Amount	Sub-categories	Specific Plans	% of Net Proceeds	Timeframe		
						2021	2022	2023
		(HK\$ in millions)				(HK\$ in millions)		
Continue to enrich our value-added services .	10.2%	29.6	(a) Enriching community living and cultural activities	We plan to hold not less than 100 events per year and incurring corresponding costs (including venue rental costs, administrative costs and marketing costs).	3.9%	2.5	5.3	3.3
			(b) Expand and further promote our property agency services	(i) Establish 30 branches under the brand “Huilin Yiju (匯鄰驛居)” in various cities in the PRC (including rental costs, administrative costs, human resources costs, and marketing costs).	3.2%	3.1	6.2	–
			(c) Enrich and promote our community value-added services	(i) Invest in company that provides, among others, home-furnishing and maintenance, and door-to-door services. We believe this can create further synergies with our existing services to enhance our competitiveness.	1.0%	1.4	0.8	0.8
				(ii) Invest in company that provides marketing, advertisement design and management services. We believe this can help promote our community value-added services and increase our chances of securing new property management projects.	1.0%	1.4	0.8	0.8

FUTURE PLANS AND USE OF PROCEEDS

Our strategies	% of Net Proceeds	Amount	Sub-categories	Specific Plans	% of Net Proceeds	Timeframe		
						2021	2022	2023
		(HK\$ in millions)				(HK\$ in millions)		
			(d) Establish a WeChat Mini Program	We plan to set up a WeChat Mini Program to promote our community value-added services. Our customers can receive information relating to our community value-added services, such as the types of services available at a particular managed property and the corresponding service fees, and place orders for our community value-added services.	1.1%	2.1	0.7	0.4
Continue to incentivise, retain and recruit talents in order to better our human resources management.	7.7%	22.3	–	(i) We plan to hire approximately nine senior-level employees.	1.2%	1.3	1.1	1.1
				(ii) We plan to hire approximately 67 employees for different purposes, including but not limited to property project expansion, community value-added services product development and IT security.	5.3%	5.6	4.9	4.9
				(iii) We plan to expand our budget to leverage recruitment channels, such as head hunters, online job banks and job fairs.	1.2%	1.1	1.2	1.1

FUTURE PLANS AND USE OF PROCEEDS

Our strategies	% of Net Proceeds	Amount	Sub-categories	Specific Plans	% of Net Proceeds	Timeframe		
						2021	2022	2023
		(HK\$ in millions)				(HK\$ in millions)		
Working capital	10.0%	29.0	Working capital and other general corporate purposes	We expect to have increasing needs for working capital as a result of our expected rapid and organic expansion as well as diversifying service offerings and property portfolio under management.	10%	9.7	9.7	9.6
Total	100.0%	290.1				85.5	126.1	78.5

Implementation plan

Please see below for the details of the implementation plan of our strategies and the related specific plans mentioned above which will be partially financed by the net proceeds from the Global Offering. In the event that the net proceeds from the Global Offering are not sufficient to finance the below implementation plan, we plan to finance such shortfall by internally generated financial resources and/or other financing means such as bank borrowing, debt and/or equity financing, as and when appropriate.

(a) *Further upgrade the software and hardware of our digitalised smart systems*

Intelligent door lock system

We plan to use HK\$4.0 million to upgrade the intelligent door lock system with facial recognition technology. We believe such upgrade can achieve smart control of pedestrian entrance and ensure better security control of the communities. We estimate that it will cost on average HK\$50,000 to conduct such upgrade for each property project. As at 31 December 2020, none of our property projects were equipped with the upgraded intelligent door lock system. It is expected that 80 property projects will be equipped with the upgraded intelligent door lock system by the end of 31 December 2023.

Smart parking management system

We plan to use HK\$19.9 million to upgrade the smart parking management system with license plate identification technology, automatic entrance control functions and online car park spaces management functions. We believe such upgrade can speed up and enhance the entrance control traffic flow, and management of our carparks. We estimate that it will cost on average HK\$50,000 to conduct such upgrade for each property project. As at 31 December 2020, none of our property projects were equipped with the upgraded

FUTURE PLANS AND USE OF PROCEEDS

smart parking management system. We plan to cover all our property projects under management at the relevant time with our upgraded smart parking management system by the end of 31 December 2023.

Smart fire prevention system

We plan to use HK\$4.0 million to upgrade the smart fire prevention system with intelligent sensors and new technologies so that alerts are sent to our staff automatically when fire was detected or fire channels were blocked. We believe such upgrade can improve the safety control of the communities and further improve automation in our daily operation. We estimate that it will cost on average HK\$50,000 to conduct such upgrade for each property project. As at 31 December 2020, none of our property projects were equipped with the upgraded smart fire prevention system. It is expected that 80 property projects will be equipped with the upgraded intelligent door lock systems by the end of 31 December 2023.

Automatic alert system

We plan to use HK\$4.1 million to upgrade the automatic alert system to better monitor the operation status of the equipment and facilities in our communities by running repair and maintenance programs automatically and send automatic alerts to our staff when malfunction continues. We believe such upgrade can improve our service quality by reacting swiftly and appropriately and reduce our reliance on labor. We estimate that it will cost on average HK\$50,000 to conduct such upgrade for each property project. As at 31 December 2020, none of our property projects were equipped with the upgraded automatic alert system. It is expected that 80 property projects will be equipped with the upgraded automatic alert system by the end of 31 December 2023.

(b) Improve customer data security and establish a strategy analysis platform

Various data and internet security systems

We plan to use HK\$4.8 million to purchase various data and internet security systems from third parties and upgrade our data and internet security system regularly. We believe such upgrade can further enhance our data and network security. Such upgraded data and internet security system are expected to be available for use by the end of 2023.

Strategy analysis platform

We plan to use HK\$6.0 million to build a strategy analysis platform, which will help us build customer portraits and conduct behaviour analysis through information and data gathered from our in-person customer visits and online interactions with our customers, thereby allowing us to conduct precision marketing and to help our management to quickly and effectively identify and respond to major market trends. The strategy analysis platform is expected to operate by the end of 2023.

FUTURE PLANS AND USE OF PROCEEDS

(c) *Develop and upgrade our internal management systems*

Human resources planning and management system

We plan to use HK\$2.4 million to build our human resources planning and management system to better monitor and manage our employees from various aspects, attendance records, task allocation and work performance. We believe such platform can help us improve our service quality and management efficiency. The human resources planning and management platform is expected to be available for use by the end of 2022.

Financial data sharing and management system

We plan to use HK\$2.8 million to build our financial data sharing and management system to allow more convenient processing, review and management of financial information by our accounting staff, better cost management and more timely and accurate budgeting. The financial data sharing and management platform is expected to be available for use by the end of 2023.

Business expansion management system

We plan to use HK\$1.6 million to build our business expansion management system to allow better management of and timelier update on the progress of business expansion in a particular city, timelier allocation of staff for the new property project and more accurate cost budgeting for acquiring new property projects. The business expansion management platform is expected to be available for use by the end of 2021.

Procurement and supply chain management system

We plan to use HK\$2.4 million to build our procurement and supply chain management system to allow better management our suppliers, timely procurement of materials or services needed in the process of providing our services and improve operating efficiency. For example, we expect to establish a supplier database on the platform for easier management and referencing. We also expect to connect our procurement and supply chain management platform to the platforms of our suppliers (if any) for more timely procurement. The procurement and supply chain management platform is expected to be available for use by the end of 2022.

FUTURE PLANS AND USE OF PROCEEDS

(d) Continue to upgrade our Landsea e Cloud and the IT tools and software for running our WeChat service accounts

Landsea e Cloud

We plan to use HK\$3.2 million to upgrade our Landsea e Cloud by incorporating various new functions, so that we can comprehensively and systematically collect and review the operational data, such as data on the collection progress of property management services fees and completion of patrol and customers' requests, of our property projects under management and adjust our business operations correspondingly. The upgraded Landsea e Cloud is expected to be available for use by the end of 2022 and follow-up adjustments are expected to be made in 2023 to perfect Landsea e Cloud.

WeChat service accounts

We plan to use HK\$4.8 million to create a back-end platform for centralised management of all WeChat service accounts and upgrade our WeChat service accounts by incorporating various new functions, such as access control functions by linking our WeChat service accounts to our intelligent door lock system and car park spaces payment and management by linking our WeChat service accounts to our smart parking management system. We expect the upgrade of our WeChat service accounts can help improve our management efficiency and enhance customer satisfaction. The WeChat service accounts are expected to achieve centralised management and equipped with various new functions by the end of 2023.

(e) Enriching community living and cultural activities

100 events per year

It is estimated that the total costs for holding not less than 100 events per year is RMB15.0 million and its breakdown is as follows: (a) 13% will be used as venue rental costs to rent a total of five venues of floor area ranging from 30 square metres to 50 square meters in Nanjing, Hangzhou and Shanghai; (b) 27% will be used as the administrative costs for engaging third parties to hold particular events; and (c) 60% will be used as online marketing costs to promote our events via WeChat public accounts, WeChat channel accounts and a WeChat mini-program.

FUTURE PLANS AND USE OF PROCEEDS

(f) *Expand and further promote our property agency services*

Establish 30 branches under the brand “Huilin Yiju (匯鄰驛居)”

According to CIA, in the past decade, although there was a migration from offline to online in the business model of the property agency industry, online and offline integration is the future trend of the property agency industry, in which the offline stream of the business remains as the integral and major part of the business. According to CIA, convenient accessibility, abundant local housing resources and knowledge in the community are important factors that customers consider when they choose property agency services providers. Our offline “Huilin Yiju” branches serve as convenient access points for customers, allow us to gather property information offline, build our property database and gain local insights in customer needs and property features and establish our brand. The online stream of the business leverage on the data/ information gathered offline to further expand the monetization opportunities and only plays an auxiliary role in the property agency industry, according to CIA. In addition, according to CIA, it remains the industry practice for certain crucial stages during the house-buying process to take place offline, for example, verification and due diligence of available houses or units by visiting such houses or units in person.

Between September 2019 and 31 December 2020, we established 70 “Huilin Yiju” branch stores (FY2019: 15 branches and FY2020: 55 branches), through which we generated RMB7.1 million and RMB70.0 million in FY2019 and FY2020. In order to further expand our property agency services and increase its profitability, we plan to establish a total of 30 branches under the brand “Huilin Yiju (匯鄰驛居)” in a total of seven cities (Tianjin, Beihai, Jinan, Zhengzhou, Guiyang, Fuzhou and Xi’an). Among the 30 branches, 5 will be flagship branch stores and 25 will be community branch stores.

It is estimated that the total costs for setting up a flagship branch store is RMB0.87 million and its breakdown is as follows: (a) 15% will be used as rental costs; (b) 10% will be used as administrative costs; (c) 74% will be used as human resources expenses for hiring (i) one regional manager, possessing at least a college degree and two years of experience in managing a property sales and leasing team, to monitor the implementation of the performance targets of the branch stores in a particular city and to oversee the daily operation of the flagship store; (ii) two shop managers, possessing at least two years of experience in the real estate industry and extensive knowledge in the selling and leasing of properties, to oversee the sales and leasing of properties conducted by property brokerage agents, handle complaints from customers and provide training to property brokerage agents; and (iii) five property brokerage agents, possessing at least a college degree, to sell and lease properties; and (d) 1% will be used as advertising costs to conduct marketing and promotion activities to improve our brand awareness.

It is estimated that the total costs for setting up a community branch store is 0.33 million and its breakdown is as follows: (a) 8% will be used as rental costs; (b) 11% will be used as administrative costs; (c) 79% will be used as human resources expenses for

FUTURE PLANS AND USE OF PROCEEDS

hiring (i) one shop manager, possessing at least two years of experience in the real estate industry and extensive knowledge in the selling and leasing of properties, to oversee the sales and leasing of properties, handle complaints from customers and provide training to property brokerage agents; and (ii) three property brokerage agents to sell and lease properties; and (d) 3% will be used as advertising costs to conduct marketing and promotion activities to improve our brand awareness.

(g) *Continue to incentivise, retain and recruit talents in order to better our human resources management*

Senior-level employees

We plan to hire (i) three property management general managers, possessing at least a college degree or management experience in top 30 property management companies in the PRC, and five years of experience in the property management service industry, to oversee the overall operation and business performance of property management projects in a particular city; and (ii) six property management deputy general managers, possessing at least a college degree and five years experience in property project operation in top 30 property management companies in the PRC, to assist the property management general managers.

Employees for different purposes

In terms of business expansion, we plan to hire (i) two deputy general managers, possessing at least a college degree and four years of work experience in business expansion in companies providing property management services, to prepare feasibility studies on the possibility of expansion to various cities and to implement the annual business expansion targets set by the general manager by formulating business expansion plans and strategies; (ii) five business expansion officers, possessing at least a college's degree and three years of experience in business expansion, to conduct business expansion activities at a particular city or region, to formulate monthly, quarterly and annual business expansion plans and to monitor the implementation of the business expansion plans; and (iii) 20 business expansion managers to implement the business expansion plans, for instance, negotiating with potential customers, preparing for tender biddings and finalising the property management service agreements new property projects.

In terms of IT security, we plan to hire (i) two chief officers, possessing at least a bachelor's degree and five years of experience in building online intra-organisational and inter-organisational reporting and information transmission systems, to formulate user manuals for online intra-organisational and inter-organisational reporting and information transmission systems and to be responsible for the overall design and smooth operation of such online systems; and (ii) six IT managers, possessing at least a bachelor's degree in computer science and five years of experience in software development, to construct and operate our online intra-organisational and inter-organisational reporting and information transmission systems.

FUTURE PLANS AND USE OF PROCEEDS

In terms of customer management, we plan to hire (i) two chief officers, possessing at least a bachelor's degree, five years of experience in the real estate industry and two years of experience in customer service and customer management, to oversee the process of preparing the analysis report based on the customer satisfactions surveys of all property projects under management to understand the needs, satisfaction levels and complaints of our customers, to formulate improvement plans and solutions, and to oversee the implementation of such improvement plans and solutions to increase customers' satisfaction; (ii) three event operation managers, possessing at least a bachelor's degree and experience in the real estate industry, to design and launch events to be held under the brand of "The Landsea Friends (詩友公社)" and to manage the WeChat groups created in the process of holding such events, such as answering enquiries from customers in the WeChat groups in relation to any forthcoming events and sending notifications regarding the details of forthcoming events which are similar to the ones enrolled by the customers in the WeChat groups; (iii) three platform operation managers, possessing at least a bachelor's degree and three years of experience in e-commerce operation, to create WeChat service accounts for new property projects and to ensure the smooth daily operation our WeChat service accounts.

In terms of community value-added services product development, we plan to hire (i) four chief officers, possessing at least a college degree, five years of similar product development experience and three years of experience in the development and/ or provision of community value-added services, to design, to launch new types of community value-added services and to oversee the marketing activities of such new community value-added services; (ii) five managers, possessing at least a college's degree and two years experience in providing property agency services for sales and leases of properties, to manage and train a sales team to provide property agency services for sales and leases of properties; (iii) five managers, possessing at least a college's degree and three years experience in market development or marketing in companies which provide home furnishing services or construction materials, to design the service offerings, to launch and to oversee the marketing activities of our all-inclusive home furnishing and maintenance services; (iv) five managers, possessing at least a college degree and two years of work experience in property management companies, to find customers, including advertising and media companies, for our public resources management services and to design the service offerings, to launch and to oversee the marketing activities of our door-to-door services; and (v) five sales managers, possessing at least a college's degree, three years experience in providing property agency services for commercial properties and one year experience in marketing management, to assist property developers to sell and lease car park spaces, shops, and flats which remained unsold after the resale period of the projects.

Criteria for strategic acquisitions and investments

Although our Directors had not identified any suitable targets as of the Latest Practicable Date, we have determined the criteria for evaluating potential targets. These efforts are based on the results of research, financial due diligence and preliminary assessments and feasibility studies undertaken by our internal business expansion and investment research team up to the date of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

(a) Acquire other property management companies

We plan to prioritise in assessing the possibility of acquisitions of property management companies located in the Yangtze River Delta, cities located in South China and Southwest China which we have presence but have a relatively low number of projects under management. For example, as at 31 December 2020, we have only one, 18 and 13 projects under management in Shenzhen, Shanghai and Chengdu, respectively. We plan to target property management companies that (i) will create synergies with our business, for instance, property management companies which provide services to both residential and non-residential properties; and (ii) provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services. In addition to the above, we will pay special attention to the target company's operating performance, profitability, compliance record, and growth potential. Through acquiring such companies, we expect to further establish our presence and enhance our brand awareness in such cities with a view to enhance our economies of scale. For example, the numbers of our managed properties in Shanghai increased from 11 properties to 18 properties during the Track Record Period.

For acquisitions of property management service companies, the main criteria for our assessment of potential targets include, among others, (a)(i) for property management companies focusing on providing services to residential properties, a total GFA under management of over 2 million sq.m. and a total annual operating revenue of over RMB100.0 million in the most recent financial year or (ii) for property management companies focusing on providing services to non-residential properties, such as office buildings and hospitals, a total GFA under management of over 1 million sq.m. and a total annual operating revenue of over RMB50.0 million; and (b) an average net profit margin of more than 8.0% for the target's most recent financial year.

As at the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds received by our Company from the Global Offering. When determining the amount of approximately HK\$164.8 million, or 56.8% of the net proceeds, allocated to potential acquisitions of and investment in other property management companies, assuming an Offer Price of HK\$3.51 per Share (being the mid-point of the indicative Offer Price range set forth on the cover page of this document), we have considered (i) the acquisition of or investment in majority equity interests of potential targets at a price-earning ratio of approximately 8.0 to 15.0 times; (ii) the acquisitions of or investments in not more than four potential targets; and (iii) our criteria for strategic acquisitions and investments as disclosed above. We do not plan to acquire or invest in minority equity interests of potential targets. The aforementioned considerations under the allocation of the net proceeds may be subject to changes based on market conditions.

