

佳兆業物業集團有限公司

KAISA PROPERTY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2168

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



A CITIC Securities
Company



農銀國際
ABC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

UOB KayHian



交銀國際
BOCOM International



建銀國際
CCB International



佳兆業證券有限公司
KAISA SECURITIES LIMITED

IMPORTANT

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

Kaisa Property Holdings Limited

佳兆業物業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	35,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	3,500,000 Shares (subject to adjustment)
Number of International Offer Shares	:	31,500,000 Shares (including 3,035,040 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$10.88 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	2168

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



A CITIC Securities Company



農銀國際
ABC INTERNATIONAL

Joint Bookrunners and Joint Lead Managers



海通國際
HAITONG



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

UOB Kay Hian



交銀國際
BOCOM International



建銀國際
CCB International



佳兆業證券有限公司
KAISA SECURITIES LIMITED

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

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V, 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or about Thursday, November 29, 2018 and, in any event, not later than Tuesday, December 4, 2018. The Offer Price will be not more than HK\$10.88 per Offer Share and is currently expected to be not less than HK\$9.08 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$10.88 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$10.88 per Offer Share.

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering 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, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Stock Exchange (www.hkexnews.hk) and our website (www.jzywy.com) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares and Reserved Shares” in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Tuesday, December 4, 2018 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Please also see the section headed “Underwriting — Underwriting Agreement and Expenses — The Hong Kong Public Offering — Grounds for Termination” in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

November 26, 2018

EXPECTED TIMETABLE

Despatch of **BLUE** Application Form to

Qualifying Kaisa Shareholders on or before Monday, November 26, 2018

Latest time for completing electronic applications under

White Form eIPO service, and (ii) Online Preferential Offer service

(**Blue Form eIPO** service) through the designated

website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Thursday, November 29, 2018

Application lists open⁽³⁾ 11:45 a.m. on Thursday, November 29, 2018

Latest time for lodging **WHITE, YELLOW** and

BLUE Application Forms 12:00 noon on Thursday, November 29, 2018

Latest time for completing payment of

(i) **White Form eIPO** and (ii) **Blue Form eIPO** applications

by effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Thursday, November 29, 2018

Latest time for giving **electronic application**

instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday, November 29, 2018

Application lists close⁽³⁾ 12:00 noon on Thursday, November 29, 2018

Expected Price Determination Date⁽⁵⁾ Thursday, November 29, 2018

(1) Results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — G. Publication of Results" in this prospectus Wednesday, December 5, 2018

(2) A full announcement containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.jzywy.com⁽⁶⁾ from Wednesday, December 5, 2018

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" function from Wednesday, December 5, 2018

EXPECTED TIMETABLE

Dispatch of Share certificates or deposit of the
Share certificates into CCASS in respect of
wholly or partially successful applications
pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ . Wednesday, December 5, 2018

Dispatch of refund cheques and White Form and Blue Form
e-Refund payment instructions in respect of wholly or
partially successful applications (if applicable)
or wholly or partially unsuccessful applications
pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ . . . Wednesday, December 5,
2018

Dealings in the Shares on the Stock Exchange
expected to commence on Thursday, December 6, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (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 at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 29, 2018, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares and Reserved Shares — F. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, November 29, 2018 and, in any event, not later than Tuesday, December 4, 2018. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us by Tuesday, December 4, 2018, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Agreement and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or the Share certificates becoming valid certificates of title do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on (i) **WHITE** Application Form or **BLUE** Application Form; (ii) **White Form eIPO** or **Blue Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s 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, December 5, 2018 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

EXPECTED TIMETABLE

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — J. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the 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) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — I. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares and Reserved Shares — J. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Kaisa Property Holdings Limited 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 of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from 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 authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

	Page
Expected Timetable	i
Contents	iv
Summary	1
Definitions	14
Glossary	26
Forward-looking Statements	28
Risk Factors	29
Waivers from Strict Compliance with the Listing Rules	56
Information about this Prospectus and the Global Offering	58
Directors and Parties Involved in the Global Offering	62
Corporate Information	67
Industry Overview	70
Regulatory Overview	80
History, Reorganization and Corporate Structure	92
Business	106
Financial Information	162
Relationship with our Controlling Shareholders	215
Connected Transactions	223
Share Capital	233
Substantial Shareholders	235

CONTENTS

	<u>Page</u>
Directors and Senior Management	236
Future Plans and Use of Proceeds	246
Underwriting	248
Structure of the Global Offering	258
How to Apply for Hong Kong Offer Shares and Reserved Shares	271
Appendix I — Accountant’s Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of the 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 aims to give you 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 and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading comprehensive property management service providers in China focusing on mid- to high-end properties, in particular in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta. According to Frost & Sullivan, mid- to high-end properties usually have superior location, well-equipped facilities and better property management services with higher average property management fee. During the Track Record Period, approximately 90% of our managed properties are mid- to high-end properties. We have been providing property management services in China for almost 20 years since 1999, and our extensive industry experience differentiates us from our competitors. With our leading brand recognition and outstanding service quality, we were awarded the 2017 Specialized Operational Leading Brand of China Property Service Companies and a Certificate of China Property Management Brand Value of RMB2.8 billion, both by China Index Academy. In addition, according to Frost & Sullivan, we were ranked 14th among the Property Management Service Companies in China and seventh among the Property Management Service Companies in the Guangdong-Hong Kong-Macau Bay Area in terms of revenue in 2017.

As of June 30, 2018, our property management services covered 37 cities across 12 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 25.4 million sq.m. We managed 124 properties, comprised of 101 residential communities and 23 non-residential properties, and provided property management services to approximately 0.16 million property units as of June 30, 2018.

The Listing will constitute a spin-off from Kaisa Holdings, one of our Controlling Shareholders. During the Track Record Period, revenue generated from the services provided to the Remaining Kaisa Group amounted to RMB265.4 million, RMB293.8 million, RMB359.0 million and RMB210.0 million, accounting for approximately 55.5%, 54.5%, 53.7% and 50.9% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively.

OUR BUSINESS MODEL

Our four main business lines, namely, property management services, pre-delivery and consulting services, community value-added services and smart solution services, form an integrated service spectrum covering the entire value chain of property management.

SUMMARY

- *Property management services.* We provide a wide range of property management services, covering residential communities and non-residential properties.
- *Pre-delivery and consulting services.* Pre-delivery property management services refer to any sales-related assistance and services provided to the property developers at the pre-delivery stage of a sale of property. Property consulting services include advising property developers on project planning, design management and construction management.
- *Community value-added services.* With the goal of providing diverse products and services to our property owners and residents, our community value-added services include car parking, space leasing and value-added services through both offline and online channels. In 2014, we adopted “Community Butler” mobile app developed by Qijia Technology as an online gateway to a variety of our community products and services. In March 2018, we further launched our K Life mobile app to consolidate our previous platforms and to offer an upgraded one-stop service, which has covered all of the residential communities under our management with approximately 0.6 million registered users as of the Latest Practicable Date.
- *Smart solution services.* To build smart home and smart community, we provide smart solution services, including automation and other hardware equipment installation services, to property developers and property management companies in different aspects. In 2016, Jiake Intelligent won the “Recommendation Brand for Smart City Development in China” by Smart China Federation, China Public Security Magazine and Shenzhen Smart City Industry Association. In 2017, our smart community solutions for Huizhou Kaisa Centre and smart hotel solutions for Great China CEPA earned us the honor of the “Outstanding Solutions for Smart Community Development” by China Security System Technology Innovation Industry Alliance and Shenzhen Security Industry Association.

For property management services, we adopt two revenue models under which we charge property management fees on a lump sum basis or commission basis. For lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. For commission basis, we essentially act as the agent of the property owners and therefore record only a pre-determined percentage of the property management fees or cost of services set out in the property management service contracts as revenue. We cover the expenses incurred in connection with providing property management services with the property management fees collected. For pre-delivery and consulting services and smart solution services, our service fees are pre-transaction negotiated and fixed. Among the community value-added services, (i) we recognize our operating profit for rental of parking spaces after deducting the operating cost and the rents paid to the Remaining Kaisa Group from the rental income; (ii) we charge a commission for our space leasing services; and (iii) we purchase home living products and services from third-party merchants and re-sale to the residents and we gain from the price difference in such resale transactions.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents for our property management services and community value-added services, and (ii) property developers and property management companies for our pre-delivery and consulting services and smart solution services. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, revenue from our largest customer, the Remaining Kaisa Group, amounted to RMB265.4 million, RMB293.8 million, RMB359.0 million and RMB210.0 million, accounting for approximately 55.5%, 54.5%, 53.7% and 50.9%, respectively, of our total revenue. During the same periods, revenue from our top five customers collectively amounted to RMB311.9 million, RMB338.0 million, RMB400.6 million and RMB232.6 million, accounting for approximately 65.2%, 62.7%, 59.9% and 56.3%, respectively, of our total revenue.

Our major suppliers are primarily (i) subcontractors for our property management services and pre-delivery and consulting services, (ii) subcontractors for our smart solution services and (iii) merchants offering selected products and services and the Remaining Kaisa Group for car parking rental services among our community value-added services. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, purchase from our single largest supplier amounted to RMB19.1 million, RMB25.1 million, RMB28.5 million and RMB24.0 million, respectively, representing 6.1%, 6.7%, 6.1% and 8.8%, respectively, of our total purchase. During the same periods, purchase from our five largest suppliers amounted to RMB29.7 million, RMB42.2 million, RMB41.0 million and RMB37.9 million, respectively, representing 9.5%, 11.2%, 8.8% and 14.0%, respectively, of our total purchase.