FUTURE PLANS AND USE OF PROCEEDS

Based on the above-mentioned criteria, we plan to acquire majority equity interests in no more than four potential targets, preferably in the Yangtze River Delta or cities located in South China or Southwest China. The number of potential targets that we plan to acquire or invest in may be subject to changes based on market conditions. As of the Latest Practicable Date, we had not identified or committed to any acquisition targets for our use of net proceeds from the Global Offering.

(b) Invest in companies that provide community value-added services

We plan to target companies located in the Yangtze River Delta, cities located in South China and Southwest China. We plan to invest 1.0% of our net proceeds from the Global Offering in strategic investments in companies that engage in the provision of, among others, home-furnishing and maintenance, door-to-door services and repair and maintenance of elevators. Through investing in such companies, we believe further synergies with our existing services can be created and thus enhance our competitiveness given that such companies provide services that are complementary to our community value-added services. For example, we will be able to offer one-stop home furnishing and maintenance services starting from purchasing home appliances/furniture sets for our property owners (i.e. home-furnishing services) and residents to providing maintenance services for their home appliances/furniture sets (i.e. existing home repair and maintenance services) after investing in a company that provides home-furnishing and maintenance services. Further, by investing in a company that provide door-to-door services such as delivery services and special care services, we will be able to diversify our community value-added service offerings relating to door-to-door services, which only included housecleaning and home repair and maintenance services during the Track Record Period. The number of our actual acquisition will depend on the scale and consideration required for actual acquisition. The main criteria for target companies for our acquisition include, among others, (a) a total annual operating revenue of over RMB3.0 million in the most recent financial year; and (b) an average net profit margin of above 10% for the target's most recent financial year. As of the Latest Practicable Date, we had not identified or committed to any investment targets for our use of net proceeds from the Global Offering.

(c) Invest in companies that provide marketing, advertisement design and management services

We plan to target companies located in the Yangtze River Delta, cities located in South China and Southwest China. We plan to invest 1.0% of our net proceeds from the Global Offering in strategic investments companies that engage in the provision of marketing, advertisement design and management services. The number of our actual acquisition will depend on the scale and consideration required for actual acquisition. The main criteria for target companies for our acquisition include, among others, (a) a total annual operating revenue of over RMB4.0 million in the most recent financial year; (b) an average net profit margin of above 23% for the target's most recent financial year; and (c) we believe had established a well-known brand for its services. As of the Latest Practicable Date, we had not identified or committed to any investment targets for our use of net proceeds from the Global Offering.

FUTURE PLANS AND USE OF PROCEEDS

Availability of Suitable Targets

We plan to prioritise in assessing the possibility in acquiring or investing in quality property management service providers operating in in the Yangtze River Delta or cities located in South China or Southwest China. For more details on the criteria for potential targets, please refer to “Criteria for Strategic Acquisitions and Investments — (a) Acquire other property management companies” in this section.

According to CIA, the PRC property management industry remains fragmented while maintaining a trend of increasing market concentration toward the Top 100 Property Management Companies. This suggests that there continues to be a wide variety of targets available, and underscores the need for us to acquire or invest in property management companies so as to develop in line with this industry trend. See “Industry Overview — Future Development Trends of the PRC Property Management Industry — Higher market concentration” in this prospectus.

Furthermore, based on a conservative estimate that there were at least 10,000 property development companies in China as at 31 December 2020, CIA has projected that there were at least 110,000 property management companies in the industry that were not affiliated with property developers. Such property management companies may be more receptive to our acquisition or investment efforts, as support from us as a listed property management company and Landsea may enhance their ability to compete. CIA has also confirmed that acquiring or investing in property management companies affiliated with property developers is also a common practice within the industry. According to CIA, as at 31 December 2020, there were 350 property management companies in the PRC that match our criteria for potential acquisition targets, among which 120 were located in the Yangtze River Delta, 50 were located in South China, 80 were located in Southwest China and the remaining were located in other regions in the PRC. Among the 350 property management companies, all of them provide services to both residential and non-residential properties and provide property management services and community value-added services, such as security, cleaning, gardening and maintenance services, home-living services, community retail services and 40 of them provide property management services to green buildings. As advised by CIA, our Directors believe that our criteria for strategic acquisitions and investments are in line with the industry practice and there are a rich variety of potential targets available for our consideration in such fragmented property management service industry. Leveraging the trend of industry consolidation, our established market position and extensive industrial experience, as well as efforts of our professional business development teams, we believe that we may find suitable targets for our acquisition and investment plan will be able to implement our acquisition and investment strategies successfully.

FUTURE PLANS AND USE OF PROCEEDS

Demand for Establishing 30 Branches of “Huilin Yiju”

According to CIA, it is estimated that the transaction amount in China in relation to the sales and lease of first-hand and second-hand properties will exceed RMB194 trillion, while the corresponding revenue of the property agency industry will not exceed RMB3.2 trillion. As advised by CIA, as at 31 December 2020, the total market share of the top 10 property agency services providers did not exceed 20%. Therefore, our Directors believe that there is a substantial growth potential in the property agency industry.

Valuation Basis

We determine the amount of consideration for a potential target primarily by referring to its price-earnings ratio of comparable companies and its net profit in the most recent financial year. Our final price range may be determined on the basis of, or adjusted depending on, among others, the target’s size, the qualifications that it possesses, quality of properties managed by it (including the cities and locations), occupancy rate, collection rate of property management fees and our evaluation of its potential.

As of the Latest Practicable Date, we had not identified or committed to any acquisition targets. In the event that we do identify suitable targets, and the net proceeds raised from the Global Offering are less than the capital expenditure needed, we intend to initiate the acquisition with our internal funds.

Based on the market research on comparable companies conducted by our business development team, in determining the amount of proceeds to be used for (a) the acquisition of other property management companies, we primarily have taken into account: (i) the GFA under management of the target companies; (ii) net profit in the most recent financial year; and (iii) price-earning ratio of other comparable property management companies; (b) the acquisition of professional service companies, we primarily have taken into account: (i) annual operating revenue in the most recent financial year; (ii) net profit in the most recent financial year; and (iii) price-earnings ratio of other comparable professional service companies; and (c) the acquisition of professional companies, we primarily have taken into account: (i) annual operating revenue in the most recent financial year; (ii) net profit in the most recent financial year; and (iii) price-earnings ratio of other comparable professional companies.

Basis and assumptions

Our future plans and business strategies are based on the following general assumptions:

- there will be no material changes in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

FUTURE PLANS AND USE OF PROCEEDS

- the Global Offering will be completed in accordance with and as described in the section entitled “Structure and Conditions of the Global Offering” in this prospectus;
- there will be no material changes in existing accounting policies from those stated in the combined financial statements of our Group for the Track Record Period;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section entitled “Risk Factors” in this prospectus;
- we will continue our operation including but not limited to retaining our key staff and maintaining our customers, suppliers and subcontractors in the same manner as we did during the Track Record Period;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group and our business, or in the political or market conditions in which we operate; and
- there will be no disasters, natural, political circumstances or otherwise, which would materially disrupt our businesses or operations.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price Range. We plan to finance such shortfall by internally generated financial resources and/or other financing means such as bank borrowing, debt and/or equity financing, as and when appropriate.

If the Offer Price is fixed at HK\$4.16 per Offer Share, being the higher end of the indicative Offer Price range, the net proceeds will be increased to HK\$352.1 million. If the Offer Price is fixed at HK\$2.86 per Offer Share, being the lower end of the indicative Offer Price range, the net proceeds will be reduced to HK\$226.9 million.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not commercially viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate proceeds to other uses.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed in short-term demand deposits with licensed banks or authorised financial institutions.

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.

UNDERWRITING

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
BOCOM International Securities Limited
CCB International Capital Limited
China Industrial Securities International Capital Limited
CLSA Limited
CMB International Capital Limited
CRIC Securities Company Limited
Essence International Securities (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Orient Securities (Hong Kong) Limited
Sunfund Securities Limited
Maxa Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 10,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the **GREEN** Application Form.

Subject to:

- (a) the Stock Exchange granting the approval for listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such approval for the listing of, and permission to deal in, our Shares not subsequently having been revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) on or before Friday, 2 July 2021, the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to us from the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
 - (i) any statement contained in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents, is not, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Offer Documents, constitute a material omission therefrom, which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iii) any breach, which is considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) in its opinion to be material, of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any material event, wrongful act or material omission which gives rise to any liability of any of our Company and the Controlling Shareholders (the “**Warrantors**”) in any respect pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change in the assets, liabilities, management, business prospects, shareholders’ equity, profitability, results of operations, financial or trading conditions, position or performance of our Group as a whole; or
 - (vi) any breach of any of the Warranties (as defined in the Hong Kong Underwriting Agreement), or any event or circumstance rendering any of the Warranties untrue or incorrect, in any material respect; or

UNDERWRITING

- (vii) the approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted (other than subject to customary conditions), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
- (ix) any person (other than the Sole Sponsor and the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group (the “**Group Company**”) or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xi) a portion of the orders in the book building process, at the time the International Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled and such orders have not been covered or replaced by any other orders, which would render it, in the Sole Global Coordinator’s reasonable opinion, commercially impracticable or incapable to proceed with the Global Offering; or
- (xii) any loss or damage has been sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its reasonable opinion to be resulting in a material adverse effect; or

UNDERWRITING

- (b) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international outbreak or escalation of hostilities or other state of emergency, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1), and Middle East Respiratory Syndrome, in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the BVI, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting the Specific Jurisdictions; or
 - (iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market, the Shanghai Stock Exchange and the Shenzhen Stock Exchange; or
 - (iv) any new Laws (as defined in the Hong Kong Underwriting Agreement), or any change, or development involving any material change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting the Specific Jurisdictions; or
 - (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

UNDERWRITING

- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, in any of the Specific Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions; or
- (viii) any material change or materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) any material litigation or claim being threatened or instigated against any Group Company or any of the Warrantors; or
- (x) any of the executive Directors being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or
- (xi) the chairman or chief executive officer of our Company vacating his or her office; or
- (xii) the commencement by any governmental, regulatory or political body or organisation in the Specific Jurisdictions of any material action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation in the Specific Jurisdictions that it intends to take any such action; or
- (xiii) a contravention by any Group Company or any executive Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering in any material respect;
- (xiv) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the shares to be issued under the Over-allotment Option pursuant to the terms of the Global Offering; or
- (xv) material non-compliance of the Offer Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering; or

UNDERWRITING

(xvi) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus and/or any other documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or SFC not agreed to by the Sole Global Coordinator; or

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group as a whole; or
- (b) has or may have or will or is likely to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (c) makes or may or will make or is likely to make it inadvisable or inexpedient or impracticable or incapable for any part of the Hong Kong Underwriting Agreement (including underwriting), the Global Offering, the processing of applications and/or payments pursuant to the Global Offering to be performed or implemented or proceeded with as envisaged and set out in this prospectus.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By us

In accordance with Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except pursuant to the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERWRITING

By our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that, except pursuant to the Stock Borrowing Agreement, they will not, and will procure that the registered holder(s) of the Shares will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which they are shown in the Prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be the controlling shareholders of our Company.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to our Company and the Stock Exchange that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (i) when they pledge or charge any Shares or securities of our Company beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and
- (ii) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform our Company in writing of such indications.

Our Controlling Shareholders also agree that our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above by our Controlling Shareholders and disclose such matters by way of an announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings given to the Hong Kong Underwriters

Undertakings by us

We have undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create a pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares, or any equity securities of the Group Company (or any interest in the foregoing) convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase any Shares), or deposit any Shares or other equity securities of our Company with a depository in connection with the issue of depository receipts; or repurchase any Shares or other equity securities of our Company; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, or any equity securities of the Group Company (or any interest in the foregoing) convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase any Shares; or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or

UNDERWRITING

- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, or any equity securities of the Group Company (or any interest in the foregoing) convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase any Shares, or in cash or otherwise (whether or not the issue of such Shares or other equity securities will be completed within the First Six-Month Period).

We have also undertaken that we will not, and will procure other Controlling Shareholders not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, we enter into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other equity securities of our Company.

By our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and it/his close associates (together, the “**Controlled Parties**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him in respect of which he/it is shown by this prospectus to be the beneficial owner directly or indirectly through its/his

UNDERWRITING

Controlled Parties (the “**Relevant Securities**”), or deposit any Relevant Securities with a depositary in connection with the issue of depositary receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, in each case, whether any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that its/his Controlled Parties shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;
- (iii) in the event that it/he enters into any of the transactions specified in (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Parties shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he or by the registered holder(s) and/or other Controlled Parties of any Shares or other securities of our Company.

UNDERWRITING

Each of the Controlling Shareholders has further undertaken to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in us is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he will:

- (i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform us and the Sole Sponsor in writing of such indications.

By other Shareholders

In addition to the undertakings given by the pre-IPO investor of our Company, each of Hong Kong New Tourism, Cliff Lin Limited, Jianhe Holdings Limited, Lovet Limited, Dreamer Limited, Wisdom Holding Limited, BELL Limited, Orange Holding Limited, Carrying Limited, Optimis Limited and Suntony Holdings Limited, on a voluntary basis, has undertaken to each of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, without the prior written consent from our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters):

- (1) at any time during the First Six-Month Period, it/he/she will not, and will procure their respective close associates not to:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of, or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exchangeable for or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) (the “**Lock-up Securities**”), directly or indirectly held by it/him/her as of the date of this prospectus; or
 - (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-up Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions set out in paragraphs (a) or (b) above; or

UNDERWRITING

- (d) offer to or agree to or announce any intention to enter into or effect any of the transactions set out in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions set out in (a), (b), or (c) above is to be settled by delivery of Shares or such other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period); and

- (2) until the expiry of the First Six-Month Period, in the event that it/he/she or any of their respective close associates enters into any such transactions specified in paragraphs (1)(a), (b), or (c) above, or makes any announcements specified in paragraph (1)(d) above, it/he/she will notify our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf the Underwriters) and take all reasonable steps to ensure that it will not create a disorderly or false market for any Shares or other securities of our Company.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

UNDERWRITING

The International Offering

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please see “Structure and Conditions of the Global Offering – The International Offering”.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable, in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover over-allocations in the International Offering, if any.

Total Commission and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares and the International Offer Shares, respectively, out of which the Hong Kong Underwriters will, and the International Underwriters are expected to, pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our discretion, pay to the Underwriters an additional incentive fee of not more than 1% of the aggregate Offer Price of the Hong Kong Offer Shares and International Offer Shares offered under the Global Offering.

The Sole Sponsor shall be entitled to a sponsor fee of US\$0.8 million. Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$3.51 (being the mid-point of the Offer Price Range), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK\$60.9 million in total and are payable by us.

UNDERWRITING

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Activities by Syndicate Members

Set out below is a variety of activities that the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilising process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Stabilising Manager, its affiliate(s) or any person(s) acting for it for the purpose of taking any stabilising action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorise any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilising or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilisation or manipulation, in violation of applicable laws, of the price of any security of the Company; and
- (b) none of the Underwriters (other than the Stabilising Manager, its affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilising action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Stabilising Manager.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares and entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in “Structure and Conditions of the Global Offering – Over-allotment Option” and “Structure and Conditions of the Global Offering – Stabilisation” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares and their share price, and the extent to which this occurs from day to day cannot be estimated.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 10,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering”; and
- the International Offering of initially 90,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as described below) outside the United States (including to professional, institutional and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 100,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering and the Capitalisation Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering and the Capitalisation Issue.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 10,000,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering, assuming the Over-allotment Option is not exercised. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out below in “Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,000,000 Hong Kong Offer Shares will be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set out in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 30,000,000 Offer Shares (in the case of (1)), 40,000,000 Offer Shares (in the case of (2)) and 50,000,000 Offer Shares (in the case of (3)), representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Offer Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 10,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 20,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the maximum total number of Offer Shares available under the Hong Kong Public Offering shall be increased to 20,000,000 Offer Shares, representing not more than twice the number of Offer Shares initially available under the Hong Kong Public Offering, and the final Offer Price shall be fixed at the low end of the Offer Price Range (i.e. HK\$2.86 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, maximum price of HK\$4.16 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$4,201.92 for one board lot of 1,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK\$4.16 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, please see "How to Apply for Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 90,000,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering, assuming the Over-allotment Option is not exercised. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in the paragraph headed “The Hong Kong Public Offering – Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 15,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the Capitalisation Issue. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to borrow, whether on its own or through its affiliates, up to 15,000,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering, from Honor Limited, our Controlling Shareholder, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or any person acting for it) and Honor Limited on or about the Price Determination Date. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Honor Limited by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Honor Limited or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Honor Limited by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 30 June 2021 and in any event, not later than Friday, 2 July 2021.

The Offer Price will not be more than HK\$4.16 per Offer Share and is expected to be not less than HK\$2.86 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK\$4.16 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% fee, amounting to a total of HK\$4,201.92 for one board lot of 1,000 Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Offer Price, as finally determined in the manner described below, is lower than HK\$4.16, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, please see “How to Apply for Hong Kong Offer Shares”.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of us, reduce the number of Offer Shares and/or the Offer Price Range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice on our website at www.landseawy.com and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indication of interest in the International Offering, the basis of allotment of the Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Sole Global Coordinator (for itself and on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, 2 July 2021, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published by us on our website at www.landseawy.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 8 July 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 8 July 2021.

The Shares will be traded in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.landseawy.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any questions about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 which is available (i) from 9:00 a.m. to 9:00 p.m. on Friday, 25 June 2021, Monday, 28 June 2021 and Tuesday, 29 June 2021; and (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, 26 June 2021 and Sunday, 27 June 2021; (iii) and from 9:00 a.m. to 12:00 noon on Wednesday, 30 June 2021.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (a) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (b) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (a) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (b)(i) or (b)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Sole Global Coordinator shall have the exclusive right at its sole and absolute discretion to reject or accept any application in full or in part without giving any reasons.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it may think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- are a Director or chief executive of our Company and/or any of our subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any e-Refund system payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “2. Who can apply” in this section to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii)(if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC; and (ii) you have due authority to give electronic application instructions on behalf of that other person as their agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
1,000	4,201.92	20,000	84,038.41	100,000	420,192.03	800,000	3,361,536.26
2,000	8,403.84	25,000	105,048.01	150,000	630,288.05	900,000	3,781,728.29
3,000	12,605.76	30,000	126,057.61	200,000	840,384.06	1,000,000	4,201,920.32
4,000	16,807.68	35,000	147,067.21	250,000	1,050,480.08	1,500,000	6,302,880.48
5,000	21,009.60	40,000	168,076.81	300,000	1,260,576.10	2,000,000	8,403,840.64
6,000	25,211.52	45,000	189,086.41	350,000	1,470,672.11	2,500,000	10,504,800.80
7,000	29,413.45	50,000	210,096.02	400,000	1,680,768.13	3,000,000	12,605,760.96
8,000	33,615.36	60,000	252,115.22	450,000	1,890,864.14	3,500,000	14,706,721.12
9,000	37,817.28	70,000	294,134.42	500,000	2,100,960.16	4,000,000	16,807,681.28
10,000	42,019.20	80,000	336,153.63	600,000	2,521,152.19	4,500,000	18,908,641.44
15,000	63,028.80	90,000	378,172.83	700,000	2,941,344.22	5,000,000 ⁽¹⁾	21,009,601.60

⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria set out in the sub-section headed “ — 2. Who Can Apply” in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8690 which is available (i) from 9:00 a.m. to 9:00 p.m. on Friday, 25 June 2021, Monday, 28 June 2021 and Tuesday, 29 June 2021; and (ii) from 9:00 a.m. to 6:00 p.m. on Saturday, 26 June 2021 and Sunday, 27 June 2021; (iii) and from 9:00 a.m. to 12:00 noon on Wednesday, 30 June 2021.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 25 June 2021 until 11:30 a.m. on Wednesday, 30 June 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 30 June 2021 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Landsea Green Life Service Company Limited” **White Form eIPO** application submitted via the www.eipo.com.hk to support sustainability.

6. APPLYING THROUGH CCASS EIPO

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application

HOW TO APPLY FOR HONG KONG OFFER SHARES

before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree with our Company, for ourselves and for the benefit of each Shareholder and each Director, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of our Company or any rights or obligations conferred or imposed by our Company Ordinances or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree with our Company (for our Company itself and for the benefit of each Shareholder) that Shares in our Company are freely transferable by their holders;
- authorise our Company to enter into a contract on its behalf with each director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates ⁽¹⁾:

Friday, 25 June 2021	– 9:00 a.m. to 8:30 p.m.
Monday, 28 June 2021	– 8:00 a.m. to 8:30 p.m.
Tuesday, 29 June 2021	– 8:00 a.m. to 8:30 p.m.
Wednesday, 30 June 2021	– 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 25 June 2021 until 12:00 noon on Wednesday, 30 June 2021 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 30 June 2021, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal information collection statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- (a) processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- (b) compliance with applicable laws and regulations in Hong Kong and elsewhere;
- (c) registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- (d) maintaining or updating our Company's Register of Members;
- (e) verifying identities of the holders of our Company's Shares;
- (f) establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- (g) distributing communications from our Company and its subsidiaries;
- (h) compiling statistical information and profiles of the holder of our Company's Shares;
- (i) disclosing relevant information to facilitate claims on entitlements; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (j) any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- (a) our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- (b) where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- (c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- (d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- (e) any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or our Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 30 June 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares.

You may submit an application through the White Form eIPO service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in “How to Apply for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers” or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see “Structure and Conditions of the Global Offering – Pricing and allocation” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if:

- a tropical cyclone warning signal number 8 or above; or
- Extreme Conditions; or
- a “black” rainstorm warning,

is/are in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 30 June 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 30 June 2021 or if a tropical cyclone warning signal number 8 or above or Extreme Conditions or a “black” rainstorm warning signal is/are in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 7 July 2021 on our Company’s website at www.landseawy.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the our website at www.landseawy.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 7 July 2021;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 7 July 2021 to 12:00 midnight on Tuesday, 13 July 2021;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Wednesday, 7 July 2021, Thursday, 8 July 2021, Friday, 9 July 2021 and Monday, 12 July 2021;

HOW TO APPLY FOR HONG KONG OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** services or **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If the Sole Global Coordinator exercises its discretion to reject your application:

The Sole Global Coordinator shall have the exclusive right at its sole and absolute discretion to reject or accept any application in full or in part without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 5,000,000 Shares of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.16 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 7 July 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, 7 July 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 8 July 2021 provided that the Global Offering has become unconditional and the right of termination set out in “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect any refund cheque(s) (where applicable) and/or your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 July 2021, or such other date as notified by us in the newspapers as the date of despatch/collection of Share certificates/e-Refund system payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 7 July 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund system payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply through CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 7 July 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Wednesday, 7 July 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 July 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 7 July 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 7 July 2021.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LANDSEA GREEN LIFE SERVICE COMPANY LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Landsea Green Life Service Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-72, which comprises the combined balance sheets as at 31 December 2018, 2019 and 2020, the Company's balance sheet as at 31 December 2020 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 25 June 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020 and the combined financial position of the Group as at 31 December 2018, 2019 and 2020 and of its combined financial performance and its combined cash flows for each of the years then ended in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 28 to the Historical Financial Information which states that no dividends have been paid by the companies now comprising the Group in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

25 June 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	For the year ended 31 December		
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	310,123	432,789	600,906
Cost of sales and services	9	(227,460)	(331,689)	(440,176)
Gross profit		82,663	101,100	160,730
Other income	7	22,884	63,537	38,444
Selling expenses	9	(1,015)	(6,876)	(9,451)
Administrative expenses	9	(34,969)	(60,748)	(65,409)
Impairment (losses)/gains under expected credit loss model	3.1(b)	(5,698)	4,357	(4,174)
Other gains/(losses) — net	8	36	(174)	(640)
Operating profit		63,901	101,196	119,500
Finance income	10	48	51	130
Finance costs	10	(22,363)	(53,671)	(34,372)
Finance costs — net	10	(22,315)	(53,620)	(34,242)
Profit before income tax		41,586	47,576	85,258
Income tax expenses	11	(10,625)	(13,269)	(19,698)
Profit for the year		<u>30,961</u>	<u>34,307</u>	<u>65,560</u>

	<i>Note</i>	For the year ended 31 December		
		2018	2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income				
<i>Items that may be reclassified to profit or loss:</i>				
— Exchange difference on translation of foreign operations		—	—	66
Total comprehensive income for the year		30,961	34,307	65,626
Profit for the year attributable to:				
— Equity owners of the Company		25,265	34,005	65,560
— Non-controlling interests		5,696	302	—
		30,961	34,307	65,560
Total comprehensive income for the year attributable to:				
— Equity owners of the Company		25,265	34,005	65,626
— Non-controlling interests		5,696	302	—
		30,961	34,307	65,626
Earnings per share attributable to equity owners of the Company				
Basic and diluted earnings per share	12	N/A	N/A	N/A

COMBINED BALANCE SHEETS

		As at 31 December		
	Note	2018	2019	2020
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Investment properties	15	6,085	5,716	5,336
Property, plant and equipment	16	3,221	3,102	4,497
Right-of-use assets	17	1,607	927	1,588
Intangible assets	18	744	1,266	3,218
Deferred income tax assets	25	7,890	15,008	8,685
		<u>19,547</u>	<u>26,019</u>	<u>23,324</u>
Current assets				
Trade receivables	20	28,527	58,343	115,611
Inventories		539	1,768	1,839
Prepayments and other receivables	21	895,715	240,107	160,872
Cash and cash equivalents	22	84,241	656,290	314,265
		<u>1,009,022</u>	<u>956,508</u>	<u>592,587</u>
Total assets		<u><u>1,028,569</u></u>	<u><u>982,527</u></u>	<u><u>615,911</u></u>

		As at 31 December		
	Note	2018	2019	2020
		RMB'000	RMB'000	RMB'000
LIABILITIES				
Non-current liabilities				
Lease liabilities	17	408	–	142
Borrowings	24	509,632	376,081	–
		<u>510,040</u>	<u>376,081</u>	<u>142</u>
Current liabilities				
Trade and other payables	23	149,285	315,971	310,816
Contract liabilities	6	64,581	113,133	146,663
Lease liabilities	17	862	608	949
Borrowings	24	136,449	72,362	–
Current income tax liabilities		<u>24,709</u>	<u>41,615</u>	<u>28,958</u>
		<u>375,886</u>	<u>543,689</u>	<u>487,386</u>
Total liabilities		<u>885,926</u>	<u>919,770</u>	<u>487,528</u>
EQUITY				
Capital and reserves attributable to equity owners of the Company				
Combined capital	26	100,000	–	–
Reserves	27	<u>30,846</u>	<u>62,757</u>	<u>128,383</u>
		<u>130,846</u>	<u>62,757</u>	<u>128,383</u>
Non-controlling interests	33	<u>11,797</u>	<u>–</u>	<u>–</u>
Total equity		<u>142,643</u>	<u>62,757</u>	<u>128,383</u>
Total liabilities and equity		<u>1,028,569</u>	<u>982,527</u>	<u>615,911</u>

BALANCE SHEET OF THE COMPANY

		As at 31 December 2020
	<i>Note</i>	<i>RMB'000</i>
LIABILITIES		
Current liabilities		
Amounts due to related parties	31	75
		<u>75</u>
Total liabilities		<u>75</u>
EQUITY		
Capital and reserves attributable to equity owners of the Company		
Share capital	26	–
Reserves		(75)
		<u>(75)</u>
Total equity		<u>(75)</u>
Total liabilities and equity		<u>–</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity owners of the Company					
		(Accumulated losses)/ retained earnings				Non-controlling interests	
	Note	Combined capital	Other reserves	Statutory reserve	Total		Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018		70,000	5,403	732	(8,279)	67,856	6,101
Profit for the year		–	–	–	25,265	25,265	5,696
Total comprehensive income for the year		–	–	–	25,265	25,265	5,696
Capital contribution from the then shareholder of the Group	26	30,000	–	–	–	30,000	–
Deemed contribution from the then shareholder of the Group	27, 30	–	7,725	–	–	7,725	–
Appropriation to statutory reserve	27(b)	–	–	1,146	(1,146)	–	–
Subtotal of transactions with equity owners of the Company		30,000	7,725	1,146	(1,146)	37,725	–
At 31 December 2018		100,000	13,128	1,878	15,840	130,846	11,797
At 1 January 2019		100,000	13,128	1,878	15,840	130,846	11,797
Profit for the year		–	–	–	34,005	34,005	302
Total comprehensive income for the year		–	–	–	34,005	34,005	302
Deemed distribution arising from acquisition of subsidiaries from the then shareholder of the Group	27	(100,000)	(3,400)	–	–	(103,400)	(12,099)
Deemed contribution from the then shareholder of the Group	27, 30	–	1,306	–	–	1,306	–
Appropriation to statutory reserve	27(b)	–	–	1,220	(1,220)	–	–
Subtotal of transactions with equity owners of the Company		(100,000)	(2,094)	1,220	(1,220)	(102,094)	(12,099)
At 31 December 2019		–	11,034	3,098	48,625	62,757	–

APPENDIX I

ACCOUNTANT'S REPORT

		Attributable to equity owners of the Company							
Note		(Accumulated losses)/					Non-controlling interests	Total equity	
		Combined capital	Other reserves	Statutory reserve	Translation Reserve	retained earnings			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000
At 1 January 2020		–	11,034	3,098	–	48,625	62,757	–	62,757
Profit for the year		–	–	–	–	65,560	65,560	–	65,560
Exchange difference arising from translation of foreign operations		–	–	–	66	–	66	–	66
Total comprehensive income for the year		–	–	–	66	65,560	65,626	–	65,626
Appropriation to statutory reserve	27(b)	–	–	5,600	–	(5,600)	–	–	–
Subtotal of transactions with equity owners of the Company		–	–	5,600	66	59,960	65,626	–	65,626
At 31 December 2020		–	11,034	8,698	66	108,585	128,383	–	128,383

COMBINED STATEMENTS OF CASH FLOWS

	Note	For the year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	29	94,535	120,727	118,953
Income tax paid		(702)	(3,481)	(26,032)
<i>Net cash generated from operations</i>		<u>93,833</u>	<u>117,246</u>	<u>92,921</u>
Cash flows from investing activities				
Interest received		32,172	—	92,906
Proceeds from disposal of subsidiaries, net of cash and cash equivalents	30	(8)	4,307	—
Purchases of property, plant and equipment	16	(896)	(991)	(2,711)
Purchases of intangible assets	18	—	(672)	(2,266)
Proceeds from disposal of property, plant and equipment		60	3	—
Funding to related parties	31(f)	(1,878,248)	(814,971)	(3,859,763)
Collection of funding to related parties ..	31(f)	<u>1,423,356</u>	<u>1,545,590</u>	<u>3,891,463</u>
<i>Net cash (used in)/generated from investing activities</i>		<u>(423,564)</u>	<u>733,266</u>	<u>119,629</u>
Cash flows from financing activities				
Proceeds from borrowings	29(b)	510,000	30,000	—
Repayment of borrowings	29(b)	(123,000)	(233,500)	(451,500)
Interest paid	29(b)	(21,964)	(47,809)	(31,315)
Capital contribution by the then shareholder of the Group		30,000	—	—
Proceeds from related parties	31(f)	6,600	208,545	22,871
Repayment to related parties	31(f)	(3,629)	(190,508)	(18,570)
Principal elements of lease payments	29(b)	(850)	(1,291)	(1,284)
Payment for acquisition of subsidiaries, net of cash and cash equivalents	27	—	(42,540)	(72,959)
Listing expenses paid		<u>—</u>	<u>(1,360)</u>	<u>(1,884)</u>
<i>Net cash generated from/(used in) financing activities</i>		<u>397,157</u>	<u>(278,463)</u>	<u>(554,641)</u>
Net increase/(decrease) in cash and cash equivalents		67,426	572,049	(342,091)
Cash and cash equivalents at beginning of year		16,815	84,241	656,290
Effect of foreign exchange rate changes ..		<u>—</u>	<u>—</u>	<u>66</u>
Cash and cash equivalents at end of year	22	<u>84,241</u>	<u>656,290</u>	<u>314,265</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 1 December 2020 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of property management services, community value-added services and value added services to non-property owners (collectively referred to as the "Listing Business") in People's Republic of China (the "PRC").

The ultimate holding company and ultimate controlling shareholder of the Company is Honor Limited ("Honor"), a company incorporated under the laws of British Virgin Islands ("BVI") and Mr. Tian Ming ("Mr. Tian", or the "Controlling Shareholder") throughout the Track Record Period.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation ("Reorganisation") as discussed below, the Listing Business was mainly operated by Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司) ("Landsea Property Management") and its PRC subsidiaries (collectively, the "Operating Companies"). Landsea Property Management was also engaged in the system operation services, mainly providing professional operation and maintenance services for residential properties installed with the technological systems (the "Excluded Business") during the Track Record Period. Due to the difference in nature of the Listing Business and Excluded Business, they were managed and operated separately under different management, sales and business strategies.

During October to December 2019, Landsea Community Service Co., Ltd. ("Landsea Community Service", formerly known as "Landsea Green Life Service Company Limited") acquired the entire equity interests of the Operating Companies from the then shareholder, Landsea Group Co., Ltd. ("Landsea Group") with cash consideration of RMB72,959,000. Prior to the Reorganisation, Landsea Greenlive International Company Limited ("Landsea Greenlive") and Southern Land International Company Limited ("Southern Land") were the intermediate holding companies of the Operating Companies.

For the purpose of preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation pursuant to which the Listing Business were transferred to the Company. The Reorganisation involved the followings:

- (i) On 25 December 2019, Nanjing Landsea Equipment Management Co., Ltd. (南京朗詩設施管理有限公司) (a company wholly-owned by the Landsea Group) ("Landsea Equipment") was incorporated and organised under the laws of the PRC as a limited company. In order to promote further growth and development of the Listing Business, Landsea Property Management and Landsea Equipment entered into a framework agreement (the "Landsea Framework Agreement"), pursuant to which (a) the assets, liabilities and interests in relation to the Listing Business were retained within Landsea Property Management, and the other assets, liabilities and interests of the Excluded Business were transferred to Landsea Equipment; and (b) the employees of the Excluded Business were transferred to Landsea Equipment based on their respective businesses ("Business Transfer"). The Business Transfer was completed in January 2021 and the Excluded Business will be transferred to Landsea Equipment at fair value and settled by cash after netting off the relevant amounts paid/received by the Listing Business on behalf of the Excluded Business. Upon the completion of the Business Transfer, the Excluded Business was no longer operated under the name of Landsea Property Management.

- (ii) On 1 December 2020, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon the incorporation of the Company, one nil-paid share was issued and allocated at par to an independent initial subscriber. On the same date, such share was transferred to Honor Limited and the Company issued and allocated 99,999 nil-paid shares to the then shareholders, including Honor Limited, of Landsea Community Service to reflect the allottees' effective shareholding in Landsea Community Service.
- (iii) On 6 January 2021, the Company entered into a share transfer agreement with Landsea Community Service, pursuant to which Landsea Community Service transferred all the issued shares of Landsea Greenlive and Southern Land to the Company. As settlement, the Company credited the above nil-paid shares held by the then shareholders as fully paid shares.