To utilize our own workforce more efficiently, we delegate certain labor-intensive property management, pre-delivery and consulting and smart solution services to qualified third-party subcontractors. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, our subcontracting costs amounted to RMB58.2 million, RMB81.3 million, RMB103.8 million and RMB60.8 million, respectively, accounting for approximately 18.6%, 21.6%, 22.3% and 22.4% of our total cost of services, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our success is mainly attributable to the following competitive strengths: (i) one of the leading comprehensive property management service providers in China focusing on mid- to high-end properties and spanning across key economics regions and cities; (ii) wide sources of revenue generated from our diversified property management portfolio and service offerings; (iii) leverage our proprietary one-stop K Life service platform to build a closed-loop community value chain and increase user experience; (iv) centralized and effective management system incorporating advanced and optimized technology; and (v) experienced and professional management team as well as human resources policies designed to cultivate outstanding employees.

SUMMARY

OUR BUSINESS STRATEGIES

We intend to pursue the following strategies to further position ourselves as a leading comprehensive property management service provider: (i) continue to leverage our extensive experience and well-established service standard and management system to expand our business scale in mid- to high-end market through multiple channels; (ii) continue to scale our business in non-residential properties to further diversify our revenue streams; (iii) continue to develop one-stop service platforms to optimize user experience, expand product and service offering and increase operational efficiency; and (iv) continue to develop our smart solution services to build smart home and smart community.

SUMMARY OF FINANCIAL INFORMATION

The following tables set out our summary of financial information for the periods indicated and should be read together with the combined financial information in Appendix I to this prospectus, including the accompanying notes, and the information set out in the section headed “Financial Information” in this prospectus.

Summary of Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	478,028	539,107	669,159	307,682	412,324
Cost of services	(312,795)	(377,080)	(464,873)	(201,956)	(271,461)
Gross profit	165,233	162,027	204,286	105,726	140,863
Operating profit	89,037	85,659	98,467	59,496	65,439
Profit before income tax	81,176	81,361	96,117	58,519	65,504
Profit and total comprehensive income for the year/period . .	57,720	58,114	71,441	44,048	23,032

During the Track Record Period, our revenue continued to increase primarily due to our business expansion, mainly driven by our efforts in exploring new engagements. On the cost side, the main factors affecting our cost of services were our staff costs and subcontracting costs. The amount of staff costs was mainly affected by the increase in the staff headcount due to the expansion of our operations and an increase in the average amount of compensation. The increases in subcontracting costs were primarily due to the increase in our business scale. Our overall gross profit margin is affected by the factors affecting each of our segments as well as fluctuation in our business mix. Gross profit margin for property management services is primarily affected by the average fee rates and our relevant cost of services. The decrease in gross profit margin for pre-delivery and consulting services was primarily affected by changes in business mix, the service fees and commissions we charged and the increase in our relevant cost of service. The gross profit margin for community value-added services varies depending on the type and scale of products and service sold. The fluctuation in gross profit margin for smart solution services was primarily affected by economies of scale attributable to the increase in our smart solution services projects and the increased business scale in property management services, which provided us with more potential engagement opportunities. Our profit and total

SUMMARY

comprehensive income for the six months ended June 30, 2018 decreased by approximately 47.7% from the six months ended June 30, 2017, primarily due to the recognition of (i) listing expense of RMB18.0 million and (ii) deferred tax of RMB22.0 million arising from our planning on dividend declaration. The deferred tax of RMB22.0 million arising from planning on dividend declaration is calculated by the PRC withholding tax rate of 10% on the aggregate amounts of RMB220.0 million of the proposed dividend out of distributed profits of certain subsidiaries in the PRC. See “Financial Information — Description of Selected Items in Our Combined Statements of Profit or Loss and Other Comprehensive Income” and “Financial Information — Result of Operations — Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017” for details.

Summary of Combined Statements of Financial Position

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	15,896	11,099	23,522	22,538
Current assets	524,844	1,179,476	1,168,052	1,050,143
Total assets	<u>540,740</u>	<u>1,190,575</u>	<u>1,191,574</u>	<u>1,072,681</u>
Total equity	174,635	232,820	305,461	335,343
Non-current liabilities	3,178	329,438	7,912	28,844
Current liabilities	<u>362,927</u>	<u>628,317</u>	<u>878,201</u>	<u>708,494</u>
Total equity and liabilities	<u>540,740</u>	<u>1,190,575</u>	<u>1,191,574</u>	<u>1,072,681</u>
Net current assets	<u>161,917</u>	<u>551,159</u>	<u>289,851</u>	<u>341,649</u>

Summary of Combined Statements of Cash Flows

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (used in)/from operating activities	(56,747)	1,671	23,459	(42,339)	141,770
Net cash (used in)/from investing activities	(46,392)	(512,191)	51,799	4,161	18,697
Net cash from/(used in) financing activities	<u>80,363</u>	<u>528,767</u>	<u>4,919</u>	<u>44,088</u>	<u>(102,427)</u>
Net (decrease)/increase in cash and cash equivalents	(22,776)	18,247	80,177	5,910	58,040
Cash and cash equivalents at the beginning of the year/period . . .	<u>38,450</u>	<u>15,674</u>	<u>33,921</u>	<u>33,921</u>	<u>114,098</u>
Cash and cash equivalents at the end of the year/period	<u>15,674</u>	<u>33,921</u>	<u>114,098</u>	<u>39,831</u>	<u>172,138</u>

SUMMARY

SELECTED FINANCIAL AND OPERATING DATA AND KEY FINANCIAL RATIOS

We monitor certain operating and financial ratios that we believe are commonly used in the property management service industry and important for benchmarking our Company against our competitors.

The revenue contribution and gross profit margin by each business segment during the Track Record Period are set forth in the table below:

	Year ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
	Revenue (RMB'000)	Gross Profit Margin (%)	%	Revenue (RMB'000)	Gross Profit Margin (%)	%	Revenue (RMB'000)	Gross Profit Margin (%)	%	Revenue (RMB'000)	Gross Profit Margin (%)	%	Revenue (RMB'000)	Gross Profit Margin (%)	%
	(unaudited)														
Property management															
services	186,074	38.9	34.6	209,308	38.8	29.5	268,368	40.1	31.9	120,208	39.1	39.5	177,721	43.1	37.2
Lump sum basis . . .	158,940	33.2	23.4	178,360	33.1	17.2	233,739	34.9	21.8	104,455	34.0	30.3	159,874	38.8	30.1
Commission basis . .	27,134	5.7	100.0	30,948	5.7	100.0	34,629	5.2	100.0	15,753	5.1	100.0	17,847	4.3	100.0
Pre-delivery and															
consulting services . .	246,947	51.7	36.0	248,781	46.1	31.9	295,788	44.2	28.8	137,313	44.6	32.3	164,345	39.8	33.9
Community value-added															
services	36,314	7.6	27.2	45,127	8.4	27.6	57,749	8.6	37.2	24,302	7.9	30.8	38,221	9.3	27.6
Smart solution services .	8,693	1.8	24.5	35,891	6.7	23.5	47,254	7.1	26.0	25,859	8.4	25.1	32,037	7.8	26.8
Total	478,028	100.0	34.6	539,107	100.0	30.1	669,159	100.0	30.5	307,682	100.0	34.4	412,324	100.0	34.2

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

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Guangdong-Hong Kong										
-Macau Bay Area	139,430	74.9	146,248	69.9	177,623	66.2	80,260	66.7	103,923	58.4
Yangtze River Delta	16,037	8.6	22,252	10.6	33,028	12.3	14,403	12.0	26,940	15.2
Bohai Economic Rim	22,688	12.2	28,423	13.6	36,784	13.7	17,063	14.2	20,990	11.8
Western China	5,597	3.0	9,087	4.3	16,922	6.3	6,687	5.6	21,061	11.9
Central China	2,322	1.3	3,298	1.6	4,011	1.5	1,795	1.5	4,807	2.7
Total	186,074	100.0	209,308	100.0	268,368	100.0	120,208	100.0	177,721	100.0

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

	As of December 31,			As of June 30,	
	2015	2016	2017	2018	
Contracted GFA ('000 sq.m.)	21,896	25,139	29,668	30,445	
GFA under management ('000 sq.m.) .	18,334	20,565	24,008	25,423	
Number of managed properties	78	93	119	124	

The table below sets forth the breakdown of our (i) property management services revenue, (ii) total GFA under management, and (iii) the number of our managed properties by type of properties for the periods/as of the dates indicated:

	Year ended/as of December 31,						For the six months ended/as of June 30,																		
	2015			2016			2017			2017															
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	%	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	%	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	%	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	%													
Residential communities	67,934	36.5	16,610	90.6	69	91,691	43.8	18,727	91.1	81	137,316	51.2	21,603	90.0	100	60,374	50.2	20,765	89.9	94	94,909	53.4	22,562	88.7	101
Non-residential properties	118,140	63.5	1,724	9.4	9	117,617	56.2	1,838	8.9	12	131,052	48.8	2,405	10.0	19	59,834	49.8	2,341	10.1	16	82,812	46.6	2,861	11.3	23
Total	186,074	100.0	18,334	100.0	78	209,308	100.0	20,565	100.0	93	268,368	100.0	24,008	100.0	119	120,208	100.0	23,106	100.0	110	177,721	100.0	25,423	100.0	124

The average property management fees for our non-residential properties were much higher than the average property management fees for our residential properties. Our average property management fees for non-residential properties amounted to RMB13.25 per sq.m./month, RMB14.41 per sq.m./month, RMB15.02 per sq.m./month and RMB15.12 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Our average property management fee for residential properties amounted to approximately RMB2.13 per sq.m./month, RMB2.20 per sq.m./month, RMB2.27 per sq.m./month and RMB2.29 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Accordingly, during the Track Record Period, though our GFA for non-residential properties accounted for a lower percentage of our total GFA under management than our GFA for residential communities, the revenue contribution from non-residential properties was not necessarily lower than the contribution from residential communities.