Upon the completion of the above transfers, the Company became the holding company of the companies now comprising the Group engaged in the Listing Business.

Upon completion of the Reorganisation and at the date of this report, the Group has direct and indirect interests in the following subsidiaries. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group.

Company name	Place of incorporation/ establishment and operations	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interests to the Company				Principal activities	Note
				As at 31 December		As at the date of this report	Directly owned or indirectly owned		
				2018	2019				
Legal entities:									
Southern Land International Company Limited	British Virgin Islands ("BVI")	7 November 2019	50,000 shares of US\$0 each	N/A	100	100	100	Direct	Investment holding (i)
Southern City Holdings Company Limited	Hong Kong	21 November 2019	1 share of HK\$1	N/A	100	100	100	Indirect	Investment holding (i)
Landsea Greenlive International Company Limited	BVI	23 October 2019	50,000 shares of US\$0 each	N/A	100	100	100	Direct	Investment holding (i)
Landsea Green Life Holdings Company Limited	Hong Kong	5 November 2019	1 share of HK\$1	N/A	100	100	100	Indirect	Investment holding (i)
朗鴻 (南京) 企業管理有限公司	Mainland China	18 December 2019	RMB 10,000,000	N/A	100	100	100	Indirect	Investment holding (i)
Langhong (Nanjing) Enterprise Management Co., Ltd.*									
南京朗詩物業管理有限公司	Mainland China	12 January 2005	RMB 100,000,000	100	100	100	100	Indirect	Property management services (i), (ii)
Nanjing Landsea Property Management Co., Ltd.*									
南京朗詩深線物業管理有限公司	Mainland China	15 December 2014	RMB 21,600,000	50.1	100	100	100	Indirect	Property management services (i), (iii)
Nanjing Landsea Shenlu Property Management Co., Ltd.*									
南京朗拓物業管理有限公司	Mainland China	20 November 2019	RMB 5,000,000	N/A	100	100	100	Indirect	Investment holding (i)
Nanjing Langtuo Property Management Co., Ltd.*									
南京朗詩體育文化發展有限公司	Mainland China	12 July 2011	RMB 3,500,000	100	100	100	100	Indirect	Fitness service (i)
Nanjing Landsea Sports and Cultural Development Co., Ltd.*									
上海朗行商業管理有限公司	Mainland China	30 April 2020	RMB 3,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
Shanghai Langxing Business Management Co., Ltd.*									
上海匯鄰驛居房地產經紀有限公司	Mainland China	24 March 2020	RMB 5,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
Shanghai Huilin Yiju Real Estate Agency Co., Ltd.*									
南京美家環境工程有限公司	Mainland China	16 March 2018	RMB 5,000,000	100	100	100	100	Indirect	Engineering services (i)
Nanjing Meijia Environment Engineering Co., Ltd.*									
武漢匯賢居房地產經紀有限公司	Mainland China	3 July 2020	RMB 1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
Wuhan Huixianju Real Estate Brokerage Co., Ltd.*									
無錫匯鄰驛居房地產經紀有限公司	Mainland China	17 April 2020	RMB 1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
Wuxi Huilin Yiju Real Estate Brokerage Co., Ltd.*									
成都匯鄰驛居房地產經紀有限公司	Mainland China	20 March 2020	RMB 1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
Chengdu Huilin Yiju Real Estate Brokerage Co., Ltd.*									

APPENDIX I

ACCOUNTANT'S REPORT

Company name	Place of incorporation/ establishment and operations	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interests to the Company				Principal activities	Note
				As at 31 December		As at the date of this report	Directly owned or indirectly owned		
				2018	2019				
南京匯鄰驛居房地產經紀有限公司 Nanjing Huilin Yiju Real Estate Brokerage Co., Ltd.*	Mainland China	17 March 2020	RMB1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
常州市匯鄰驛居房地產經紀有限公司 Changzhou Huilin Yiju Real Estate Agency Co., Ltd.*	Mainland China	16 March 2020	RMB1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
杭州匯鄰驛居房地產經紀有限公司 Hangzhou Huilin Yiju Real Estate Brokerage Co., Ltd.*	Mainland China	5 March 2020	RMB1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
蘇州匯雅居房地產經紀有限公司 Suzhou Huiyaju Real Estate Brokerage Co., Ltd.*	Mainland China	4 March 2020	RMB1,000,000	N/A	N/A	100	100	Indirect	Real estate brokerage services (i)
朗詩實物業管理(徐州)有限公司 Langshibao (Xuzhou) Property Management Co., Ltd.*	Mainland China	16 January 2020	RMB2,000,000	N/A	N/A	51	51	Indirect	Property management services (i)
南京朗裕源智能化系統工程有限公司 Nanjing Langyuyuan Intelligent Source System Engineering Co., Ltd.* (“Nanjing Langyuyuan”)	Mainland China	25 August 2017	RMB5,000,000	100	N/A	N/A	N/A	Indirect	Engineering services (i)
廣西朗詩美居信息諮詢有限公司 Guangxi Landsea Meiju Information Consultancy Co., Ltd.*	Mainland China	30 September 2020	RMB5,000,000	N/A	N/A	100	100	Indirect	Management consulting service (i)
廣西朗詩深綠信息技術諮詢服務有限公司 Guangxi Landsea Shenlu Information Technology Consulting Service Co., Ltd.*	Mainland China	29 September 2020	RMB5,000,000	N/A	N/A	100	100	Indirect	Management consulting service (i)
上海詩藍文化傳播有限公司 Shanghai Shilan Culture Communications Co., Ltd.*	Mainland China	2 February 2021	RMB5,000,000	N/A	N/A	N/A	N/A	Indirect	Advertising service (i)
安居朗詩物業服務(揚州)有限公司 Anju Landsea Property Service (Yangzhou) Co., Ltd.*	Mainland China	22 April 2021	RMB5,000,000	N/A	N/A	N/A	N/A	51 Indirect	Property management services (i)
Structured entities:									
中信證券 — 朗詩物業資產支持專項計劃 CITIC Securities-Landsea Property Asset-Backed Special Plan* (“CITIC Special Plan”)	Mainland China	28 December 2018	N/A	N/A	N/A	N/A	N/A	Indirect	Borrowing (iv) note: 24
博時資本 — 南京朗詩物業資產支持專項計劃 BOSERA Capital-Nanjing Landsea Property Asset-Backed Special Plan* (“BOSERA Special Plan”)	Mainland China	23 September 2016	N/A	N/A	N/A	N/A	N/A	Indirect	Borrowing (v) note: 24

Notes:

- * The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.
- (i) No statutory audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective place of incorporation.
- (ii) Landsea Property Management had prepared non-statutory audited financial statements in accordance with PRC accounting principles and regulations for the years ended 31 December 2018, 2019 and 2020 which were audited by 北京華審會計師事務所有限公司江蘇分所 (Beijing Huashen Certified Public Accountants Co., Ltd. Jiangsu Branch), 江蘇國德會計師事務所有限公司 (Jiangsu Guode Certified Public Accountants Co., Ltd.) and 中匯會計師事務所(特殊普通合夥)(Zhonghui Certified Public Accountants (Special General Partnership)) respectively.
- (iii) Shenlu Property had prepared non-statutory audited financial statements in accordance with PRC accounting principles and regulations for the year ended 31 December 2018 and 2020 which were audited by 北京華審會計師事務所有限公司江蘇分所 (Beijing Huashen Certified Public Accountants Co., Ltd. Jiangsu Branch) and 中匯會計師事務所(特殊普通合夥)(Zhonghui Certified Public Accountants (Special General Partnership)).
- (iv) CITIC Special Plan had prepared non-statutory audited financial statements in accordance with special purpose framework for the year ended 31 December 2019 which was audited by 普華永道中天會計師事務所(特殊普通合夥) (PricewaterhouseCoopers Zhong Tian LLP).
- (v) BOSERA Special Plan had prepared non-statutory audited financial statements in accordance with special purpose framework for the years ended 31 December 2018 which was audited by 中匯會計師事務所(特殊普通合夥)深圳分所 (Zhonghui Certified Public Accountants (Special General Partnership) Shenzhen Branch).

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business was carried out by the Operating Companies. The Reorganisation, which was the transaction between shareholders of the Operating Companies, did not change the business substance of the Listing Business. Pursuant to the Reorganisation, the Listing Business were effectively controlled by the Company through its acquisition of the entire equity interest in the Operating Companies indirectly. The Company had not been involved in any business prior to the Reorganisation and its operations did not meet the definition of a business. Therefore, the Reorganisation was merely a recapitalisation of the Listing Business and did not change the business substance, management or controlling shareholders of the Listing Business. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business conducted by the Operating Companies. For the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying amounts of the Listing Business as recorded in the combined financial statements of the Operating Companies for the Track Record Period.

For companies acquired from or disposed of to a third party, their financial information is included in or excluded from the Historical Financial Information from the respective dates of the acquisitions or disposals.

The Historical Financial Information only included the Listing Business for the Track Record Period and was included in the following manner:

- Transactions and balances specifically identified as relating to the Listing Business were combined in the Historical Financial information, while those specifically identified as relating to the Excluded Business were not combined in the Historical Financial Information;
- Certain staff costs and other miscellaneous expenses were allocated based on the headcounts of the respective operation units relevant to the Listing Business and actual hours incurred by these staff for the Listing Business;
- All cash and cash equivalents are combined in the Historical Financial Information as cash which was kept centrally;
- Current and deferred income taxes on profits attributable to the Listing Business are provided for using the local tax rate during the Track Record Period in accordance with the Group's accounting policies; and
- Inter-company transactions, balances and unrealised gains/losses on transactions among the group companies were eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these combined financial statements. These policies have been consistently applied to the Track Record Period presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2020, are retrospectively and consistently applied to the Group for the Track Record Period.

2.1.1 Changes in accounting policy and disclosures

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group during the Track Record Period:

Standards, amendments and interpretations		Effective for annual periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018 – 2020		1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The directors of the Company were of the view that the above new and revised standards and amendments and interpretations to existing standards that have been issued and are not expected to have any significant impact on the Group.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity.

The Group controls two structured entities: CITIC Special Plan and BOSERA Special Plan, which are set up solely for the purpose of financing, with control determined based on an analysis of the guidance in HKFRS 10 Consolidated financial statements. They are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as initial owner to repurchase or redeem units/shares in such Plans. These are presented as “Asset-Backed Securities” within “Borrowings” in the combined balance sheets, if any.

The method of accounting used to account for business combinations by the Group is disclosed in note 2.7.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined balance sheet, combined statement of comprehensive income and combined statement of changes in equity respectively.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see note 2.5 below), after initially being recognised at cost.

2.4 Joint arrangements

Joint arrangements are classified as either joint ventures or joint operations depending on the contracted rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method (see note 2.5 below), after initially being recognised at cost in the combined balance sheets.

2.5 Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of net loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.14.

2.6 Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2.7 Business combinations

Business combinations under common control

The Historical Financial Information incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former shareholders of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity;

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.8 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company that makes strategic decisions.

2.10 Foreign currency translation**(a) Functional and presentation currency**

Items included in the combined financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, while the Company's functional currency is Hong Kong dollars ("HK\$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other gains/(losses) — net".

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

2.11 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The historical cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values, over the shorter of their estimated useful lives or, in case of leasehold improvements, as follows:

Leasehold improvements	Over the shorter of their estimated useful lives or lease terms
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 years

The assets' residual value and useful life are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.14).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised as "other gains/(losses) — net" in the combined statements of comprehensive income.

2.12 Investment properties

Investment properties, representing properties held for leases, are held for rental yields and are not occupied by the Group. The Group measured its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives in 70 years.

2.13 Intangible assets

Acquired software use rights are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years on a straight-line basis, which reflects the pattern in which the intangible assets future economic benefits are expected to be consumed.

2.14 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.15 Inventories

Inventories are assets which are in the form of materials or supplies to be consumed in the rendering of services. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Financial assets**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at financial assets at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses) — net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the combined statements of comprehensive income.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 (b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

2.17 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.16 and note 3.1(b) for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.19 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash is excluded from cash and cash equivalents.

2.20 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issue of shares are deducted from share premium to the extent they are incremental costs directly attributable to the equity transaction.

2.21 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within 12 months after the reporting period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “finance costs”.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Given the Group has no qualifying assets during the Track Record Period, all borrowing costs are recognised in the combined statements of comprehensive income in the period in which they are incurred.

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.24 Employee benefits**(a) Short-term obligations**

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

The Group provides property management services, community value-added services and value-added services to non-property owners. Revenue from providing services is recognised in the accounting period in which the services are rendered. The following is a description of the accounting policy for the principal revenue stream of the Group.

Property Management Services

For property management services, the Group bills a fixed amount for services provided on a monthly, quarterly, semi-annually or annually 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 service.

Community value-added services

Community value-added services primarily consist of: (i) home-living services, which primarily include house cleaning and home repair and maintenance, (ii) public resources management services, which primarily include public spaces leasing and advertising activities, (iii) property agency services, which relates to the sales and leases of second-hand properties and use rights of car park spaces.

The Group recognises revenue when services are rendered. Revenue is recognised when the related community value-added services are rendered at gross basis except for the public resources management services and property agency services where the Group acts as an agent, and is primarily responsible for arranging and monitoring the services, hence its revenue was recognised at net basis, which is calculated by certain fixed amount or percentage of the total property management fees received or the contract purchase price. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Value-added services to non-property owners

Value-added services to non-property owners mainly include: (i) sales assistance services, which mainly include visitors reception, on-site cleaning, security, repair and maintenance services to assist property developers in showcasing and marketing their properties at the pre-sale stage; (ii) preliminary consultancy services and other pre-delivery services, including cleaning, inspection, repair and maintenance services to non-property owners at the pre-delivery stage and to a lesser extent, repair and maintenance services after delivery where such services are required by property developers based on inspection of relevant properties; (iii) property agency services for sales of properties owned by property developers.

The Group agrees the price for each service with the non-property owners upfront 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.

Contract assets and liabilities

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.27 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of "other income".

Interest income is presented as "finance income" where it is earned from financial assets that are held for cash management purposes, see note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the expected credit loss).

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

2.29 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature.

2.30 Dividend distribution

Dividend distribution to the owners of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Shareholders or directors, which applicable, of the Company.

3 FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies, the financial risks shall be assessed continuously by the management taking into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk.

(a) Market risk**(i) Foreign currency risk**

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's businesses are principally conducted in RMB. The major non-RMB assets and liabilities are bank deposits and other payables denominated in Hong Kong dollar ("HK dollar", or "HK\$") and the United States dollar ("US dollar", or "US\$"). The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

As at 31 December 2018, 2019 and 2020, the balance of foreign currency denominated monetary assets and liabilities is not significant and accordingly the Group does not anticipate that there is significant exposure of foreign exchange risk.

(ii) Interest rate risk

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. Borrowings issued at fixed rates and lease liabilities expose the Group to fair value interest rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2018, 2019 and 2020, the Group has no interest bearing liabilities at floating-interests rate.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group mainly arises from cash and cash equivalents, restricted cash, trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on Group's cash and cash equivalents is limited because the counterparties are banks with high credit ratings. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

For trade and other receivables, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables.

The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. The Group does not obtain collateral from customers or counterparties in respect of certain receivables.

The Group has the following types of financial assets that are subject to expected credit loss model:

- Trade receivables
- Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(i) *Trade receivables*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected credit loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporates forward looking information.

As at 31 December 2018, 2019 and 2020, the Group has assessed that the expected loss rate for trade receivables from related parties was low since these entities have a strong capacity to meet its contractual cash flow obligation in the near term.

The Group accounts for credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjust for forward looking macroeconomic data.