The table below sets forth the breakdown of our (i) property management services revenue, and (ii) total GFA under management by revenue model for the periods/as of the dates indicated:

	Year ended/as of December 31,						For the six months ended/as of June 30,													
	2015			2016			2017			2017			2018							
	Revenue (RMB'000)	%	GFA under management (’000 sq.m.)	Revenue (RMB'000)	%	GFA under management (’000 sq.m.)	Revenue (RMB'000)	%	GFA under management (’000 sq.m.)	Revenue (RMB'000)	%	GFA under management (’000 sq.m.)	Revenue (RMB'000)	%	GFA under management (’000 sq.m.)					
Property management services (lump sum basis)	158,940	85.4	4,164	22.7	178,360	85.2	5,597	27.2	233,739	87.1	8,178	34.1	104,455	86.9	7,609	32.9	159,874	90.0	9,095	35.8
Property management services (commission basis)	27,134	14.6	14,170	77.3	30,948	14.8	14,968	72.8	34,629	12.9	15,830	65.9	15,753	13.1	15,497	67.1	17,847	10.0	16,328	64.2
Total	186,074	100.0	18,334	100.0	209,308	100.0	20,565	100.0	268,368	100.0	24,008	100.0	120,208	100.0	23,106	100.0	177,721	100.0	25,423	100.0

SUMMARY

For commission basis, we record only a pre-determined percentage, typically 10%, of the property management fees or cost of services as set out in the property management service contracts as revenue, while we record all the property management fees as revenue under lump sum basis. Therefore, during the Track Record Period, though our GFA under commission basis accounted for a higher percentage of our total GFA under management than our GFA under lump sum basis, the revenue contribution from lump sum basis was still higher than the contribution from commission basis.

The table below sets forth a breakdown of the total contracted GFA and the GFA under management of the properties to whom we provided property management services at different stages as of or for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 with related property management services information.

	As of or for the year ended December 31,												As of or for the six months ended June 30,			
	2015				2016				2017				2018			
	Contracted GFA (¹ '000 sq.m.)	GFA under management (¹ '000 sq.m.)	Property management services revenue (RMB ¹ '000)	%	Contracted GFA (¹ '000 sq.m.)	GFA under management (¹ '000 sq.m.)	Property management services revenue (RMB ¹ '000)	%	Contracted GFA (¹ '000 sq.m.)	GFA under management (¹ '000 sq.m.)	Property management services revenue (RMB ¹ '000)	%	Contracted GFA (¹ '000 sq.m.)	GFA under management (¹ '000 sq.m.)	Property management services revenue (RMB ¹ '000)	%
Properties developed by the Remaining Kaisa Group ⁽¹⁾																
– Preliminary stage	19,494	16,840	165,587	89.0%	22,626	18,879	182,555	87.2%	25,434	20,677	220,510	82.2%	25,924	21,655	136,028	76.6%
– Property owners' associations stage ^{(2) (3)}	18,065	15,850	58,328	31.4%	19,909	16,600	78,523	37.5%	22,462	17,861	103,081	38.4%	22,939	18,827	71,566	40.3%
	1,429	990	107,259	57.6%	2,717	2,279	104,032	49.7%	2,972	2,816	117,429	43.8%	2,985	2,828	64,462	36.3%
Properties developed by independent third party property developers	2,402	1,494	20,487	11.0%	2,513	1,686	26,753	12.8%	4,234	3,331	47,858	17.8%	4,521	3,768	41,693	23.4%
– Preliminary stage	1,205	297	4,448	2.4%	1,405	578	5,807	2.8%	1,915	1,190	20,256	7.5%	1,937	1,184	11,224	6.3%
– Property owners' associations stage ^{(2) (3)}	1,197	1,197	16,039	8.6%	1,108	1,108	20,946	10.0%	2,319	2,141	27,602	10.3%	2,584	2,584	30,469	17.1%
Total	21,896	18,334	186,074	100.0%	25,139	20,565	209,308	100.0%	29,668	24,008	268,368	100.0%	30,445	25,423	177,721	100.0%

Notes:

- (1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.
- (2) Include one project that the property owners' association was dissolved afterwards.
- (3) At the property owners' association stage, office and commercial building, individual owners and arenas and stadiums operator numbers are also included.

Key Financial Ratios

The table below sets forth a summary of our key financial metrics during the Track Record Period:

		As of and for the year ended December 31,			As of and for the six months ended June 30,
Financial metric	Formula	2015	2016	2017	2018
Rates of return:					
Return on equity	Net profit attributable to owners of our Company for the period divided by the total equity attributable to owners of our Company as of the end of the period	33.1%	25.0%	23.4%	N/A ⁽¹⁾

SUMMARY

Financial metric	Formula	As of and for the year ended December 31,			As of and for the six months ended June 30,
		2015	2016	2017	2018
Return on total assets . . .	Net profit attributable to owners of our Company for the period divided by the total assets as of the end of the period	10.7%	4.9%	6.0%	N/A ⁽¹⁾
Liquidity:					
Current ratio	Current assets divided by current liabilities	1.45x	1.88x	1.33x	1.48x
Capital adequacy:					
Gearing ratio	Total interest-bearing borrowings divided by total equity at the end of the respective period	0%	206%	106%	49.2%

Note:

(1) The ratios are not meaningful because the net profit for the period only represented six-month of profits.

The material fluctuation in our gearing ratio during the Track Record Period was primarily affected by the amount of our other borrowing from a trust company. See “Financial Information — Key Financial Metrics — Gearing Ratio” for details.

THE SPIN-OFF AND INDEPENDENCE FROM THE REMAINING KAISA GROUP

Our Listing will constitute a spin-off from Kaisa Holdings, one of our Controlling Shareholders. Our Directors believe that the spin-off brings a number of benefits, including (i) realizing the fair value of the investment in our Group by Kaisa Holdings and our other Shareholders; (ii) allowing us to establish our own identity as a separately listed group and fund-raising platform; (iii) allowing us to continue to develop our expertise and improve our quality of property management service; (iv) enhancing our position to negotiate and solicit more businesses; (v) increasing our operational and financial transparency and improving our corporate governance; (vi) enhancing our corporate profile to attract strategic investors; (vii) using our stock performance as a separate benchmark to evaluate our performance; and (viii) enabling a more focused development, strategic planning and better allocation of resources for the Remaining Kaisa Group and our Group.

The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of developers as of the dates indicated:

	As of December 31,						As of June 30,	
	2015		2016		2017		2018	
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
Properties developed by the Remaining Kaisa Group ⁽¹⁾	16,840	69	18,879	77	20,677	85	21,655	86
Properties developed by independent third party property developers	1,494	9	1,686	16	3,331	34	3,768	38
Total	18,334	78	20,565	93	24,008	119	25,423	124

Note:

(1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.

SUMMARY

During the Track Record Period, the properties under our property management were developed principally by the Remaining Kaisa Group while the rest were developed by independent property developers. Our bidding success rate for properties developed by independent property developers, which is calculated by dividing the number of public tenders with respect to properties developed by independent property developers that we won during a respective period by the total number of public tenders with respect to properties developed by independent property developers in which we participated in the same period, was approximately 11.3%, 34.6%, 21.2% and 22.4% in 2015, 2016, 2017 and for the six months ended June 30, 2018, respectively. During the same periods, we won all of the public tenders with respect to projects developed by the Remaining Kaisa Group for which we bid.

Upon spin-off, the Remaining Kaisa Group will engage principally in property development, property investment, hotel management and catering, operation of cinemas, department stores and cultural centers, water-way passenger and cargo transportation and healthcare business. Given the difference in the business operations between our Group and the Remaining Kaisa Group, there is a clear delineation between the businesses of our Group and the Remaining Kaisa Group, and our Directors are of the view that there is no overlap or competition of the businesses of our Group and the Remaining Kaisa Group. For further details, please see the section headed “Relationship with our Controlling Shareholders — Delineation of Business” in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), Ye Chang Investment, which is wholly-owned by Rui Jing Investment which in turn is wholly-owned by Kaisa Holdings, will directly hold approximately 73.95% of the issued share capital of our Company. As a result, Kaisa Holdings, Rui Jing Investment and Ye Chang Investment are our Controlling Shareholders.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective 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. In addition, none of our Directors (comprising two executive Directors and three independent non-executive Directors) and senior management has any role in the Remaining Kaisa Group.

Our Group secures a majority of preliminary property management service engagements mainly through a standard tender process regulated by applicable PRC laws and regulations. The Remaining Kaisa Group does not have any decisive influence over the selection (or replacement) of the property management service provider by the owners’ associations. We believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates (other than our Group) after Listing due to our management, operational and financial independence. For further details, see “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders.”

We have entered into a number of agreements with our connected persons which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

SUMMARY

PRE-IPO INVESTMENTS

On May 4, 2018, we entered into a subscription agreement with the Pre-IPO Investors, pursuant to which 14,000 Shares, representing (i) 1.4% of our Shares in issue immediately before completion of the Global Offering and the Capitalization Issue; and (ii) 1.05% of our Shares in issue immediately after completion of the Global Offering and the Capitalization Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), were allotted and issued to the Pre-IPO Investors at an aggregate consideration of HK\$7,000,000.

For further details, please refer to the section headed “History, Reorganization and Corporate Structure — Reorganization — 8. Pre-IPO Investments” in this prospectus.

GLOBAL OFFERING STATISTICS

Offer Size:	Initially 25% of the enlarged issued share capital of our Company
Offering Structure:	Approximately 10% for Hong Kong Public Offering (subject to reallocation) and approximately 90% for International Offering (subject to reallocation and the Over-allotment Option)
Over-allotment Option:	Up to 5,250,000 additional Shares to be allotted and issued by the Company, representing 15% of the number of Offer Shares initially available under the Global Offering
Offer Price Per Share:	HK\$9.08 to HK\$10.88 per Offer Share

	Based on Minimum Indicative Offer Price of HK\$9.08	Based on Maximum Indicative Offer Price of HK\$10.88
Market capitalization of our Shares ⁽¹⁾	HK\$1,271.2 million	HK\$1,523.2 million
Unaudited pro forma adjusted net tangible asset per Ordinary Share ⁽²⁾	HK\$4.38	HK\$4.82

Notes:

- (1) The calculation of market capitalization is based on 140,000,000 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in the section headed “Appendix II — Unaudited Pro Forma Financial Information” and on the basis of 140,000,000 Shares in issue at the Offer Price immediately upon the completion of the Global Offering. Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share would be reduced to RMB2.97 (equivalent to HK\$3.35) based on a price of HK\$9.08 per Share, and RMB3.35 (equivalent to HK\$3.78) based on a price of HK\$10.88 per Share.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$279.5 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming an Offer Price of HK\$9.98 per Share, being the mid-point of the indicative Offer Price range of HK\$9.08 to HK\$10.88 per Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

Amount (HK\$ in million)	Approximate % of Total Estimated Net Proceeds	Intended Use
139.7	50%	Acquiring or investing in other property management companies which have comparable market positions with us
55.8	20%	Acquiring or investing in companies which are engaged in property management related business and companies which provide community value-added products and services complementary to those of us
28.0	10%	Developing and promoting our K Life mobile app and our community value-added products and services
28.0	10%	Developing our “management digitalization, service specialization, procedure standardization and operation automation”
28.0	10%	Working capital and general corporate purpose

Please see “Future Plans and Use of Proceeds” for further details.

LISTING EXPENSES

The total listing expenses (including underwriting commissions) in relation to the Global Offering are estimated to be approximately RMB61.8 million (assuming an Offer Price of HK\$9.98 per Share, being the mid-point of the indicative Offer Price range of HK\$9.08 to HK\$10.88 per Share in this prospectus and the over-allotment option is not exercised). During the Track Record Period, we incurred RMB29.8 million listing expenses, of which RMB22.4 million was recognized in our combined statements of profit or loss and other comprehensive income and RMB7.4 million is expected to be charged against equity upon the Listing. We estimate that we will incur additional RMB32.0 million during the year ending December 31, 2018, of which (i) RMB17.3 million is expected to be charged against equity upon the Listing and (ii) RMB14.7 million is expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2018. These listing expenses mainly comprise professional fees paid to our legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering, the sponsor fees for the Joint Sponsors for their services rendered in relation to the Listing and the Global Offering.

SUMMARY

DIVIDENDS

We expect to declare accumulated undistributed profit as of December 31, 2017 amounted to approximately RMB130 million as dividends before Listing. We currently intend to pay dividends in the amount of 25% of our distributable profit for each year after the Listing. The payment and the amount of dividends (if any) will depend on our results of operation, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects, and other factors that we may consider relevant. During the Track Record Period, we did not declare any dividends.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to June 30, 2018 (being the date of our latest audited combined statements of financial position as set out in the Accountant's Report in Appendix I to this prospectus), we had expanded our property management portfolio to Beijing, total covering more than 38 cities across 13 provinces, municipalities and autonomous regions in China. The number of our managed properties increased by four residential properties and two non-residential properties as of the Latest Practicable Date. Our aggregate GFA under management increased by 0.8 million sq.m. from 25.4 million sq.m. as of June 30, 2018 to approximately 26.2 million sq.m. as of the Latest Practicable Date. In addition, we have won additional 13 bids out of the 42 public tenders we submitted, reaching a bidding success rate of 31.0% during the same period. Our new bids included five new property service engagements and eight new pre-delivery and consulting services contracts.

Our forecasted profit for the year ending December 31, 2018 is expected to decline, primarily due to the recognition of (i) listing expenses and (ii) deferred tax expense arising from our planning on dividend declaration. Our Directors have confirmed that, since June 30, 2018 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospectus and no event has occurred that would materially and adversely affect the information shown in our combined financial statements set out in the Accountant's Report included in Appendix I to this prospectus.

SUMMARY OF MATERIAL RISK FACTORS

We are subject to a number of risks, including but not limited to risks relating to our business and industries, risks relating to doing business in the PRC and risks relating to the Global Offering. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire "Risk Factors" section carefully before you decide to invest in the Offer Share. Some of the major risks we face include: (i) we may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations; (ii) our future growth may not materialize as planned, and failure to manage any future growth effectively may have a material adverse effect on our business, financial condition and results of operations; (iii) we may not procure new property management service contracts as planned or at desirable pace or price; (iv) termination or non-renewal of our preliminary property management service contracts or property management service contracts could have a material adverse effect on our business, financial condition and results of operations; and (v) increase in staff costs and subcontracting costs could slow our growth, harm our business and reduce our profitability.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, and BLUE Application Form(s) in relation to Preferential Offer
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on November 12, 2018 to take effect on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Assured Entitlement”	the entitlement of the Qualifying Kaisa Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering to be determined on the basis of their respective shareholdings in Kaisa Holdings at 4:30 p.m. on the Record Date
“Available Reserved Shares”	has the meaning given to it in the section entitled “Structure of the Global Offering — The Preferential Offering — Basis of Allocation for Applications for Reserved Shares” in this prospectus
“Beneficial Kaisa Shareholder(s)”	any beneficial owner of Kaisa Shares whose Kaisa Shares are registered, as shown in the register of members of Kaisa Holdings, in the name of a registered Kaisa Shareholder on the Record Date
“ BLUE Application Form(s)”	the application form(s) to be sent to Qualifying Kaisa Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
“ Blue Form eIPO ”	the application for the Reserved Shares to be issued in a Qualifying Kaisa Shareholder’s own name by submitting applications online through the designated website site of Blue Form eIPO at www.eipo.com.hk
“ Blue Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Board” or “Board of Directors”	the board of directors of our Company
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“Capitalization Issue”	the issue of 104,000,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Statutory and General Information — A. Further Information About Our Company — 4. Written resolutions of all Shareholders passed on November 12, 2018” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented 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 or supplemented from time to time
“Company” or “our Company”	Kaisa Property Holdings Limited (佳兆業物業集團有限公司), a company incorporated in the Cayman Islands with limited liability on October 13, 2017
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Kaisa Holdings, Rui Jing Investment and Ye Chang Investment

DEFINITIONS

“CSDCC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“Deed of Indemnity”	the deed of indemnity dated November 12, 2018 and executed by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the section headed “Statutory and General Information — D. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated November 12, 2018 and executed by our Controlling Shareholders in favor of our Company, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant
“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
“Group”, “our Group”, “we”, “our” 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)
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 3,500,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 23, 2018, relating to the Hong Kong Public Offering and entered into by, inter alia, the Joint Sponsors, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), our Company and our Controlling Shareholders as further described in the section headed “Underwriting — Underwriting Agreement and Expenses” in this prospectus
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering”

DEFINITIONS

“International Offer Shares”	the 31,500,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Sponsors, the Joint Global Coordinators (for and on behalf of the International Underwriters), our Company and our Controlling Shareholders on or about November 29, 2018, as further described in the section headed “Underwriting — The International Offering” in this prospectus
“Jiake Intelligent”	深圳市佳科智能工程有限公司 (Shenzhen Jiake Intelligent Engineering Co., Limited), a limited liability company established in the PRC on December 23, 2013 and a wholly-owned subsidiary of the Company
“Joint Bookrunners”	CLSA Limited, ABCI Capital Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, UOB Kay Hian (Hong Kong) Limited, BOCOM International Securities Limited, CCB International Capital Limited and Kaisa Securities Limited
“Joint Global Coordinators”	CLSA Limited and ABCI Capital Limited
“Joint Lead Managers”	CLSA Limited, ABCI Securities Company Limited, Haitong International Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, UOB Kay Hian (Hong Kong) Limited, BOCOM International Securities Limited, CCB International Capital Limited and Kaisa Securities Limited
“Joint Sponsors”	CLSA Capital Markets Limited and ABCI Capital Limited