APPENDIX I

ACCOUNTANT'S REPORT

As at 31 December 2018, 2019 and 2020, the expected credit loss provision was determined based on due date as follows:

	Less than 1 year		1 – 2 years		2 – 3 years		3 – 4 years		4 – 5 years		More than 5 years		Total
	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	
31 December 2018													
Expected credit loss rate	1%	4.31%	N/A	17.43%	N/A	38.31%	N/A	59.58%	N/A	81.61%	N/A	100.00%	
Gross carrying amount													
— Trade receivables													
(note 20)	8,871	17,975	—	2,075	—	837	—	572	—	454	—	541	31,325
Expected credit loss provision													
— Trade receivables	(89)	(774)	—	(362)	—	(321)	—	(341)	—	(370)	—	(541)	(2,798)
Total trade receivables	8,782	17,201	—	1,713	—	516	—	231	—	84	—	—	28,527
	Less than 1 year		1 – 2 years		2 – 3 years		3 – 4 years		4 – 5 years		More than 5 years		Total
	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	
31 December 2019													
Expected credit loss rate	1%	4.97%	1%	18.64%	N/A	41.95%	N/A	62.79%	N/A	83.38%	N/A	100.00%	
Gross carrying amount													
— Trade receivables													
(note 20).	15,031	39,204	1,400	4,840	—	1,047	—	546	—	430	—	816	63,314
Expected credit loss provision													
— Trade receivables	(150)	(1,948)	(14)	(901)	—	(440)	—	(343)	—	(359)	—	(816)	(4,971)
Total trade receivables	14,881	37,256	1,386	3,939	—	607	—	203	—	71	—	—	58,343
	Less than 1 year		1 – 2 years		2 – 3 years		3 – 4 years		4 – 5 years		More than 5 years		Total
	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	Related parties	Third parties	
31 December 2020													
Expected credit loss rate	1%	6.37%	1%	22.16%	1%	45.54%	N/A	68.05%	N/A	88.52%	N/A	100.00%	
Gross carrying amount													
— Trade receivables													
(note 20)	47,580	57,007	2,862	12,062	1,400	2,289	—	711	—	438	—	1,168	125,517
Expected credit loss provision													
— Trade receivables	(476)	(3,631)	(29)	(2,673)	(14)	(1,043)	—	(484)	—	(388)	—	(1,168)	(9,906)
Total trade receivables	47,104	53,376	2,833	9,389	1,386	1,246	—	227	—	50	—	—	115,611

As at 31 December 2018, 2019 and 2020, the expected credit loss provision for trade receivables reconciles to the opening expected credit loss for that provision as follows:

	Trade receivables
	<i>RMB'000</i>
Opening expected credit loss provision as at 1 January 2018	(1,504)
Additional provision	(1,294)
Closing expected credit loss provision as at 31 December 2018	(2,798)
Additional provision	(2,173)
Closing expected credit loss provision as at 31 December 2019	(4,971)
Additional provision	(4,935)
Closing expected credit loss provision as at 31 December 2020	(9,906)

(ii) *Other receivables*

The Group uses three categories for other receivables which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	1% – 3%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	3% – 10%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	10% – 100%

As at 31 December 2018, 2019 and 2020, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus, the Group used the 12 months expected credit losses model and provided for expected credit loss provision against other receivables as follows:

		Expected credit loss rate	Estimated gross carrying amount at default	Expected credit loss provision	Carrying amount (net of impairment provision)
Category			RMB'000	RMB'000	RMB'000
31 December 2018					
Amounts due from related parties	Stage one	1.00%	898,065	(8,981)	889,084
Others	Stage one	3.00%	4,265	(128)	4,137
			<u>902,330</u>	<u>(9,109)</u>	<u>893,221</u>
31 December 2019					
Amounts due from related parties	Stage one	1.00%	224,916	(2,249)	222,667
Others	Stage one	3.00%	10,997	(330)	10,667
			<u>235,913</u>	<u>(2,579)</u>	<u>233,334</u>
31 December 2020					
Amounts due from related parties	Stage one	1.00%	132,746	(1,327)	131,419
Others	Stage one	3.00%	16,380	(491)	15,889
			<u>149,126</u>	<u>(1,818)</u>	<u>147,308</u>

As at 31 December 2018, 2019 and 2020, the Group has assessed that the expected loss rate for other receivables from related parties was low considering the good finance position and credit history of the entities and were under stage one. Thus, the Group has assessed the expected credit losses for these receivables under 12 months expected credit losses at a rate of 1%.

For other receivables other than those from related parties, management makes periodic collective assessments as well as individual credit evaluations on the debtors' past history of making payments when due and current ability to pay.

Other receivables mainly represent deposit receivables, payments on behalf of property owners and advances to employees which had low historical default rates and there were no major change in the composition and risk profile. Thus, these receivables were under stage one and management applies 3% expected credit loss rate to the total other receivables for the Track Record Period. Credit risk of other receivables remained stable throughout the Track Record Period.

The expected credit loss provision for other receivables as at 31 December 2018, 2019 and 2020 reconciles to the opening expected credit loss provision are as follows:

	Amounts due from related parties	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening expected credit loss provision as at 1 January 2018	(4,491)	(214)	(4,705)
Additional provision	(4,490)	–	(4,490)
Recoveries	–	86	86
Closing expected credit loss provision as at 31 December 2018	(8,981)	(128)	(9,109)
Additional provision	–	(202)	(202)
Recoveries	6,732	–	6,732
Closing expected credit loss provision as at 31 December 2019	(2,249)	(330)	(2,579)
Additional provision	–	(161)	(161)
Recoveries	922	–	922
Closing expected credit loss provision as at 31 December 2020	(1,327)	(491)	(1,818)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group finances its working capital requirements mainly through internal resources and borrowings from shareholders, related parties, banks and other financial institutes. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and adequate credit facilities to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay as of 31 December 2018, 2019 and 2020.

	Less than 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018					
Trade and other payables*	60,781	–	–	–	60,781
Borrowings and interest thereon . . .	181,134	172,506	399,652	–	753,292
Lease liabilities (including interest payments)	897	448	–	–	1,345
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019					
Trade and other payables*	200,391	–	–	–	200,391
Borrowings and interest thereon . . .	102,739	399,652	–	–	502,391
Lease liabilities (including interest payments)	622	–	–	–	622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020					
Trade and other payables*	179,754	–	–	–	179,754
Lease liabilities (including interest payments)	979	110	55	–	1,144
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Excluding non-financial liabilities of accruals for staff costs and value-added tax ("VAT") and other taxes payables.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or obtain borrowings.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated based on the total debt divided by total equity. Total debt is calculated as total borrowings plus total lease liabilities and amounts due to related parties as shown in the combined balance sheets.

The gearing ratios during the Track Record Period are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Borrowings (note 24)	646,081	448,443	–
Lease liabilities (note 17)	1,270	608	1,091
Amounts due to related parties (note 31(b))	8,561	99,557	30,899
Total debt	655,912	548,608	31,990
Total equity	142,643	62,757	128,383
Gearing ratio	459.83%	874.18%	24.92%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Allowance on doubtful receivables

The Group makes expected credit loss provision on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history of customers and debtors, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and loss provision in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see 3.1 (b) above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the board of directors of the Company.

During the Track Record Period, the Group is principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Track Record Period.

As at 31 December 2018, 2019 and 2020, all of the non-current assets of the Group were located in the PRC.

6 REVENUE

Revenue comprises of proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group's revenue for the Track Record Period is as follows:

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue from customers and recognised over time			
— Property management services	197,863	296,971	409,829
— Value-added services to non-property owners	87,885	91,569	81,179
— Community value-added services	7,844	14,241	15,579
	<u>293,592</u>	<u>402,781</u>	<u>506,587</u>
Revenue from customers and recognised at point in time.			
— Value-added services to non-property owners	—	6,687	59,731
— Community value-added services	16,531	23,321	34,588
	<u>16,531</u>	<u>30,008</u>	<u>94,319</u>
	<u>310,123</u>	<u>432,789</u>	<u>600,906</u>

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Contract liabilities related to			
— Property management services	63,491	112,768	142,453
— Community value-added services	1,090	365	314
— Value-added services to non-property owners (note 31(d))	—	—	3,896
	<u>64,581</u>	<u>113,133</u>	<u>146,663</u>

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The increase in contract liabilities was mainly due to the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year			
— Property management services	52,694	63,491	112,768
— Community value-added services	140	1,090	365
	<u>52,834</u>	<u>64,581</u>	<u>113,133</u>

(c) Unsatisfied performance obligations

For property management services and value-added service to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

For community value-added services, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

7 OTHER INCOME

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest income from loans to related parties (note 31(f))	21,998	61,704	32,436
Government grants (a)	682	819	4,537
VAT deductibles (b)	—	805	1,330
Others	204	209	141
	<u>22,884</u>	<u>63,537</u>	<u>38,444</u>

(a) Government grants mainly represented financial subsidies granted by local government and refund of the VAT under the "immediate refund of VAT levied" policy. There are no unfulfilled conditions or other contingencies attached to these grants.

(b) VAT deductibles mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.

8 OTHER GAINS/(LOSSES) — NET

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gain on termination of leases	66	10	—
Net loss on disposal of property, plant and equipment	(1)	(11)	(39)
Others	(29)	(173)	(601)
	<u>36</u>	<u>(174)</u>	<u>(640)</u>

9 EXPENSES BY NATURE

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses (<i>note 13</i>)	170,820	243,450	272,437
Cleaning costs	40,058	53,946	78,534
Security costs	12,941	24,816	39,387
Maintenance costs	8,805	17,641	27,967
Utilities	7,898	13,217	24,270
Office expenses	6,930	13,928	20,458
Greening and gardening costs	4,964	7,425	10,897
Legal and professional fees	2,329	6,200	8,195
Listing expenses	—	5,713	8,202
Depreciation and amortisation charges	2,492	2,934	3,077
Community activities expenses	983	1,875	3,388
Auditor's remuneration			
— Audit services	74	139	209
Others	5,150	8,029	18,015
	<u>263,444</u>	<u>399,313</u>	<u>515,036</u>
Representing:			
Cost of sales and services	227,460	331,689	440,176
Administrative expenses	34,969	60,748	65,409
Selling expenses	1,015	6,876	9,451
	<u>263,444</u>	<u>399,313</u>	<u>515,036</u>

10 FINANCE COSTS — NET

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Finance costs			
— Interest expense on Asset-Backed Securities (“ABS”)	21,381	46,949	23,072
— Interest expense on loans from related parties (<i>note 31(f)</i>)	—	4,656	11,263
— Interest expense on bank borrowings . .	920	1,954	11
— Interest expense of lease liabilities . . .	62	112	26
	22,363	53,671	34,372
Finance income			
— Interest income from bank deposits . . .	(48)	(51)	(130)
	22,315	53,620	34,242

11 INCOME TAX EXPENSES

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current income tax			
— PRC corporate income tax (c)	13,103	20,387	13,375
Deferred income tax (<i>note 25</i>)			
— PRC corporate income tax (c)	(2,478)	(7,118)	6,323
	10,625	13,269	19,698

- (a) The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.
- (b) Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year. No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.
- (c) Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

- (d) Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the subsidiaries in PRC are incorporated in Hong Kong and fulfill the requirements to the tax treaty arrangements between PRC and Hong Kong. The Group has not accrued any withholding tax for these undistributed earnings of its subsidiaries in PRC as the Group does not have a plan to distribute these earnings from its subsidiaries in PRC.

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the combined statements of comprehensive income to the income tax expenses is listed below:

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before income tax	41,586	47,576	85,258
Tax calculated at tax rate of 25%	10,397	11,894	21,315
Effects of preferential tax rates to different subsidiaries of the Group (i)	(73)	(171)	(2,439)
Tax effect of non-deductible expenses	66	949	1,194
Tax effect of unrecognised tax losses	302	510	(263)
Others	(67)	87	(109)
	10,625	13,269	19,698

- (i) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the income tax rate of 25% is applicable to the Group's subsidiaries during the Track Record Period. Some subsidiaries are qualified as small and micro businesses and enjoy preferential income tax rate of 5% or 10% as approved by the local tax authorities for the Track Record Period. Some subsidiaries located in western areas of the PRC engaged in encouraged industries and are subject to a preferential tax rate of 15% in accordance with regulations for the Track Record Period.

12 EARNINGS PER SHARE

No earnings per share information is presented in this accountant's report because it is not considered meaningful due to the reorganisation and the presentation of the results for the Track Record Period on a combined basis as disclosed in notes 1.2 and 1.3.

13 EMPLOYEE BENEFIT EXPENSES

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	137,156	195,045	244,809
Pension costs (a)	12,968	19,071	3,887
Housing funds, medical insurances and other social insurances (a)	12,887	16,790	11,785
Other employment benefits	7,809	12,544	11,956
	<u>170,820</u>	<u>243,450</u>	<u>272,437</u>

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, due to the impact from Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly.

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one, one and one director for the Track Record Period respectively, whose emoluments are reflected in the analysis shown in note 14. The emoluments payable to the remaining four, four and four individuals for the Track Record Period are as follows:

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Wages, salaries, bonuses, housing funds and other employees' benefits	<u>2,229</u>	<u>2,489</u>	<u>4,994</u>

The number of above remaining employees whose remuneration fee within the following band is as follows:

	For the year ended 31 December		
	2018	2019	2020
Emolument bands (in HK dollar)			
Nil to HK\$1,000,000	4	4	—
HK\$1,000,001 to HK\$2,000,000	—	—	4
HK\$2,000,001 to HK\$3,000,000	—	—	—
HK\$3,000,001 to HK\$4,000,000	—	—	—
	<u>4</u>	<u>4</u>	<u>4</u>

14 DIRECTORS' BENEFITS AND INTERESTS

As the date of the report, the directors of the Company are:

Executive Directors

Ms. Zhou Qin
Mr. Wu Xu
Mr. Liu Chao

Non-executive Director

Mr. Tian Ming

Independent Non-executive Directors

Dr. Wong Chi Wing
Ms. Lu Mei
Dr. Chen Kevin Chien-wen

(a) Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2020 as follows:

Name	Fees	Salaries, allowances and bonus	Contribution to retirement and other benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive Director				
Mr. Wu Xu	—	2,086	52	2,138
	—	2,086	52	2,138

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2019 as follows:

Name	Fees	Salaries, allowances and bonus	Contribution to retirement and other benefits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive Director				
Mr. Wu Xu	—	2,165	101	2,266
	—	2,165	101	2,266

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended 31 December 2018 as follows:

Name	Fees	Salaries, allowances and bonus	Contribution to retirement and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Director				
Mr. Wu Xu	—	842	8	850
	—	842	8	850

- (i) Ms. Zhou Qin, Mr. Wu Xu and Mr. Liu Chao were appointed as the Group's executive directors on 15 January 2021. Ms. Zhou Qin and Mr. Liu Chao did not receive any remuneration during the Track Record Period.
- (ii) Mr. Tian Ming was appointed as the Group's non-executive director on 15 January 2021. The non-executive director did not receive any remuneration during the Track Record Period.
- (iii) Dr. Wong Chi Wing, Ms. Lu Mei and Dr. Chen Kevin Chien-wen were appointed as the Group's independent non-executive directors on 15 June 2021. The independent non-executive directors did not receive any remuneration during the Track Record Period.

(b) Directors' retirement benefits and termination benefits

There were no additional retirement benefit received by the directors except for the contribution to defined contribution retirement scheme administration and operated by the local municipal government in accordance with the rules and regulations in the PRC during the Track Record Period.

(c) Directors' termination benefits

There were no termination benefits received by the directors during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

No consideration was paid for making available the services of the directors of the Company during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No consideration was paid for making available the services of the directors of the Company during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

15 INVESTMENT PROPERTIES

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	6,454	6,085	5,716
Depreciation charge	(369)	(369)	(380)
At 31 December	<u>6,085</u>	<u>5,716</u>	<u>5,336</u>

During the Track Record Period, rental income and operating expenses arising from leasing of investment properties are as follows:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	287	306	309
Direct operating expenses from properties that generate rental income	<u>369</u>	<u>369</u>	<u>380</u>

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, who holds a recognised professional qualification and has recent experience in the locations and segments of the investment properties valued. Investment properties were valued by direct comparison method where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. As at 31 December 2018, 2019 and 2020, the fair values of the investment properties were approximately RMB9,600,000, RMB9,869,000 and RMB9,981,000 respectively.

As at 31 December 2018, 2019 and 2020, no investment properties were pledged as collateral for the Group's borrowings.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2018				
Cost	3,525	5,904	344	9,773
Accumulated depreciation	(2,104)	(3,752)	(330)	(6,186)
Net carrying amount	<u>1,421</u>	<u>2,152</u>	<u>14</u>	<u>3,587</u>
Year ended 31 December 2018				
Opening net carrying amount ..	1,421	2,152	14	3,587
Additions	–	864	32	896
Depreciation	(433)	(686)	(7)	(1,126)
Disposals of subsidiaries (note 30)	–	(75)	–	(75)
Disposals	(58)	(3)	–	(61)
Closing net carrying amount ..	<u>930</u>	<u>2,252</u>	<u>39</u>	<u>3,221</u>
At 31 December 2018				
Cost	3,468	6,524	377	10,369
Accumulated depreciation	(2,538)	(4,272)	(338)	(7,148)
Net carrying amount	<u>930</u>	<u>2,252</u>	<u>39</u>	<u>3,221</u>
	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019				
Cost	3,468	6,524	377	10,369
Accumulated depreciation	(2,538)	(4,272)	(338)	(7,148)
Net carrying amount	<u>930</u>	<u>2,252</u>	<u>39</u>	<u>3,221</u>
Year ended 31 December 2019				
Opening net carrying amount ..	930	2,252	39	3,221
Additions	77	914	–	991
Depreciation	(359)	(730)	(7)	(1,096)
Disposals	–	(14)	–	(14)
Closing net carrying amount ..	<u>648</u>	<u>2,422</u>	<u>32</u>	<u>3,102</u>
At 31 December 2019				
Cost	3,544	7,127	372	11,043
Accumulated depreciation	(2,896)	(4,705)	(340)	(7,941)
Net carrying amount	<u>648</u>	<u>2,422</u>	<u>32</u>	<u>3,102</u>

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020				
Cost	3,544	7,127	372	11,043
Accumulated depreciation	(2,896)	(4,705)	(340)	(7,941)
Net carrying amount	<u>648</u>	<u>2,422</u>	<u>32</u>	<u>3,102</u>
Year ended 31 December 2020				
Opening net carrying amount ..	648	2,422	32	3,102
Additions	1,009	1,690	12	2,711
Depreciation	(405)	(854)	(18)	(1,277)
Disposals	–	(39)	–	(39)
Closing net carrying amount ..	<u>1,252</u>	<u>3,219</u>	<u>26</u>	<u>4,497</u>
At 31 December 2020				
Cost	4,553	8,029	49	12,631
Accumulated depreciation	(3,301)	(4,810)	(23)	(8,134)
Net carrying amount	<u>1,252</u>	<u>3,219</u>	<u>26</u>	<u>4,497</u>

Depreciation expenses were charged to the following categories in the combined statements of comprehensive income:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	1,004	820	1,020
Administrative expenses	<u>122</u>	<u>276</u>	<u>257</u>
	<u>1,126</u>	<u>1,096</u>	<u>1,277</u>

17 LEASES

This note provides information for leases where the Group is a lessee.