DEFINITIONS

“Kaisa Group”	Kaisa Holdings and its subsidiaries, including our Group
“Kaisa Holdings”	Kaisa Group Holdings Ltd. (佳兆業集團控股有限公司) (stock code: 1638), a limited liability company incorporated in the Cayman Islands on August 2, 2007, the shares of which are listed on the Main Board of the Stock Exchange, and one of our Controlling Shareholders. It will indirectly hold approximately 73.95% of the issued share capital of the Company immediately upon completion of the Global Offering and the Capitalization Issue, assuming that the Over-allotment Option is not exercised (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option)
“Kaisa Property”	佳兆業物業集團有限公司 (Kaisa Property Group Company Limited), a limited liability company established in the PRC on December 21, 2012 and a wholly-owned subsidiary of the Company
“Kaisa Property (Chengdu)”	成都市佳兆業物業管理有限公司 (Kaisa Property Management (Chengdu) Co., Ltd.), a limited liability company established in the PRC on January 30, 2008 and a wholly-owned subsidiary of the Company
“Kaisa Property (Shenzhen)”	佳兆業物業管理(深圳)有限公司 (Kaisa Property Management (Shenzhen) Co., Ltd.), a limited liability company established in the PRC on October 20, 1999 and a wholly-owned subsidiary of the Company
“Kaisa Property (Taiyuan)”	太原佳兆業物業管理有限公司 (Taiyuan Kaisa Property Management Co., Ltd.), a limited liability company established in the PRC on June 27, 2018 and is owned as to 51% Kaisa Property (Shenzhen) and 49% by an independent third party
“Kaisa Shareholders”	holders of the Kaisa Shares
“Kaisa Shares”	shares of a par value of HK\$0.10 each in the share capital of Kaisa Holdings
“Latest Practicable Date”	November 16, 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about December 6, 2018, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on November 12, 2018, a summary of which is set out in Appendix III in this prospectus
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“NDRC”	National Development and Reform Commission (中華人民共和國發展和改革委員會)
“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\$10.88 and expected to be not less than HK\$9.08, at which Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,250,000 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this Prospectus
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisers”	King & Wood Mallesons, the legal adviser to our Company as to the laws of the PRC
“Pre-IPO Investments”	the subscription of 14,000 Shares by the Pre-IPO Investors at an aggregate consideration of HK\$7,000,000 pursuant to a subscription agreement dated May 4, 2018 entered into among our Company and the Pre-IPO Investors
“Pre-IPO Investors”	Ms. Chen Dantong (陳丹彤), Ms. Zhang Yinglei (張英蕾) and Ms. Chen Yanfang

DEFINITIONS

“Preferential Offering”	the preferential offering to the Qualifying Kaisa Shareholders of 3,035,040 Reserved Shares (representing approximately 8.67% of the Offer Shares initially being offered under the Global Offering) in the form of the Assured Entitlement, as further described in the section entitled “Structure of the Global Offering” and subject to the terms and conditions stated in this prospectus and in the BLUE Application Form
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about November 29, 2018, on which the Offer Price will be determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event, not later than December 4, 2018
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Qijia Technology”	深圳市齊家互聯網科技有限公司 (Shenzhen Qijia Technology Co., Limited), a limited liability company established in the PRC on July 27, 2012 and a non-wholly-owned subsidiary of the Company
“Qualifying Kaisa Shareholders”	holders of the shares of Kaisa Holdings, whose names appear on the register of members of Kaisa Holdings as of 4:30 p.m. on the Record Date
“Record Date”	November 19, 2018, being the record date for ascertaining the Assured Entitlement
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Remaining Kaisa Group”	Kaisa Holdings and its subsidiaries after completion of the Spin-Off, which excludes our Group
“Reorganization”	the reorganization of the Group in preparation of the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“Reserved Shares”	3,035,040 Shares offered pursuant to the Preferential Offering at the Offer Price to the Qualifying Kaisa Shareholders, representing approximately 8.67% of the Offer Shares being offered under the Global Offering (without taking into account any Shares which may be issued and allotted pursuant to the Over-allotment Option)
“RMB”	Renminbi, the lawful currency of the PRC
“Rui Jing Investment”	Rui Jing Investment Company Limited (瑞景投資有限公司), a limited liability company incorporated in the BVI on July 23, 2007, which is wholly-owned by Kaisa Holdings and is one of our Controlling Shareholders
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the capital of our Company with nominal value of HK\$0.01 each
“Spin-Off”	the separate listing of our Shares on the Main Board, by way of Global Offering (including the Preferential Offering)
“Stabilizing Manager”	CLSA Limited
“State Council”	the PRC State Council (中華人民共和國國務院)

DEFINITIONS

“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Ye Chang Investment and the Joint Global Coordinators on or about the same date as the International Underwriting Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers issued by SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018
“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
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xie Mao Investment”	Xie Mao Investment Company Limited (協茂投資有限公司), a limited liability company incorporated in the BVI on July 26, 2007 and a wholly-owned subsidiary of our Company

DEFINITIONS

“Ye Chang Investment”

Ye Chang Investment Company Limited (葉昌投資有限公司), a limited liability company incorporated in BVI on July 23, 2007, which is wholly-owned by Kaisa Holdings and is one of our Controlling Shareholders

“%”

per cent.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities, institutions or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names (as appropriate) shall prevail. The English translations of the Chinese names of such PRC entities, institutions or enterprises are provided for identification purposes only.

GLOSSARY

This glossary contains terms used in this prospectus in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“average property management fee”	revenue from property management services for a period divided by the aggregate of GFA recorded on the property ownership certificates
“Bohai Economic Rim”	as of the Latest Practicable Date, includes Beijing, Tianjin, Hebei, Liaoning, Shandong, Shanxi and Inner Mongolia for the purpose of this prospectus
“Central China”	as of the Latest Practicable Date, includes Wuhan, Changsha, Zhuzhou and Wugang for the purpose of this prospectus
“commission basis”	a revenue generating model for our property management services whereby our fee income from property management services consists only of a specified percentage, or a fixed amount, of the total management fees payable by the property owners or property developers, or cost of services. We cover the expenses incurred in our management of the relevant properties with the property management fees collected and any excess or shortfall of the property management fees (after deducting the relevant expenses) belong to or are borne by the property owners
“common area”	common areas in residential properties jointly-owned by the property owners, mainly including parking lots, swimming pools, advertisement bulletin boards, and club houses
“contracted GFA”	aggregate of GFA under operating property management services contracts
“GFA”	gross floor area
“GFA under management”	aggregate of GFA recorded on the property ownership certificates and GFA of common areas
“Guangdong-Hong Kong-Macau Bay Area”	as of the Latest Practicable Date, includes Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen, Zhaoqing, Hong Kong and Macau for the purpose of this prospectus

GLOSSARY

“Internet of Things”	a network of physical objects or items embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data
“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
“O2O”	online to offline
“Western China”	as of the Latest Practicable Date, includes Chongqing, Chengdu, Nanchong, Guigang and Liuzhou for the purpose of this prospectus
“Yangtze River Delta”	as of the Latest Practicable Date, includes Shanghai, Jiangsu province and Zhejiang province for the purpose of this prospectus

FORWARD-LOOKING STATEMENTS

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no 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 in this prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

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 property management companies and other businesses that complement our existing businesses to expand our business scale and integrate their operations into our business. However, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and unforeseen or hidden liabilities in connection with the target, inability to apply our business model or standardized 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 amortization costs arising from the acquired property, plant and equipment and intangible assets as a result of the acquisition. In addition, there can be no assurance that we will be able to identify suitable acquisition opportunities. Even if we can, we may not be able to complete the acquisitions on terms favorable 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.

Approximately 50%, or HK\$139.7 million, of the proceeds raised from this Global Offering will be used to acquire or invest in other property management companies. Another 20%, or HK\$55.8 million, will be used to acquire or invest in companies which are engaged in property management related businesses and companies which provide community value-added products and services complementary to those of us. See “Future Plans and Use of Proceeds — Use of Proceeds” for details. If we fail to identify suitable acquisition opportunities or our future acquisition transactions fail to consummate for other reasons which may be beyond our control, our proceeds from this Global Offering may not be effectively used.

We may not be able to grow our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

Our GFA under management increased from approximately 18.3 million sq.m. as of December 31, 2015 to approximately 24.0 million sq.m. as of December 31, 2017, which further increased to 25.4 million sq.m. as of June 30, 2018. We have been expanding our property

RISK FACTORS

management portfolio primarily through securing new property management engagements and, to a lesser extent, strategically acquiring regional property management companies with attractive property management portfolio. We seek to continue to grow our property management portfolio. However, there is no assurance that we can grow our property management portfolio as planned. Our growth may be affected by a number of factors beyond our control, such as China's general economic condition, developments in the real estate market, supply and demand dynamics of the property management industry and our ability to obtain sufficient financing for our growth. In addition, our future growth depends on our management's ability to improve our operational and financial conditions. Our ability to grow also depends on our ability to successfully hire, train, manage additional employees, manage and cultivate our relationships with a growing number of customers, subcontractors, suppliers and other business partners. 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 be unable to leverage our brand equity in a new market as we have done so in our established markets, and may face intense competition from the local property management companies. Any of the foregoing will defer us from growing our property management portfolio as planned, which may have a material adverse effect on our business, financial condition and results of operations.

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

We have experienced rapid growth and significantly expanded our business in recent years. Our total revenue grew from RMB478.0 million in 2015 to RMB539.1 million in 2016 and further to RMB669.2 million in 2017, representing a CAGR of 18.3% from 2015 to 2017. Our total revenue increased by 34.0% from RMB307.7 million for the six months ended June 30, 2017 to RMB412.3 million for the six months ended June 30, 2018. Our rapid growth has placed and will continue to place significant demands on our management and our administrative, operational and financial resources. To accomplish our growth 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 expand, train and manage our growing employee base. We will also need to maintain and expand our relationships with our customers, subcontractors, suppliers and other third parties. However, our expansion is based upon our forward-looking assessment of market prospect. We cannot assure you that our assessment will always turn out to be correct or we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control and our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth and expansion. If we are unable to execute our growth strategies or manage our growth effectively, we may not be able to take advantage of market opportunities or respond to competitive pressures, which may materially and adversely affect our business prospects and results of operations.