(a) Right-of-use assets

	Office properties
	<i>RMB'000</i>
At 1 January 2018	
Cost	1,493
Accumulated depreciation	(436)
Net carrying amount	1,057
Year ended 31 December 2018	
Opening net carrying amount	1,057
Additions	2,212
Depreciation	(885)
Lease cancellation	(777)
Closing net carrying amount	1,607
At 31 December 2018	
Cost	1,728
Accumulated depreciation	(121)
Net carrying amount	1,607
Year ended 31 December 2019	
Opening net carrying amount	1,607
Additions	1,224
Depreciation	(1,319)
Lease cancellation	(585)
Closing net carrying amount	927
At 31 December 2019	
Cost	2,055
Accumulated depreciation	(1,128)
Net carrying amount	927
Year ended 31 December 2020	
Opening net carrying amount	927
Additions	1,767
Depreciation	(1,106)
Closing net carrying amount	1,588
At 31 December 2020	
Cost	3,822
Accumulated depreciation	(2,234)
Net carrying amount	1,588

(b) Lease liabilities

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities			
Non-current	408	—	142
Current	862	608	949
	<u>1,270</u>	<u>608</u>	<u>1,091</u>

(c) Amounts recognised in the combined statements of comprehensive income

The combined statements of comprehensive income show the following amounts relating to leases:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets			
— Office properties	<u>885</u>	<u>1,319</u>	<u>1,106</u>
Gain on termination of leases (<i>note 8</i>).	<u>66</u>	<u>10</u>	<u>—</u>
Interest expense (included in finance cost)			
(<i>note 10</i>)	<u>62</u>	<u>112</u>	<u>26</u>
Expense relating to short term and low-value leases (included in cost of sales and services and administrative expenses)	<u>1,217</u>	<u>1,032</u>	<u>1,421</u>

18 INTANGIBLE ASSETS

	Computer software
	<i>RMB'000</i>
At 1 January 2018	
Cost	1,127
Accumulated amortisation	(271)
Net carrying amount	<u>856</u>
Year ended 31 December 2018	
Opening net carrying amount	856
Amortisation charge	(112)
Closing net carrying amount	<u>744</u>
At 31 December 2018	
Cost	1,127
Accumulated amortisation	(383)
Net carrying amount	<u>744</u>
Year ended 31 December 2019	
Opening net carrying amount	744
Additions	672
Amortisation charge	(150)
Closing net carrying amount	<u>1,266</u>
At 31 December 2019	
Cost	1,799
Accumulated amortisation	(533)
Net carrying amount	<u>1,266</u>
At 1 January 2020	
Cost	1,799
Accumulated amortisation	(533)
Net carrying amount	<u>1,266</u>
Year ended 31 December 2020	
Opening net carrying amount	1,266
Additions	2,266
Amortisation charge	(314)
Closing net carrying amount	<u>3,218</u>
At 31 December 2020	
Cost	4,065
Accumulated amortisation	(847)
Net carrying amount	<u>3,218</u>

Amortisation of intangible assets has been charged to the administrative expenses in the combined statements of comprehensive income.

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group hold the following financial instruments as at the respective balance sheet date as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at amortised cost			
Trade receivables (<i>note 20</i>)	28,527	58,343	115,611
Amounts due from related parties	889,084	222,667	131,419
Other receivables	4,137	10,667	15,889
Cash and cash equivalents (<i>note 22</i>)	84,241	656,290	314,265
	<u>1,005,989</u>	<u>947,967</u>	<u>577,184</u>
Financial liabilities			
Financial liabilities at amortised cost			
Lease liabilities (<i>note 17</i>)	1,270	608	1,091
Trade and other payables* (<i>note 23</i>)	60,781	200,391	179,754
Borrowings (<i>note 24</i>)	646,081	448,443	—
	<u>708,132</u>	<u>649,442</u>	<u>180,845</u>

* *Excluding non-financial liabilities*

The Group's exposure to various risks associated with the financial instruments is disclosed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 TRADE RECEIVABLES

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade receivables (a)			
— Related parties (<i>note 31(c)</i>)	8,871	16,431	51,842
— Third parties	22,454	46,883	73,675
	<u>31,325</u>	<u>63,314</u>	<u>125,517</u>
Less: provision for bad debt (<i>note 3.1(b)(i)</i>) .	<u>(2,798)</u>	<u>(4,971)</u>	<u>(9,906)</u>
	<u>28,527</u>	<u>58,343</u>	<u>115,611</u>

- (a) Trade receivables mainly arise from property management services income under lump sum basis and value-added services as provided to non-property owners.

Property management services income are received in accordance with the terms of the relevant services agreements. Service income from property management service is due for payment by the residents upon the issuance of demand note.

The receivables from the provision of value-added services to non-property owners are usually due for payment upon the issuance of document of settlement.

The ageing analysis of the current trade receivables based on the invoice date is as follows:

	31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related parties			
— Less than 1 year	8,871	15,031	47,580
— 1 to 2 years	—	1,400	2,862
— 2 to 3 years	—	—	1,400
	8,871	16,431	51,842
Third parties			
— Less than 1 year	17,975	39,204	57,007
— 1 to 2 years	2,075	4,840	12,062
— 2 to 3 years	837	1,047	2,289
— 3 to 4 years	572	546	711
— 4 to 5 years	454	430	438
— Over 5 years	541	816	1,168
	22,454	46,883	73,675
	31,325	63,314	125,517

As at 31 December 2018 and 2019, trade receivables with amount of RMB10,544,000 and RMB14,708,000 were pledged to secure borrowings granted to the Group.

As at 31 December 2018, 2019 and 2020, the fair values of trade receivables approximate their carrying amounts.

21 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Prepayments			
— Prepayments to suppliers	259	1,692	7,066
— Prepaid listing expenses	—	2,812	6,155
— Prepaid VAT and other surcharges	102	67	—
— Other prepayments	2,133	2,202	343
	<u>2,494</u>	<u>6,773</u>	<u>13,564</u>
Other receivables			
— Amounts due from related parties (note 31(a))	898,065	224,916	132,746
— Deposits	3,280	7,030	10,058
— Payment on behalf of property owners (a)	878	1,185	3,452
— Others	107	2,782	2,870
	<u>902,330</u>	<u>235,913</u>	<u>149,126</u>
Less: provision for bad debt (note 3.1(b)(ii))	<u>(9,109)</u>	<u>(2,579)</u>	<u>(1,818)</u>
	<u>893,221</u>	<u>233,334</u>	<u>147,308</u>
	<u>895,715</u>	<u>240,107</u>	<u>160,872</u>

(a) As at 31 December 2018, 2019 and 2020, the amounts represented the payments on behalf of property owners mainly in respect of utilities and elevator maintenance costs of the properties.

As at 31 December 2018, 2019 and 2020, other receivables were unsecured and have no fixed terms of repayment.

As at 31 December 2018, 2019 and 2020, the carrying amounts of prepayments and other receivables were denominated in below currencies:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
RMB	895,715	237,709	155,746
US\$	—	1,396	892
HK\$	—	1,002	4,234
	<u>895,715</u>	<u>240,107</u>	<u>160,872</u>

As at 31 December 2018, 2019 and 2020, the fair values of prepayments and other receivables approximate their carrying amounts.

22 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	84,241	656,290	314,265

The carrying amounts of cash and cash equivalents approximate their fair values.

The carrying amounts of cash and cash equivalents were denominated in below currencies:

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	84,241	656,290	313,466
HK\$	—	—	799
	84,241	656,290	314,265

23 TRADE AND OTHER PAYABLES

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	17,266	48,677	77,322
Other payables			
— Amounts due to related parties			
(note 31(b))	8,561	99,557	30,899
— Amounts collected on behalf of			
property owners	26,576	41,629	59,540
— Deposits received	5,359	6,004	7,781
— Others	3,019	4,524	4,212
Accruals for staff costs	65,957	80,582	95,480
VAT and other tax payables	22,547	34,998	35,582
	149,285	315,971	310,816

As at 31 December 2018, 2019 and 2020, the carrying amounts of trade and other payables approximate their fair values.

As at 31 December 2018, 2019 and 2020, amounts due to related parties were unsecured, interest free and repayable on demand.

As at balance sheet dates, the ageing analysis of the trade payables based on goods and services received is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Less than 1 year	17,087	48,381	74,806
1 to 2 years	179	199	2,516
2 to 3 years	—	97	—
	<u>17,266</u>	<u>48,677</u>	<u>77,322</u>

24 BORROWINGS

	As at 31 December					
	2018		2019		2020	
	Current RMB'000	Non-current RMB'000	Current RMB'000	Non-current RMB'000	Current RMB'000	Non-current RMB'000
Secured						
— Asset-Backed Securities — 2016 (ABS 2016) (a)	88,407	92,448	—	—	—	—
— Asset-Backed Securities — 2018 (ABS 2018) (b)	48,042	417,184	42,304	376,081	—	—
— Bank borrowings (c)	—	—	30,058	—	—	—
	<u>136,449</u>	<u>509,632</u>	<u>72,362</u>	<u>376,081</u>	<u>—</u>	<u>—</u>

(a) Asset-Backed Securities — 2016

In September 2016, the Group entered into an asset-backed special agreement with Bosera Capital Management Co., Ltd. in the form of asset securitisation. ABS 2016 issued by BOSERA Special Plan are divided into priority level and subprime level with total principal of RMB396,000,000 and RMB21,000,000 respectively. The priority level investors receive interest at a fixed nominal rate ranging from 4.45% to 6.20% per annum, and subprime level investors receive residual investment income distribution. The Group purchased all the subprime level of ABS 2016 and accordingly, BOSERA Special Plan became a consolidated structured entity of the Group.

The priority level ABS 2016 is collateralised by the future earnings relating to property management fee for certain properties, 100% equity interest of Landsea Property Management and guarantee by Landsea Group.

The ABS 2016 carries effective interest rate of 8.61% per annum. The ABS 2016 were redeemed in advance by the Group in August 2019.

(b) Asset-Backed Securities — 2018

In December 2018, the Group entered into an asset-backed special agreement with CITIC Securities Co., Ltd. in the form of asset securitisation. ABS 2018 issued by CITIC Special Plan are divided into priority level and subprime level with total principal of RMB470,000,000 and RMB25,000,000 respectively. The priority level investors receive interest at a fixed nominal rate ranging from 5.50% to 7.50% per annum, and subprime level investors receive residual investment income distribution. Landsea Group, a fellow subsidiary of the Company, subscribed priority level amounted to RMB50,000,000 and RMB22,560,000 as of 31 December 2018 and 2019, respectively. The Group purchased all the subprime level of ABS 2018 and accordingly, CITIC Special Plan became a consolidated structured entity of the Group.

The priority level ABS 2018 is collateralised by the future earnings relating to property management fee for certain properties and guarantee by Landsea Group.

At the end of year 2021 and 2024, the Group as the issuer is entitled to adjust the interest rate and may at the Group's option to buy back certain portion of the ABS 2018 from the holder in whole or in part at face value of their principal amount. At the same time, the holders of ABS 2018 may at their options to sell back certain portion of the ABS 2018 to the Group in whole or in part at face value of their principal amount.

The ABS 2018 carries effective interest rate of 8.27% per annum. The priority level of ABS 2018 with principal amount of RMB200,000,000 and RMB117,000,000 were repurchased in advance by the Group in May 2020 and October 2020 respectively. On 8 December 2020, the Group has convened a meeting with the priority level investors and decided to early terminate and redeem all the outstanding principal together with the related interests of the Asset-Backed Securities on 18 December 2020 and the pledge of the Group's future earnings relating to property management fee for certain properties as mentioned above has then been released accordingly.

(c) Bank borrowing carries effective interest rate of 6.50% per annum and is guaranteed by Landsea Group.

During the Track Record Period, the borrowings carry weighted average effective interest rate of 8.45%, 8.26% and 8.68% per annum.

At the end of each reporting period, the carrying amounts of borrowings were denominated in RMB.

The Group's borrowings are repayable as follows as at each balance sheet date:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	136,449	72,362	—
Between 1 and 2 years	134,510	376,081	—
Between 2 and 5 years	375,122	—	—
	<u>646,081</u>	<u>448,443</u>	<u>—</u>

Fair values of the borrowings are not materially different to the carrying amounts, since either the interests on those borrowings are close to current market rates or borrowings are of a short term nature.

25 DEFERRED INCOME TAX

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:			
— to be recovered within 12 months	2,967	1,878	2,919
— to be recovered after 1 year	4,923	13,130	5,766
	<u>7,890</u>	<u>15,008</u>	<u>8,685</u>

The movements in deferred income tax are as follows:

	Allowance on doubtful receivables	Accrued staff costs	Accrued expenses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2018	<u>1,552</u>	<u>3,860</u>	<u>—</u>	<u>5,412</u>
Credited to the combined statements of comprehensive income (<i>note 11</i>)	<u>1,415</u>	<u>1,063</u>	<u>—</u>	<u>2,478</u>
At 31 December 2018	<u>2,967</u>	<u>4,923</u>	<u>—</u>	<u>7,890</u>
As at 1 January 2019	<u>2,967</u>	<u>4,923</u>	<u>—</u>	<u>7,890</u>
(Charged)/Credited to the combined statements of comprehensive income (<i>note 11</i>)	<u>(1,089)</u>	<u>1,786</u>	<u>6,421</u>	<u>7,118</u>
At 31 December 2019	<u>1,878</u>	<u>6,709</u>	<u>6,421</u>	<u>15,008</u>
As at 1 January 2020	<u>1,878</u>	<u>6,709</u>	<u>6,421</u>	<u>15,008</u>
Credited/(Charged) to the combined statements of comprehensive income (<i>note 11</i>)	<u>1,041</u>	<u>(943)</u>	<u>(6,421)</u>	<u>(6,323)</u>
At 31 December 2020	<u>2,919</u>	<u>5,766</u>	<u>—</u>	<u>8,685</u>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets for the tax loss of RMB339,000, RMB516,000 and RMB146,000, as at 31 December 2018, 2019 and 2020 in respect of losses amounting to RMB1,357,000, RMB2,064,000, and RMB584,000 that can be carried forward against future taxable income.

As at 31 December 2018, 2019 and 2020, the Group has unrecognised deferred income tax liabilities arising from undistributed profits from the Group's subsidiary in the PRC to its immediate holding company in Hong Kong. No provision has been made in respect of such withholding tax as the Company is able to control the timing of distribution from its subsidiaries and the directors expect that such profits will not be distributed in the foreseeable future. Retained earnings in this respect amounted to RMB69,899,000, RMB90,588,000 and RMB155,310,000, respectively.

26 COMBINED CAPITAL AND SHARE CAPITAL OF THE COMPANY

The Group

The Reorganisation has not been completed as at 31 December 2020. As mentioned in note 1.3, the Historical Financial Information has been prepared on a combined basis. Combined capital as at each balance sheet date represented the combined capital of the companies now comprising the Group after the elimination of the inter-company investments.

On 26 March 2018, Landsea Property Management received capital injections from Landsea Group of RMB30,000,000.

The Company

	Number of ordinary shares	Nominal value	
		<i>HK\$</i>	<i>RMB</i>
Authorised			
Ordinary shares of HK\$0.01 each as at			
1 December 2020 and 31 December 2020 .	38,000,000	380,000	323,156
Issued and nil-paid			
As at 31 December 2020	100,000	—	—

As at 31 December 2020, all the shares issued by the Company was nil-paid and the balance of combined capital was nil.

27 RESERVES

The amounts of the Group's reserves and the movements therein for the Track Record Period are presented in the combined statements of changes in equity.

(a) Other reserves

- (i) During the years ended 31 December 2018 and 2019, the Group disposed the entire equity interests of certain subsidiaries (note 30) to the then shareholder of the Group at a cash consideration of RMB3,000,000 and RMB1,450,000 respectively. The net assets of these disposed subsidiaries amounted to negative RMB4,725,000 and RMB144,000 as at the respective date of disposal. The differences between the consideration paid by the then shareholder of the Group and the net assets of the disposed subsidiaries were accounted for as deemed contributions to the Group and recognised as other reserves at an amount of RMB7,725,000 and RMB1,306,000.
- (ii) On 26 June 2019, the Group underwent a group restructuring by acquiring the entire equity interests of Shenlu Property from Shanghai Landsea Investment Management Co., Ltd., a fellow subsidiary of Landsea Group engaged in the Listing Business at a cash consideration of RMB42,540,000. Shenlu Property has been combined in the Historical Financial Information for the Track Record Period. The cash consideration is deemed as distribution to the then shareholder of the Group and recognised as a deduction of other reserves. The non-controlling interests of the acquired subsidiary at an amount of RMB12,099,000 were eliminated against other reserves as at the acquisition date.
- (iii) As part of the Reorganisation, in December 2019, the Group acquired the entire equity interests of Landsea Property Management from Landsea Group at a cash consideration of RMB72,959,000. The subsidiary has been combined in the Historical Financial Information for the Track Record Period. The cash consideration is deemed as distribution to the then shareholder of the Group and recognised as a deduction of other reserves. The share capital of the acquired subsidiary at an amount of RMB100,000,000 were eliminated against other reserves as at the acquisition date.

(b) Statutory reserve

In accordance with relevant rules and regulations in the PRC and the Company's Articles of Association, companies incorporated in PRC are required to transfer no less than 10% of their profit after taxation calculated under PRC accounting standards and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

28 DIVIDEND

No dividends have been paid or declared by the Company or any companies now comprising the Group during the Track Record Period.