We may not procure new property management service contracts as planned or at desirable pace or price

During the Track Record Period, we generally procured new property management service contracts through a tender process. The selection of a property management company

RISK FACTORS

depends on a number of factors, including but not limited to the quality of services provided, the level of pricing and the operating history of the property management company. There is no assurance that we will be able to procure new property management service contracts in the future.

Furthermore, a substantial portion of our property management service contracts during the Track Record Period were related to the management of properties developed by the Remaining Kaisa Group. Any adverse development in the operations of the Remaining Kaisa Group or its ability to develop new properties may affect our ability to procure new property management service contracts. We cannot assure you that the Remaining Kaisa Group will actually engage us as their property management service provider for any property they develop, particularly because the appointment of property management companies is generally subject to a tender process under PRC laws. If we are not able to supplement any shortfall in managing properties developed by the Remaining Kaisa Group with managing properties developed by independent third-party property developers, our results of operations and growth prospects may be materially and adversely affected.

Termination or non-renewal of our preliminary property management service contracts or property management service contracts could have a material adverse effect on our business, financial condition and results of operations.

Revenue from our property management services amounted to RMB186.1 million, RMB209.3 million, RMB268.4 million and RMB177.7 million, representing approximately 38.9%, 38.8%, 40.1% and 43.1% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Our property management services are provided in accordance with preliminary property management service contracts we enter into with property developers or property management service contracts we enter into with the property owners' associations. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, two, nine, 18 and 18, respectively, communities under our management had established property owners' associations, accounting for approximately 2.6%, 9.7%, 15.1% and 14.5%, respectively, of the total number of communities under our management. Our preliminary property management service contracts expire when the property owners' associations enter into the property management service contracts. Our property management service contracts typically have a term ranging from three to five years and can also be terminated for cause. In relation to our preliminary property management service contracts, there is no assurance that the relevant property owners' associations will decide to enter into property management service contracts with us instead of other property management companies. Once the property owners' associations enter into property management service contracts with other companies, our preliminary property management service contracts will automatically terminate. In relation to our property management service contracts, there is no assurance that such contracts will not be terminated prior to expiration for cause or renewed upon expiration. In the event of such terminations or non-renewals, our business, results of operations and financial condition 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, terminations or non-renewals of our preliminary property management service contracts or property management service contracts could also adversely affect the performance of our community value-added services.

Moreover, during the Track Record Period, we continued to provide property management services to some properties for which the relevant preliminary property

RISK FACTORS

management service contracts or property management service contracts have already expired and are in the process of being renewed. Although during the Track Record Period, our collection rates for management fees under those expired property management service contracts were no worse than the collection rates for management fees under effective property management service contracts, the expired property management service contracts are no longer enforceable, and in the future, we may be unable to recover our fees or expenses incurred associated with providing property management services for those properties. In addition, the property owners' associations may terminate the service contracts after they have expired. If we are required to cease the provision of our property management services under these circumstances, our business, results of operations and financial condition may be materially and adversely impacted.

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

Staff costs included in cost of services amounted to RMB174.6 million, RMB199.2 million, RMB252.6 million and RMB141.6 million, representing the single largest component of our cost of services and accounted for approximately 55.8%, 52.8%, 54.3% and 52.2% of our cost of services in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Staff costs included in administrative expenses amounted to RMB66.1 million, RMB55.2 million, RMB79.6 million and RMB44.9 million, representing the single largest component of our administrative expenses and accounted for approximately 87.4%, 79.0%, 77.8% and 62.3%, respectively, of our administrative expenses in 2015, 2016 and 2017 and for the six months ended June 30, 2018. In addition, we outsource certain functions, such as security, cleaning and maintenance services, to subcontractors. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, subcontracting costs amounted to RMB58.2 million, RMB81.3 million, RMB103.8 million and RMB60.8 million, respectively, representing approximately 18.6%, 21.6%, 22.3% and 22.4% of our cost of services, respectively. To maintain and improve our profitability, it is important for us to control and manage our staff costs and subcontracting costs. However, we face rising pressures in relation to staff costs and subcontracting costs from various aspects. The general level of compensation in the regions where we operate has been increasing in recent years, resulting in upward pressure on our staff costs and the fees we pay to our subcontractors. In addition, during the Track Record Period and up to the Latest Practicable Date, we also charged our property management fees on a lump sum basis, under which we retained all the property management fees we collected, but we also bore all the expenses associated with providing our property management services, including 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 staff costs or subcontracting costs onto our customers, our business, financial condition 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 employees in the Chinese property management industry is intense and could require us to pay higher wages in our recruitment and employee retention efforts, resulting in an increase in our staff costs and subcontracting costs. Any future inability to recruit and retain qualified employees and subcontractors may also delay the growth in our property management portfolio, and could also materially and adversely impact our property management operations at our existing property management portfolio.

RISK FACTORS

We may not be able to successfully collect property management fees from property developers and property owners, which may lead to impairment losses on our receivables.

We may encounter difficulties in collecting property management fees from property developers and property owners in communities where the vacancy rate is relatively high. 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. 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.

Our provision for impairment of trade receivables amounted to RMB1.4 million, RMB2.3 million, RMB4.5 million and RMB5.6 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. During the same periods, our impairment loss recognized on trade receivables amounted to RMB0.2 million, RMB0.9 million, RMB2.1 million and RMB1.2 million, respectively. 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 rely on subcontractors and other suppliers 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 products and services provided by our subcontractors and other suppliers.

We rely on subcontractors to perform some of our property management, pre-delivery and consulting and smart solution services, primarily including security, cleaning, gardening, public facility repair and maintenance and equipment installation and maintenance services. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, subcontracting costs amounted to RMB58.2 million, RMB81.3 million, RMB103.8 million and RMB60.8 million, respectively, representing approximately 18.6%, 21.6%, 22.3% and 22.4% of our cost of services, 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 fulfill their obligations in accordance with the subcontracting agreements. For example, if our subcontractors fail to provide safe working environment to the staffs and result in work injuries, this would prevent them from providing the contracted services and we may need to pay compensation to the staffs. 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. Though we may be able to recover such amounts from the subcontractor pursuant to the subcontracting agreement, there is no guarantee that we will be able to do so. In

RISK FACTORS

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 favorable 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 condition and results of operations.

Moreover, for the community value-added services we provide, we may become, or may be joined as, a defendant in litigation or other proceedings brought against merchants that sell community products or services by purchasers or users of their products and services, government authorities or other third parties. These proceedings could involve claims alleging, among other things, the failure of products and services provided by our suppliers to conform to required quality standards, false or misleading representations made by our suppliers in relation to the products and services provided, property damage or personal injuries arising from the products and services provided by our suppliers and infringement of third parties' intellectual property rights by our suppliers in connection with the products and services provided. We may be required to pay damages as a result of such litigation or other proceedings. We may also be subject to administrative fines and ordered to cease sales of the relevant products and services. In the event of serious offenses, our business license may be suspended or revoked, and we may be investigated or even prosecuted under PRC criminal laws. Although our agreements with suppliers provide that they will indemnify us for any liability attributable to their own or their employees' conduct, we may not be able to effectively enforce or collect under such contractual obligations. Any of the foregoing events could materially affect the operation of our community value-added services, harm our brand and reputation, divert our management's attention and other resources and have a material adverse effect on our business, financial condition and results of operations.

Our provision of property management services on a lump sum basis could subject us to losses.

During the Track Record Period, we charged part of our property management fees on a lump sum basis and we were paid a pre-negotiated amount of management fees regardless of the actual amount of property management expenses we incurred. In the event that the property management fees we collect are insufficient to cover all the management expenses incurred, we may be unable to collect the shortfall from property developers and owners. We suffered from loss-making contracts under the lump sum basis in 2015, 2016 and 2017 and for the six months ended June 30, 2018, with an aggregate loss of RMB3.4 million, RMB13.0 million, RMB9.0 million and RMB2.2 million, respectively, during the same periods. Since such number and loss amount were relatively small compared with our business scale, we consider that we have not experienced any material loss-making contracts under the lump sum basis during the Track Record Period and up to the Latest Practicable Date. However, we may continue to suffer losses in the future, which could result in a material adverse effect on our profitability, financial condition and results of operations.

We may fail to recover all payments on behalf of property owners, which may have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we have made payments on behalf of property owners for properties we manage in specific circumstances such as preliminary stage input and utility

RISK FACTORS

expenses. Management judgment is required to determine whether the management offices have the ability to settle such payments on behalf of property owners. We take into consideration a number of indicators to determine whether there is any objective evidence of impairment loss on payments on behalf of property owners, including, among other things, (i) subsequent settlement status, (ii) historical write-off experience, (iii) the financial performance of the underlying properties, and (iv) the property management fee collection rate of properties in estimating future cash flows from such properties. For the balances that our management believes may not be recovered within a reasonable time frame, we make provisions for impairment on receivables. However, there is no guarantee that we will maintain or improve the recoverability of our payments on behalf of property owners through our collections policy, or that the financial performance of the properties will be maintained or improved. There can be no assurance that payments on behalf of property owners will not increase in the future, especially in light of our growth and geographic expansion. A substantial increase in the payments on behalf of property owners and impairment loss from the same could materially and adversely affect our business, financial condition and results of operations.

Damage to the common areas of our managed properties could adversely affect our reputation, business, financial condition and results of operations.

The common areas of our managed properties, such as the lobby, hallway, outdoor open space, stairway, car park, elevator shaft and equipment room, may be damaged in a variety of ways that are beyond our control, including but not limited to natural disasters and intentional or unintentional human actions. Under PRC laws and regulations, each residential community is required to establish a special fund to pay for the costs for the repair and maintenance of common areas that are jointly-owned by all property owners. However, there is no assurance that such special fund will be sufficient to cover all of the repair and maintenance costs. We may need to pay the shortfall on behalf of the property owners in case the special fund is not sufficient to cover all of the repair and maintenance costs and then attempt to collect the shortfall from the property owners' associations. If we face any difficulties in the collection process, our business, financial condition and results of operations could be materially and adversely affected. In addition, we may also need to divert management attention and resources to assist the police and other governmental authorities in their investigations in connection with any damage to the common areas of our managed properties. Furthermore, as we intend to continue to grow our property management portfolio, we cannot assure you that the likelihood of such incidents occurring will not increase as our business scale increases.

Our pricing of property management fees under preliminary property management service contracts and for affordable housing is subject to PRC laws and regulations.

For our managed properties, approximately 86.4%, 75.6%, 71.3% and 71.1%, respectively, of our total GFA under management was under price control in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Approximately 28.6%, 35.9%, 43.7% and 45.5%, respectively, of our total property management services revenue was under price control during the same periods. For more details, see “Regulatory Overview — Charging of 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 service contracts. Property management fees for affordable housing, housing-reform properties and properties in old residential areas and management fees under preliminary property management service contracts remain subject to price guidance imposed by provincial level price administration departments and the administrative departments of housing and urban-rural development. Although we expect the price controls on residential properties to relax over time pursuant to the Circular, our property management fees will continue to be subject to price controls until local regulations implementing the Circular are passed. Government price control policies may have a negative impact on our earnings and profitability as such restrictions may lower the prices we may charge. In addition, since we charge property management fees for part of the properties managed by us in terms of the GFA under management on a lump sum basis, our business, financial condition 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 value-added services through K Life mobile app may fail to provide satisfied products and services, which may not be able to attract and retain sufficient interest from property owners and residents.

Our K Life mobile app is crucial to our value-added services and future success. We plan to attract increased usage by property owners and residents in the properties we manage and local merchants around such properties. However, K Life is a relatively new platform which is undergoing constant evolution. We regularly seek to introduce different products and services from local merchants on K Life. As we may have limited experience with such new products and services, there can be no assurance that property owners and residents will respond favorably to them. In addition, we may roll out new mobile app features from time to time, which may present new and significant technical and operational challenges. If our K Life mobile app fails to provide satisfied products and service in order to attract or retain sufficient interests from property owners and residents as planned, property owners and residents may cease using K Life or turn to competing service platforms. In such event, we will not be able to successfully develop our community value-added services or introduce more revenue-generating value-added and other services through K Life, and our business, financial condition and results of operations could be materially and adversely affected.

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

The property management industry is highly fragmented, with over 100,000 companies operating in the industry in 2017 according to Frost & Sullivan. We compete against other property management companies in the PRC, especially the Top Hundred Property Management Companies, with respect to a wide range of factors including, among others, service quality, brand recognition, innovation, cost efficiency and financial resources. Moreover, our community value-added services face competition from other companies providing similar services to consumers. Competition in our industry may intensify as our competitors expand their product or service offerings, or as new competitors enter our existing or new markets. Our competitors may have better track records, longer operating histories and greater financial, technical and other resources. They may also have greater brand recognition and larger

RISK FACTORS

customer bases. As a result, these competitors may be able to devote more resources to the development, promotion and sale of their services. 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 condition and results of operations.

A significant portion of our operations is concentrated in Guangdong-Hong Kong-Macau Bay Area, and we are susceptible to trends and developments in these regions.

A significant portion of our operations is concentrated in Guangdong-Hong Kong-Macau Bay Area. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the total GFA under management located in Guangdong-Hong Kong-Macau Bay Area represented approximately 42.5%, 42.6%, 42.1% and 41.6% of the total GFA under management, respectively. Our property management services revenue generated from our managed properties in Guangdong-Hong Kong-Macau Bay Area amounted to approximately 74.9%, 69.9%, 66.2% and 58.6% of the total property management services revenue, respectively, in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Though we have further expanded to other key economics regions and cities in China such as Yangtze River Delta and Bohai Economic Rim, we expect that Guangdong-Hong Kong-Macau Bay Area will still continue to account for a significant portion of our operations in the near future. If the Guangdong-Hong Kong-Macau Bay Area experiences any adverse economic conditions, such as an economic downturn, natural disaster, contagious disease outbreak or terrorist attack, or if the local governmental authorities adopt regulations that place additional restrictions or burdens on us or on the property management industry in general, our business, financial condition and results of operations could be materially and adversely affected.

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. For example, when our employees or employees of our subcontractors provide repair and maintenance services to the elevators of the residential communities managed by us, there are inherent risks of work injuries or accidents occurring due to the nature of the services being performed. 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 condition and results of operations. Nevertheless, there can be no assurance that any such incident or accident, which could result in property damage, personal injury or even death to the residents, property owners, our employees or employees of our subcontractors, will not occur in the future. In such event, we may be held liable for the losses. We may also be exposed to claims of negligent or reckless behavior on the part of our employees or employees of our subcontractors. Although we typically require our subcontractors to maintain accident personal injury insurance policies, there is no assurance that any such insurance coverage will be sufficient or available to cover the damages, liabilities or losses we may be exposed to as a result of such incidents or accidents. 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 condition and results of operations.

RISK FACTORS

We are affected by PRC policies, laws and regulations on the real estate industry, which may limit our growth potential.

We derived a significant portion of our revenue from our property management services during the Track Record Period and up to the Latest Practicable Date. The performance of our property management services is primarily dependent on the amount of our GFA under management and number of our managed properties. Therefore, the growth potential of our property management services is, and will likely continue to be, affected by PRC policies, laws and regulations on the real estate industry. For more details, see “Regulatory Overview.” The PRC government has implemented a series of measures to control the economic growth in recent years. In particular, the PRC government has continued to introduce various restrictive measures to discourage speculative investments in the real estate market, such as imposing controls over the land supply for property development, foreign exchange controls, restrictions against property development financing, additional taxes and levies on property sales and foreign investments in the Chinese real estate market. Such government measures may negatively affect sales and the delivery schedules of the properties we service, thus limiting our growth potential and resulting in a material adverse effect on our business, financial condition and results of operations.

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

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

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

Our success depends upon the efforts of our Directors, senior management and other key employees, such as Mr. Liao Chuanqiang, our chairman and president. Mr. Liao has over 15 years of experience in the property management industry and served in senior management positions at a number of property management companies in China. For example, prior to joining our Group, Mr. Liao has served as the vice general manager of the property management department of Dalian Wanda Commercial Management Group Co., Ltd., during which Mr. Liao was responsible for the daily operation of its property management business. 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 depend in part on our ability to recruit, train and retain qualified personnel in

RISK FACTORS

all aspects of our business, such as corporate management personnel, property management personnel and information technology personnel. 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.

Expansion of our business may expose us to increased risks of non-compliance with the laws and regulations in new geographic markets and new products and services.

As we expand our operations into new geographic markets and new products and services, we expect to become subject to an increasing number of laws and regulations. In addition, as the size and scope of our operations increase, the difficulty of ensuring compliance with the various laws and regulations and the potential for penalties or fines from non-compliances increase. If we fail to comply with applicable laws and 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 condition and results of operations.

If we fail to protect our intellectual property rights, our business, financial conditions and results of operations would be severely harmed.

We consider our intellectual property rights are 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 unauthorized reproduction of our trade names or trademarks could diminish the value of our brand and our market reputation and competitive advantages. We rely on a combination of trademarks, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property rights. Nevertheless, these afford limited protection and preventing unauthorized use of proprietary information can be difficult and expensive. In addition, enforceability, scope and validity of laws governing intellectual property rights in China are uncertain and still evolving, and could involve substantial risks to us. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations.

Our business relies on the proper operation of our information technology systems. Any malfunction of which for extended periods could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We employ various automation devices, such as remote video surveillance cameras, building access systems and carpark security systems. Many factors such as power outages and damage to our equipment may cause interruptions to our centralized remote system and other automation devices. For example, if we experience any power outage, our information technology system, which is a key component of our remote video surveillance system, may not function properly. Our equipment may also be subject to damages caused by unforeseeable events and unexpected natural disasters. In addition, we need to constantly upgrade and improve our information

RISK FACTORS

technology systems to keep up with the continuous growth of our operations and business. Although we did not experience any information technology system breakdown during the Track Record Period, we cannot assure you that our information technology system will always operate without interruption. Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our information technology system can withstand intrusions from or prevent improper usage by third parties. Any malfunction to a particular part of our information technology 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. Furthermore, we may not always be successful in developing, installing, running or implementing new software or advanced information technology systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these may have a material adverse impact on our profitability.

We could be liable for any breach of security relating to the third-party online payment platforms we use, and concerns about the security of internet transactions could damage our reputation, deter current and potential users from using our K Life mobile app and have adverse impact on our business.

Users of K Life may conduct transactions through third-party online payment platforms. 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. Although we have implemented a series of measures to protect us against security breaches, such as installing an advanced security system and requiring our employees and third parties who may have access to our proprietary technologies and information to enter into non-disclosure agreements, our current security measures and those of the third-party online payment platform service providers may not be adequate. Increasing and enhancing our security measures and efforts to allow users of K Life 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. 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. Furthermore, even if a security breach did not occur on the online payment platforms that we use, if an internet or mobile network security breach were to occur, the perceived security of online payment platforms in general may be adversely affected and cause users to be reluctant to utilize our K Life mobile app, which will have an adverse impact on our business.