29 Cash flow information**(a) Cash generated from operations**

Reconciliation of profit before income tax to cash generated from operations is as follows:

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before income tax	41,586	47,576	85,258
<i>Adjustments for:</i>			
Interest income (<i>note 7</i>)	(21,998)	(61,704)	(32,436)
Depreciation of property, plant and equipment (<i>note 16</i>) . .	1,126	1,096	1,277
Amortisation of intangible assets (<i>note 18</i>)	112	150	314
Amortisation of right-of-use assets (<i>note 17</i>)	885	1,319	1,106
Depreciation of investment properties (<i>note 15</i>)	369	369	380
Interest expense (<i>note 10</i>)	22,363	53,671	34,372
Net loss on disposal of property, plant and equipment (<i>note 8</i>)	1	11	39
Gain on termination of leases (<i>note 8</i>)	(66)	(10)	–
Provision for impairment losses/(gains) under expected credit loss model (<i>note 3.1.(b)</i>)	5,698	(4,357)	4,174
	<u>50,076</u>	<u>38,121</u>	<u>94,484</u>
<i>Changes in working capital:</i>			
Increase in inventories	(539)	(1,229)	(71)
Increase in trade receivables	(17,553)	(31,989)	(62,203)
Decrease/(increase) in prepayments, deposits and other receivables	1,563	(9,651)	(10,290)
Increase in contract liabilities	11,747	48,552	33,530
Increase in trade and other payables	49,241	76,923	63,503
	<u>44,459</u>	<u>82,606</u>	<u>24,469</u>
Cash generated from operations	<u>94,535</u>	<u>120,727</u>	<u>118,953</u>

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Borrowings	Amounts due to related parties	Lease liabilities	Total
	<i>(note 24)</i>	<i>(note 23)</i>	<i>(note 17)</i>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2018	258,682	5,590	751	265,023
Addition of lease liabilities	–	–	2,211	2,211
Lease cancellation	–	–	(842)	(842)
Cash flows of principles	387,000	2,971	(850)	389,121
Interests paid	(21,902)	–	(62)	(21,964)
Accrued interest expense	22,301	–	62	22,363
As at 31 December 2018	<u>646,081</u>	<u>8,561</u>	<u>1,270</u>	<u>655,912</u>
As at 1 January 2019	646,081	8,561	1,270	655,912
Addition of lease liabilities	–	–	1,224	1,223
Lease cancellation	–	–	(595)	(595)
Cash flows of principles	(203,500)	18,037	(1,291)	(186,753)
Interests paid	(43,041)	(4,656)	(112)	(47,809)
Accrued interest expense	48,903	4,656	112	53,671
Acquisition of Landsea Property Management	–	72,959	–	72,959
As at 31 December 2019	<u>448,443</u>	<u>99,557</u>	<u>608</u>	<u>548,608</u>
As at 1 January 2020	448,443	99,557	608	548,608
Addition of lease liabilities	–	–	1,767	1,767
Cash flows of principles	(451,500)	4,301	(1,284)	(448,483)
Interests paid	(20,026)	(11,263)	(26)	(31,315)
Accrued interest expense	23,083	11,263	26	34,372
Payment for acquisition of Landsea Property Management	–	(72,959)	–	(72,959)
As at 31 December 2020	<u>–</u>	<u>30,899</u>	<u>1,091</u>	<u>31,990</u>

30 DISPOSAL OF SUBSIDIARIES

On 14 November 2018, the Group entered into agreements with the Landsea Group, to dispose of the 100% equity interests of Nanjing Landsea Shenlu E-commerce Co., Ltd. ("Shenlu E-commerce"), at a consideration of RMB3,000,000. The transactions were completed on 14 November 2018 and the consideration was received on January 2019. After the disposal, certain Shenlu E-commerce's employees had in fact solely worked for the Group and performed duties under the Group's instructions during the Track Record Period. Hence these transactions and related balances were combined in the Historical Financial information.

On 12 April 2019, the Group entered into agreements with the Shenlu E-commerce, to dispose of the 100% equity interests of Nanjing Langyuyuan, at a consideration of RMB1,450,000. The transactions were completed on 12 April 2019 and the consideration was received on August 2019.

Net assets disposed with reconciliation of other reserves and cash (outflows)/inflows are as follows:

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets disposed of comprise:			
— Cash and cash equivalents	(8)	(143)	N/A
— Prepayments, deposits and other receivables	(3)	(1)	N/A
— Property, plant and equipment (<i>note 16</i>)	(75)	—	N/A
— Trade and other payables	4,811	—	N/A
Group's share of net assets disposed of	<u>4,725</u>	<u>(144)</u>	<u>N/A</u>
Consideration from disposal	<u>3,000</u>	<u>1,450</u>	<u>N/A</u>
Other reserves	<u>7,725</u>	<u>1,306</u>	<u>N/A</u>
Net cash (outflows)/inflows arising on the disposals:			
Total consideration settled by cash	—	4,450	N/A
Less: Cash and cash equivalents in the disposed subsidiaries	<u>(8)</u>	<u>(143)</u>	<u>N/A</u>
Net cash (outflows)/inflows arising on the disposals	<u>(8)</u>	<u>4,307</u>	<u>N/A</u>

31 RELATED PARTY BALANCES AND TRANSACTIONS

In addition to those related party balances and transactions elsewhere disclosed in the combined financial statements, the Group had the following significant balances and transactions:

(a) Amounts due from related parties

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
— Fellow subsidiaries (i)	801,795	132,839	103
— Excluded Business	96,270	92,077	131,658
— Joint ventures and associates of the ultimate controlling shareholder (i) .	—	—	985
	<u>898,065</u>	<u>224,916</u>	<u>132,746</u>

- (i) As of 31 December 2020, current amounts due from fellow subsidiaries and joint ventures and associates of the ultimate controlling shareholder are interest-free.

As of 31 December 2019, current amounts due from fellow subsidiaries include RMB72,229,000 generating interest at 7.71% per annum and the remaining amounts are interest-free.

As of 31 December 2018, current amounts due from fellow subsidiaries include RMB766,507,000 generating interest at 7.88% per annum and the remaining amounts are interest-free.

All amounts due from fellow subsidiaries and joint ventures and associates of the ultimate controlling shareholder are non-trade in nature, unsecured and repayable on demand of the Group. All amounts from Excluded Business are non-trade in nature and have been settled upon the completion of the Business Transfer of Excluded Business in January 2021.

The carrying amounts of amounts due from related parties approximate their fair values.

(b) Amounts due to related parties**The Group**

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
— Fellow subsidiaries	<u>8,561</u>	<u>99,557</u>	<u>30,899</u>

The Company

	As at 31 December 2020
	RMB'000
— Subsidiaries of the Company	<u>75</u>

All amounts due to related parties are non-trade in nature, unsecured and interest-free.

All the non-trade balances with related parties are expected to be settled upon listing.

(c) **Trade receivables**

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Fellow subsidiaries	5,693	7,590	28,449
— Joint ventures and associates of the ultimate controlling shareholder . . .	3,178	8,841	23,393
	<u>8,871</u>	<u>16,431</u>	<u>51,842</u>

(d) **Contract liabilities**

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Fellow subsidiaries	—	—	1,119
— Joint ventures and associates of the ultimate controlling shareholder . . .	—	—	2,777
	<u>—</u>	<u>—</u>	<u>3,896</u>

Contract liabilities from fellow subsidiaries and joint ventures and associates of the ultimate controlling shareholder are trade in nature.

(e) **Guarantee**

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Guarantees received from fellow subsidiaries in respect of borrowings (note 24)	646,081	448,443	—
	<u>646,081</u>	<u>448,443</u>	<u>—</u>

Guarantees received from fellow subsidiaries in respect of borrowings are non-trade in nature and have been released as of the date of this report.

(f) Related party transactions

(i) Funding with related parties

For the year ended 31 December 2018	
	Collection of
Funding to	funding to
related parties	related parties
Investing	Investing
RMB'000	RMB'000
Fellow subsidiaries	
1,878,248	1,423,356

For the year ended 31 December 2018	
Proceeds from	Repayment to
related parties	related parties
Financing	Financing
RMB'000	RMB'000
Fellow subsidiaries	
6,600	3,629

For the year ended 31 December 2019	
Funding to	Collection of
related parties	funding to
Investing	related parties
RMB'000	Investing
RMB'000	RMB'000
Fellow subsidiaries	
814,971	1,545,590

For the year ended 31 December 2019	
Proceeds from	Repayment to
related parties	related parties
Financing	Financing
RMB'000	RMB'000
Fellow subsidiaries	
208,545	190,508

For the year ended 31 December 2020		
	Funding to related parties	Collection of funding to related parties
	Investing	Investing
	RMB'000	RMB'000
Fellow subsidiaries	3,858,778	3,891,463
Joint ventures and associates of the ultimate controlling shareholder	985	—
	3,859,763	3,891,463
For the year ended 31 December 2020		
	Proceeds from related parties	Repayment to related parties
	Financing	Financing
	RMB'000	RMB'000
Fellow subsidiaries	22,871	18,570
For the year ended 31 December 2018		
	ABS note acquired by related parties	ABS note bought from related parties
	Financing	Financing
	RMB'000	RMB'000
Fellow subsidiary	50,000	—
For the year ended 31 December 2019		
	ABS note acquired by related parties	ABS note bought from related parties
	Financing	Financing
	RMB'000	RMB'000
Fellow subsidiary	—	27,440

	For the year ended 31 December 2020	
	ABS note acquired by related parties	ABS note bought from related parties
	Financing	Financing
	RMB'000	RMB'000
Fellow subsidiary	–	22,560

(ii) *Management services, other income and finance cost*

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Value-added services income to non-property owners from fellow subsidiaries of the ultimate controlling shareholder	50,683	40,777	71,506
Value-added services income to non-property owners from joint ventures and associates of the ultimate controlling shareholder	22,265	35,357	49,889
Property management services income from fellow subsidiaries of the ultimate controlling shareholder . .	10,105	17,081	25,821
Property management services income from joint ventures and associates of the ultimate controlling shareholder	91	103	2,751
Community value-added services income from fellow subsidiaries of the ultimate controlling shareholder . .	325	825	384
Interest income on amounts due from fellow subsidiaries of the ultimate controlling shareholder	21,998	61,704	32,436
Interest expense on loans from fellow subsidiaries of the ultimate controlling shareholder	–	4,656	11,263
Interest expense on ABS from a fellow subsidiary of the ultimate controlling shareholder	–	2,383	1,203

These related party transactions were conducted in accordance with terms as agreed between the respective related parties and us. The Directors have confirmed that all the aforementioned related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole.

- (g) Included in employee benefit expenses are key management personnel compensations which comprises the following categories:

	For the year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Short term employee benefits	1,436	2,460	6,526
Contributions to retirement benefits schemes . . .	11	29	123
	<u>1,447</u>	<u>2,489</u>	<u>6,649</u>

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

(i) Operating lease arrangements

The Group — As lessee

The Group leases various offices under non-cancellable operating leases expiring within 6 months to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 2.29 for further information.

Minimum lease payments under non-cancellable operating leases (short-term or low-value lease) contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	<u>343</u>	<u>359</u>	<u>562</u>

The Group — As lessor

As at 31 December 2018, 2019 and 2020, the Group did not have any material lease receivables.

(ii) Capital commitments

As at 31 December 2018, 2019 and 2020, the Group did not have any material capital commitments.

(b) Contingent liabilities

As at 31 December 2018, 2019 and 2020, the Group did not have any outstanding guarantees or other material contingent liabilities.

33 SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Refer to note 27, on 26 June 2019, the Group acquired the entire equity interests of Shenlu Property from Shanghai Landsea Investment Management Co., Ltd., a fellow subsidiary of Landsea Group. Shenlu Property, a 50.1%-owned subsidiary of the Group, has material non-controlling interests ("NCI").

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Percentage of equity interests held by NCI . .	49.9%	N/A	N/A
Profit for the year allocated to NCI	5,696	302	N/A
Accumulated balances of NCI at the reporting date	11,797	N/A	N/A

Summarised consolidated financial information in relation to the NCI of Shenlu Property, before inter-company eliminations, is presented below:

Summarised consolidated statements of balance sheet

	As at 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Assets	39,719	N/A	N/A
Liabilities	(16,322)	N/A	N/A
Total current net assets	23,397	N/A	N/A
Non-current			
Assets	244	N/A	N/A
Liabilities	–	N/A	N/A
Total non-current net assets	244	N/A	N/A
Net assets	23,641	N/A	N/A
Accumulated balances of NCI	11,797	N/A	N/A

Summarised consolidated statement of comprehensive income

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	48,054	23,270	N/A
Profit before income tax	15,250	487	N/A
Income tax expenses	(3,831)	119	N/A
Total profit	11,419	606	N/A
Total comprehensive income	11,419	606	N/A
Total comprehensive income attributable to non-controlling interests	5,696	302	N/A
Distribution to non-controlling interests	–	–	N/A

Summarised consolidated statement of cash flows

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	1,929	(2,376)	N/A
Net cash used in investing activities	(90)	(27)	N/A
Net cash used in financing activities	–	–	N/A
Net increase/(decrease) in cash and cash equivalents	1,839	(2,403)	N/A
Cash and cash equivalents at 1 January	1,401	3,240	N/A
Effect of currency translation on cash and cash equivalents	–	–	N/A
Cash and cash equivalents at 31 December ..	3,240	837	N/A

34 EVENT AFTER THE BALANCE SHEET DATE

Save as disclosed in this report, there have been no material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group had the Global Offering been completed as at 31 December 2020 or at any future dates. The unaudited pro forma statement of adjusted combined net tangible assets of the Group is based on the unaudited combined net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2020 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Unaudited combined net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2020 (Note 1)	Deemed distribution arising from the Business Transfer as part of the Reorganisation (Note 3)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share (Note 4)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$4.16 per Share	125,165	(92,914)	302,829	335,080	0.84	1.02
Based on an Offer Price of HK\$2.86 per Share	125,165	(92,914)	200,068	232,319	0.58	0.71

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The unaudited combined net tangible assets of the Group attributable to the equity owners of the Company as at 31 December 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the unaudited combined net assets of the Group attributable to the equity owners of the Company as at 31 December 2020 of RMB128,383,000 with adjustments for the intangible assets as at 31 December 2020 of RMB3,218,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.86 and HK\$4.16 per share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of RMB13,915,000 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates as described in the section headed "Share Capital".
- (3) This represents the deemed distribution arising from the transfer of the technological systems operation business (the "Excluded Business") of the Group completed in January 2021 (the "Business Transfer") as part of the Group's Reorganisation.
- (4) The unaudited pro forma combined net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares were in issue assuming that the Global Offering and Capitalisation Issue have been completed on 31 December 2020 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandates as described in the section headed "Share Capital".
- (5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.
- (6) For the purpose of this unaudited pro forma adjusted combined net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8204.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Landsea Green Life Service Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Landsea Green Life Service Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2020 and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 25 June 2021, in connection with the proposed initial public offering of the shares of the Company (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 31 December 2020 as if the proposed initial public offering had taken place at 31 December 2020. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the year ended 31 December 2020, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for*

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Inclusion in Investment Circulars, (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2020 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 June 2021

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 December 2020 under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Cayman Companies Act**”). 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 Cayman Companies Act 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 15 June 2021 with effect upon Listing. 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 Cayman Companies Act, 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 Cayman Companies Act 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 Cayman Companies Act 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 instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 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 instalments 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act, 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 Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the 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 Cayman Companies Act 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 Act 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 auditor's 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 Cayman Companies Act.

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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act, 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act); (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 Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act.

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 Cayman Companies Act 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 Cayman Companies Act 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 Act 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 Act 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 3 December 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act 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 Cayman Companies Act 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 Cayman Companies Act. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act 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 Cayman Companies Act 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 Act 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) Act, 2018 of the Cayman Islands (“**ES Act**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. 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 Act.

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 Cayman Companies Act, is available for inspection as referred to in “Documents available for inspection” in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 1 December 2020. Our Company has established its principal place of business in Hong Kong at Unit 5103, 51/F, The Center, 99 Queen's Road Central 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 15 January 2021. Mr. Liu Chao has been appointed as the authorised 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, its business operations are subject to the Cayman Companies Act and to its constitution, which comprises the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles and relevant aspects of the Cayman Companies Act is set forth in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. Upon its incorporation, one Share was allotted and issued at par to an initial subscriber who is an Independent Third Party on 1 December 2020, which was then transferred to Honor Limited on the same date. On the same date, our Company further allotted and issued 49,499, 25,933, 15,835, 2,201, 1,827, 1,393, 1,337, 223, 178, 178, 149, 107, 78, 50, 11 and 1,000 Shares at par to each of Honor Limited, Hong Kong New Tourism, Cliff Lin Limited, Jianhe Holdings Limited, Lovet Limited, Dreamer Limited, Wisdom Holding Limited, Inner Limited, BELL Limited, Orange Holding Limited, Carrying Limited, Optimis Limited, Ween Holdings Limited, Suntony Holdings Limited, Jurry Limited and South Capital, respectively.

On 18 January 2021, our Company allotted and issued 8,695 Shares at par to Green Sailing (PTC) as trustee of the Green Life Trust.

Pursuant to the written resolutions of our Shareholders passed on 15 June 2021, our authorised share capital was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares.

Immediately following completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid, and 1,600,000,000 Shares will remain unissued.

Save as disclosed above and as mentioned in “4. Written resolutions of our Shareholders passed on 15 June 2021” below in this appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and/or disclosed in “History, Reorganisation and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Meijia Engineering

On 29 January 2021, the registered capital of Meijia Engineering was increased from RMB5,000,000 to RMB10,000,000.

Save as disclosed above and in “History, Reorganisation and Corporate Structure” in this prospectus, there has been no alteration in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

4. Written resolutions of our Shareholders passed on 15 June 2021

Pursuant to the written resolutions passed by our Shareholders on 15 June 2021, among other matters:

- (a) we approved and adopted the amended and restated Memorandum with immediate effect;
- (b) we approved and conditionally adopted the amended and restated Articles which will become effective upon Listing;
- (c) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares;
- (d) conditional on (aa) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be allotted and issued as mentioned in this prospectus (including the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme); (bb) the Offer Price having been duly determined; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with

the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements:

- (i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering;
- (ii) the grant of the Over-allotment Option was approved and our Directors were authorised to allot and issue the Shares upon the exercise of the Over-allotment Option;
- (iii) the rules of the Share Option Scheme, the principal terms and conditions of which are set out in “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise HK\$2,998,913.05 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,891,305 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;
- (v) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles 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 Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles 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;

- (vi) a general unconditional mandate was given to our Directors authorising 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 listed and which is recognised 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 Capitalisation Issue and the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles 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
- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (vi) above.

5. Reorganisation

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. See “History, Reorganisation and Corporate Structure” in this prospectus for further details on the Reorganisation.

6. Buyback by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this Prospectus 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 15 June 2021, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to buyback such number of Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose representing up to 10% of the total number of Shares in issue and to be issued as mentioned herein (but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), at any time 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 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 Memorandum, the Articles, the Listing Rules and the Cayman Companies Act. 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 on the Stock Exchange. Such a buyback 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 a buyback will benefit our Company and our Shareholders.

(c) *Funding of buyback*

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 or , subject to the Cayman Companies Act, out of capital. Subject to the Cayman Companies Act, a 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 prospectus 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 prospectus. 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 of the Company 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 400,000,000 Shares in issue immediately after the Listing (but not taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), would result in up to 40,000,000 Shares 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 the Articles or any applicable law 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, 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, the Articles and the applicable laws of the Cayman Islands in force and as amended from time to time.

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 (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' (or 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 Capitalisation Issue and the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the total number of Shares which will be bought back pursuant to the Buyback Mandate will be 40,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage of the total number of issued Shares in which our Controlling Shareholders are interested will be increased to 37.95% 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 prospectus and are or may be material:




- (a) an equity transfer agreement (股權轉讓協議) dated 23 December 2019 and entered into between Landsea Group Co., Ltd. (朗詩集團股份有限公司), Southern City Holdings Company Limited and Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司), pursuant to which Landsea Group Co., Ltd. (朗詩集團股份有限公司) agreed to transfer its 1% equity interest in Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司) to Southern City Holdings Company Limited at a consideration of RMB729,590;
- (b) an equity transfer agreement (股權轉讓協議) dated 24 December 2019 and entered into between Landsea Group Co., Ltd. (朗詩集團股份有限公司), Langhong (Nanjing) Enterprise Management Co., Ltd. (朗鴻(南京)企業管理有限公司) and Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司), pursuant to which Landsea Group Co., Ltd. (朗詩集團股份有限公司) agreed to transfer its 99% equity interest in Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司) to Langhong (Nanjing) Enterprise Management Co., Ltd. (朗鴻(南京)企業管理有限公司) at a consideration of RMB72,229,410;
- (c) a technological systems business transfer agreement (科技系統業務轉讓協議) dated 31 December 2020 and entered into between Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司) and Nanjing Landsea Equipment Management Co., Ltd. (南京朗詩設施管理有限公司), pursuant to which Nanjing Landsea Property Management Co., Ltd. (南京朗詩物業管理有限公司) agreed to transfer all the assets, liabilities, contracts and personnel in relation to the technological systems business to Nanjing Landsea Equipment Management Co., Ltd. (南京朗詩設施管理有限公司) at a consideration determined based on the appraised value of the technological systems business as at 30 September 2020 stated in the valuation report prepared by a valuer as approved by both parties (or the appraised value of the technological systems business as at the date of completion stated in the valuation report prepared by a valuer as approved by both parties if there are differences between the two appraised values);

- (d) a share transfer agreement (股份轉讓協議) dated 6 January 2021 and entered into between Landsea Community Service Co., Ltd. and our Company, pursuant to which Landsea Community Service Co., Ltd. agreed to transfer 100 shares of Landsea Greenlive International Company Limited and 100 shares of Southern Land International Company Limited to our Company and as settlement, our Company agreed to credit all its issued nil-paid Shares as fully paid;
- (e) a cornerstone investment agreement dated 23 June 2021 entered into between our Company, Haitong International Capital Limited, Haitong International Securities Company Limited, CCB International Capital Limited and CURA International (Hong Kong) Investment Management Company Limited (中城國際(香港)投資管理有限公司), pursuant to which CURA International (Hong Kong) Investment Management Company Limited agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased with an amount of the Hong Kong dollar equivalent of US\$10,000,000 (exclusive of brokerage and levies) at the Offer Price;
- (f) the Deed of Non-competition;
- (g) the Deed of Indemnity; and
- (h) 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 or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.	 朗诗绿色生活 — LANDSEA GREEN LIFE —	305100344	35, 36, 37, 39, 41, 42, 43, 44, 45	Landsea Property Management	Hong Kong	31 October 2019	31 October 2029
2.	 36.5°社区	38288522	45	Landsea Property Management	PRC	28 January 2020	27 January 2030
3.	讲物堂	40423170	41	Landsea Property Management	PRC	14 May 2020	13 May 2030
4.		27278679	35	Shenlu Property Management	PRC	7 November 2018	6 November 2028
5.		27278702	36	Shenlu Property Management	PRC	7 November 2018	6 November 2028
6.		27265067	37	Shenlu Property Management	PRC	7 November 2018	6 November 2028
7.	汇邻驿居	27275705	35	Shenlu Property Management	PRC	28 December 2018	27 December 2028
8.	汇邻驿居	27265051	36	Shenlu Property Management	PRC	14 October 2018	13 October 2028
9.	汇邻驿居	27272010	37	Shenlu Property Management	PRC	14 October 2018	13 October 2028
10.		35869971	20	Meijia Engineering	PRC	14 September 2019	13 September 2029
11.		35847895	9	Meijia Engineering	PRC	14 September 2019	13 September 2029
12.		35862655	11	Meijia Engineering	PRC	28 November 2019	27 November 2029
13.		35854614	37	Meijia Engineering	PRC	7 December 2019	6 December 2029

As of the Latest Practicable Date, our Group was licensed to use the following trademarks which, in the opinion of our Directors, are or may be material to our business:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.		8547773	36	Landsea Group Company	PRC	28 September 2011	27 September 2031
2.		8547799	37	Landsea Group Company	PRC	21 November 2011	20 November 2031
3.		42797736	39	Landsea Group Company	PRC	14 September 2020	13 September 2030
4.		42782691	36	Landsea Group Company	PRC	14 September 2020	13 September 2030
5.		42785622	37	Landsea Group Company	PRC	14 September 2020	13 September 2030
6.		42789091	39	Landsea Group Company	PRC	21 December 2020	20 December 2030

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are or may be material to our business:

No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Date of First Publication
1.	Intelligent Property Management System V1.0 (智能物業管理系統V1.0)	2019SR0450796	Landsea Property Management	PRC	10 May 2019	19 June 2018
2.	Intelligent Report and Repair System V1.0 (智能報修系統V1.0)	2019SR0451250	Landsea Property Management	PRC	10 May 2019	9 October 2018
3.	Intelligent Monitoring and Dispatching System V1.0 (智能監控調度系統V1.0)	2019SR0450031	Landsea Property Management	PRC	10 May 2019	31 December 2018

(b) Domain names

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

No.	Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
1.	landseawuye.com	Landsea Property Management	15 October 2014	15 October 2024
2.	landseawu.com	Shenlu Property Management	23 August 2018	23 August 2030

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests – Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option or any option which may be granted under the Share Option Scheme is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interest in our Company

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest
Mr. Tian ⁽¹⁾	Interest of a controlled corporation ⁽¹⁾	160,619,165 Shares (L)	40.15%

Note:

- (1) Mr. Tian is the sole and legal beneficial owner of Honor Limited. By virtue of the SFO, Mr. Tian is deemed to be interested in the Shares in which Honor Limited is interested.

(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 Listing Date, 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 15 June 2021, 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 is entitled to a remuneration and shall be paid on the basis of a twelve-month year. For FY2020, 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 RMB2.1 million. For details, please refer to note 14 of the Accountant's Report set out in Appendix I to this prospectus.

Each of our non-executive Director and independent non-executive Directors has been appointed for a term of three years. We intend to pay a director's fee of RMB150,000 per annum to each of our independent non-executive Directors. Save for the aforesaid directors' fees, none of our non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (excluding discretionary bonus) of our Directors for FY2021 is estimated to be approximately RMB6.0 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option or any option which may be granted under the Share Option Scheme is not exercised, the following persons (other than our Directors and chief executives 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 any other members of our Group:

(i) Interests in our Company

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Honor Limited	Beneficial owner and interest in controlled corporation	58,195 Shares (L)	53.54%	160,619,165 Shares (L)	40.15%
Ms. Murong Xinyao (慕容馨颢) ⁽³⁾	Interest of spouse	58,195 Shares (L)	53.54%	160,619,165 Shares (L)	40.15%
Green Sailing (PTC) ⁽²⁾	Trustee	8,695 Shares (L)	8.00%	23,998,345 Shares (L)	6.00%
Hong Kong New Tourism	Beneficial owner	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanfang Holdings ⁽⁴⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing Tourism Group ⁽⁴⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing Urban Construction ⁽⁴⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing State-owned Assets Investment Management ⁽⁴⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%
Nanjing SASAC ⁽⁴⁾	Interest in controlled corporation	25,933 Shares (L)	23.86%	71,575,509 Shares (L)	17.89%

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Capitalisation Issue and the Global Offering ⁽¹⁾	
		Number	Approximate Percentage	Number	Approximate Percentage
Cliff Lin Limited	Beneficial owner	15,835 Shares (L)	14.57%	43,704,862 Shares (L)	10.93%
Mr. Lin Jinfeng ⁽⁵⁾	Interest in controlled corporation	15,835 Shares (L)	14.57%	43,704,862 Shares (L)	10.93%
CURA International (Hong Kong) Investment Management Company Limited	Beneficial owner	–	–	22,111,000 Shares (L) ⁽⁶⁾	5.53%
Shanghai CURA Investment and Management Co., Ltd. (上海中城聯盟投資管理股份有限公司) ⁽⁷⁾	Interest in controlled corporation	–	–	22,111,000 Shares (L) ⁽⁶⁾	5.53%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Green Sailing (PTC) acts as the trustee of the Green Life Trust, which is set up for the purpose of a share incentive scheme to be adopted at least six months after Listing, and is wholly owned by Honor Limited. By virtue of the SFO, Honor Limited is deemed to be interested in the Shares in which Green Sailing (PTC) is interested.
- (3) Ms. Murong Xinyao is the spouse of Mr. Tian. By virtue of the SFO, Ms. Murong Xinyao is deemed to be interested in the Shares in which Mr. Tian is interested.
- (4) Hong Kong New Tourism is wholly owned by Nanfang Holdings, which had been, directly or indirectly, held as to 35.56% by Nanjing Tourism Group as at the Latest Practicable Date. Nanjing Tourism Group is held as to 60% by Nanjing Urban Construction and as to 40% by Nanjing State-owned Assets Investment Management, both of which are wholly owned by Nanjing SASAC. By virtue of the SFO, each of Nanfang Holdings, Nanjing Tourism Group, Nanjing Urban Construction, Nanjing State-owned Assets Investment Management and Nanjing SASAC is deemed to be interested in the Shares in which Hong Kong New Tourism is interested.
- (5) Cliff Lin Limited is wholly owned by Mr. Lin Jinfeng. By virtue of the SFO, Mr. Lin Jinfeng is deemed to be interested in the Shares in which Cliff Lin Limited is interested.
- (7) The number of Shares to be held by CURA International (Hong Kong) Investment Management Company Limited, our cornerstone investor, following the completion of the Capitalisation Issue and the Global Offering is based on the assumption that the Offer Price is determined at HK\$3.51 per Offer Share, being the mid-point of the indicative Offer Price Range set forth in this prospectus. Please refer to “Cornerstone Investor” in this prospectus for further details.
- (8) CURA International (Hong Kong) Investment Management Company Limited is wholly owned by Shanghai CURA Investment and Management Co., Ltd. By virtue of the SFO, Shanghai CURA Investment and Management Co., Ltd. is deemed to be interested in the Shares in which CURA International (Hong Kong) Investment Management Company Limited is interested.

(ii) *Interests in other members of our Group*

<u>Name of member of our Group</u>	<u>Name of shareholder</u>	<u>Percentage of equity interest</u>
Xuzhou Langshibao	Huasheng Group Enterprise (Xinyi) Co., Ltd. (華盛集團實業(新沂)有限公司)	49%
Anju Landsea	Baoying County Anju Property Service Co., Ltd. (寶應縣安居物業服務有限公司)	40%

3. Agency fees or commissions received

Save as disclosed in “Underwriting” in this prospectus, 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 prospectus.

4. Disclaimers

- (a) Save as disclosed in “C. Further information about our Directors and Substantial Shareholders — 1. Directors” in this appendix, none of our Directors or chief executives 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 listed.
- (b) None of our Directors or experts referred to in “E. Other Information – 8. Qualifications of Experts” in this appendix 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 prospectus 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) Save as disclosed in “Connected Transactions” in this prospectus, none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus 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) Save as disclosed in “C. Further information about our Directors and Substantial Shareholders — 2. Substantial Shareholders”, taking no account of Shares which may be taken up under the Global Offering, 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 Global Offering, 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.
- (f) None of the experts referred to in “E. Other Information – 8. Qualifications of Experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (g) Save as disclosed in “Business — Our Customers” and “Business — Our Suppliers” in this prospectus, 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 of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 15 June 2021.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceeds 40,000,000 Shares, being 10% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular to be issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No

options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be to:

- (i) the issue of a circular by our Company to our Shareholders contain the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine which states (or, alternatively, documents accompanying the offer document which state), among others:
 - a. the Eligible Participant's name, address and occupation;
 - b. the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - c. the date upon which an offer for an option must be accepted;
 - d. the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - e. the number of Shares in respect of which the option is offered;
 - f. the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

- g. the date of the expiry of the option as may be determined by the Board;
- h. the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- i. such other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) Granting options to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a Substantial Shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue in the date of offer of the option; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares as stated in the daily quotation sheets of the Stock Exchange on the date of each grant, such further grant of options will be to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rules 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results announcement for such year, half year, quarterly or interim period (as the case may be),

and where an option is granted to a Director notwithstanding the above:

- (i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company and/or any of our subsidiaries:

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not) (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option in full (to the extent not already exercised) within a period of 12 months (or such longer period as the Board may determine) from the date of death.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be

entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by the Company.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options shall be subject to the provision of the Article of Association and will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) to paragraph (o), the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme shall take effect to and is conditional upon:

- (i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in, our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s) by the Sole Global Coordinator (on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from 15 June 2021:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the granting of the approval for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) (being the contract referred to in item (h) in “B. Further Information about our Business – 1. Summary of Material Contracts” above in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which may be incurred by any member of our Company on or before the Listing Date; (ii) any claims, penalties or other indebtedness resulting from any insufficient contribution to social insurance and housing provident funds during the Track Record Period as disclosed in “Business – Legal Proceedings and Non-compliance – Legal Compliance” in this prospectus; (iii) any penalty or other monetary damages incurred as a result of the failure to register the lease agreements during the Track Record Period as disclosed in “Business – Properties – Leased Properties” in this prospectus; and (iv) other taxation which may be suffered by any member of our Group in respect of, among other things, any income, profits or gains earned, accrued or received on or before the Listing Date, save (a) to the extent that sufficient provision or reserve has been made for such taxation in the audited combined 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 Listing Date without the prior written

consent or agreement of our Controlling Shareholders, unless such act or omission is conducted or agreed upon in the ordinary course of business of our Group or under a legally binding obligation created on or before the Listing Date; 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 Listing Date.

2. Litigation

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against any member of our Group, which would have a material adverse effect on our business, financial position or result of operations.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of US\$800,000 for acting as the sponsor for the Listing.

The Sole Sponsor has made an application on our Company's behalf to the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$50,000 and are payable by our Company.

5. No material adverse change

Saved as disclosed in "Summary — Recent Development and No Material Adverse Change" in this prospectus, our Directors confirm that there has been no material adverse change in our Group's financial or trading position since 31 December 2020 (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 prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

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 to Hong Kong stamp duty. The *ad valorem* rate charged on each of the purchaser and seller as at the date of this prospectus is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred, and will be increased to 0.13% with effect from 1 August 2021. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited	Licensed corporation under the SFO to conduct Type 6 (Advising on corporate finance) regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)

Conyers Dill & Pearman	Cayman Islands attorneys-at-law
King & Wood Mallesons	Legal advisers to our Company as to the PRC laws
China Index Academy	Industry consultant

9. Consents of experts

Each of the experts named in “E. Other Information – 8. Qualifications of experts” above in this appendix has given and has not withdrawn its written consent to the issue of this prospectus 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 paragraph 8 of this appendix 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 prospectus 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 prospectus:
 - (i) save as disclosed in “History, Reorganisation and Corporate Structure” in this prospectus, 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) save as disclosed in “Underwriting” in this prospectus, 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) save as disclosed in “Underwriting” in this prospectus, no commission has been paid or payable for 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 prospectus;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. 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 registrar 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 the use of a Chinese name by our Company in conjunction with our English name does not contravene the Cayman Companies Act;
- (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 prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this prospectus, the English language version shall prevail.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to in “Statutory and General Information – E. Other Information – 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information – B. Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus.

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 prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountant’s Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for FY2018, FY2019 and FY2020;
- (e) the legal opinion issued by King & Wood Mallesons, our legal advisers as to PRC law, in respect of certain general corporate matters and property interests of our Group;
- (f) the letter of advice issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus;
- (g) the industry report issued by China Index Academy;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the Cayman Companies Act;
- (i) the rules of the Share Option Scheme;
- (j) copies of the material contracts referred to in “Statutory and General information – B. Further Information about our Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the 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 “Statutory and General Information – E. Other Information – 9. Consents of experts” in Appendix IV to this prospectus.