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

Our unconditional government subsidy income amounted to RMB3.4 million, RMB1.5 million, RMB0.4 million and RMB0.8 million, or 6.0%, 2.6%, 0.6% and 3.7% of our net profit, for 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. Such government grants include financial subsidies and financial awards from various local governments in the PRC. Financial subsidies were granted to reimburse the costs of qualified

RISK FACTORS

projects; financial awards were granted primarily to recognize and incentivize successful businesses. 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 Selected Items in Our Combined Statements of Profit or Loss and Other Compensation Income — Other Gains and Losses” and Note 2 to the Accountant’s Report in Appendix I.

We recorded net operating cash outflow in 2015 and for the six months ended June 30, 2017.

In 2015, net cash used in operating activities was RMB56.7 million. Operating cash inflow before changes in working capital was RMB93.6 million, attributable to profit before income tax for the year of RMB81.2 million, as adjusted by depreciation, loss on disposal of property, plant and equipment, share of results from an associate, impairment loss on investment in an associate, amounts written off as uncollectible, provision for loss allowance, reversal of provision for loss allowance and share-based payment. Changes in working capital contributed a cash outflow of RMB142.8 million consisting primarily of increase in amounts due from related parties of RMB202.3 million, partially offset by increase in trade and other payables of RMB37.7 million.

For the six months ended June 30, 2017, net cash used in operating activities was RMB42.3 million. Operating cash inflow before working capital was RMB63.6 million, attributable to profit before income tax for the period of RMB58.5 million, as adjusted by depreciation, loss on disposal of property, plant and equipment, share of results from an associate, impairment loss on investment in an associate, amounts written off as uncollectible, provision for loss allowance and share-based payment. Changes in working capital contributed a cash outflow of RMB70.6 million consisting primarily of (i) increase in amounts due from related parties of RMB57.1 million, and (ii) increase in payments on behalf of residents primarily under commission basis of RMB13.4 million, partially offset by increase in amounts due to fellow subsidiaries of RMB13.4 million.

Although we seek to manage our working capital at sufficient levels, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we experience net cash outflow. During the Track Record Period, we mainly relied on internal resources generated from our operation and debt financing to finance our business. Negative operating cash flow requires us to obtain sufficient external financing to finance our business operations, and meet our financing needs and obligations. If we are unable to do so, we may be in default of our payment obligations and our daily business activities may be impacted. Thus, our business, financial position and results of operations may be materially adversely affected.

RISK FACTORS

We may be required to make additional contributions of social security fund and/or housing provident fund under PRC laws and regulations.

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 of December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of our provisions for social security fund and housing provident fund contributions amounted to RMB0.8 million, RMB1.0 million, RMB1.6 million and nil, 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 of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the housing provident funds.

However, we cannot assure you that we will not be subject to any order 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 housing provident funds against us, or that we will not receive any claims in respect of 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 incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, China's Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the "**Taxation Collection Reform Plan**"). Set to take effect on January 1, 2019, the plan places the responsibility of calculating and collecting social insurance premiums solely with the tax bureau, which is expected to improve social insurance compliance since the tax bureau is better resourced to monitor and collect contributions. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain. We may incur additional cost to comply with this new plan and may be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on our business, financial condition and results of operations.

RISK FACTORS

Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our leased agreements, which may result in a disruption of our operations and subject us to penalties.

As of the Latest Practicable Date, 26 properties with a total GFA of approximately 5,022 sq.m. were leased from lessors who were unable to provide sufficient or valid ownership certificates or other ownership documents. As of the Latest Practicable Date, these leased properties accounted for approximately 42.9% of our leased properties (excluding car parking lots) by GFA. These leased properties are being used as our offices and staff quarters. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. Based on information currently available to us, we believe that there are alternative properties at comparable rental rates readily available on the market and the estimated total relocation cost and time will not be material. In addition, there can be no assurance that the PRC government will not amend or revise existing property laws, rules or regulations to require additional approvals, licenses or permits, or impose stricter requirements on us to obtain or maintain relevant title certificates for the properties that we use. For more details of these legal irregularities, see “Business — Properties — Leased Properties.”

As of the Latest Practicable Date, we had not completed the administrative filings of 48 lease agreements relating to properties and lease agreements relating to car parking lots of 66 property management projects. According to applicable PRC administrative regulations, the lessor and the lessee of a lease agreement are required to file the lease agreement with relevant governmental authorities within 30 days after the execution of the lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed. It is not clear under PRC law if the fine will be borne by the lessor or lessee. According to applicable PRC administrative regulations, lessors of the related leases need to provide us with certain documents (such as their business licenses or identification information) in order to complete the administrative filing. There can be no assurance that the lessors of our leased properties will be cooperative in the process of completing the filings. If we fail to complete the administrative filings within a period required by the relevant governmental authorities and relevant authorities determine that we shall be liable for failing to complete the administrative filings of all the relevant lease agreements, the total amount of potential penalty is expected to be RMB114,000 to RMB1.14 million.

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, and 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,

RISK FACTORS

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 China and elsewhere.

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 China 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, see “Business — Insurance.” In addition, we typically require our subcontractors to purchase accident insurance policies for their employees or to otherwise be responsible for all injuries suffered by their employees when they work at our sites. However, our insurance coverage may not adequately 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 China available at commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial condition and results of operations.

We are required to adhere to national health and safety standards, and in the event that we are unsuccessful at meeting these standards, our business, financial condition, 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 health and safety requirements. A failure to meet relevant government requirements could occur in our operations or those of our subcontractors or suppliers. During the Track Record Period, we have been fined due to the violation of relevant

RISK FACTORS

fire safety regulations. See “Business — Social Health, Safety and Environmental Matters” for details. 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 or other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may, from time to time, be involved in disputes with and subject to claims from, among others, the residents, guests and property owners of our managed properties. For example, property owners may take legal action against us if they believe that our services are below the standards set forth in the relevant preliminary property management service contracts or property management service contracts. Furthermore, we may from time to time be involved in disputes with and subject to claims by other parties associated with our business operations, such as our subcontractors, suppliers and employees, or other third parties who 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 dispute, claim or proceeding may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in China, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

Substantially all our business operations are in China and substantially all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in China. The economy of China 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. China’s economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasizing 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 China 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 China’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our business.

RISK FACTORS

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 China, 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 organization and governance, commerce, taxation and trade. As substantially all of our businesses are conducted in China, our operations are principally governed by 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 China 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 preemption 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 China 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 utilizing 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 China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be approved by the MOFCOM or its local counterpart. 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 capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

RISK FACTORS

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our combined subsidiaries incorporated in China. We rely on dividends paid by these combined subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC Enterprise Income Tax Law, or EIT Law, the EIT Implementation Rules, the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates, or Notice 112, which was issued on January 29, 2008, the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or the Double Taxation Arrangement (Hong Kong), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on the Determination of “Beneficial Owners” in the Tax Treaties, or Notice 9, which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiary may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if our Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the Double Taxation Arrangement (Hong Kong). Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and the EIT Implementation Rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. If certain conditions and requirements under the Arrangement between the Mainland of China and Hong Kong Special Administrative

RISK FACTORS

Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)》), or the “China-Hong Kong Tax Arrangement”) are met, the withholding rate could be reduced to 5%. However, the Notice 9 provides that “Beneficial Owners” refer to persons who engaged in substantial business operations. It is unclear whether Notice 9 applies to dividends from our PRC operating subsidiaries paid to us through Profit Victor Investments (Hong Kong) Limited, our direct subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Notice 9, Profit Victor Investments (Hong Kong) Limited were not considered the “beneficial owner” of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favorable 5% rate applicable under the China-Hong Kong Tax Arrangement. In that case, our financial condition and results of operations may be materially and adversely affected.

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 realized from the transfer of their Shares and dividend 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.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC Shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. In addition, a circular issued by the State Administration of Taxation on April 22, 2009 regarding the standards used to classify certain Chinese-invested enterprises controlled by Chinese enterprises or Chinese group enterprises and established outside of China as “resident enterprises” clarified that dividends and other income paid by such “resident enterprises” will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when recognized by non-PRC enterprise shareholders. This circular also subjects such “resident enterprises” to various reporting requirements with the PRC tax authorities. Under the implementation regulations to the enterprise income tax, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the circular mentioned above sets out criteria for determining whether “de facto management bodies” are located in China for overseas incorporated, domestically

RISK FACTORS

controlled enterprises. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise”, we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC Shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC Shareholders.

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 February 3, 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 December 10, 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 Reorganization, 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.

RISK FACTORS

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

Most of our Directors and executive officers reside within China, and all of our assets and substantially all of the assets of those persons are located within China. It may not be possible for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments 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. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China 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》) are met. Therefore recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

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 dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. 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.

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 China's current foreign exchange control system, 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 China that have the licenses 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

RISK FACTORS

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.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular No. 37**”), which was promulgated by SAFE and became effective on July 4, 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 change in respect of the Offshore SPV, including, among other things, any major change 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 SAFE Circular No. 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.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of services will likely increase, and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. Measures adopted by the PRC government to control inflation may also slow economic activity in the PRC and reduce demand for our products and decrease our revenue growth and adversely affect our results of operations.

RISK FACTORS

We face risks of health epidemics and other natural disasters, which could severely disrupt our business operations.

Our business could be affected by the outbreak of H1N1, or the swine flu, avian influenza, severe acute respiratory syndrome, or SARS, or another epidemic. Beginning in 2013, there were reports of outbreaks of highly pathogenic avian flu, caused by the H7N9 virus, in various parts of the PRC. An outbreak of avian flu in the human population could result in a widespread health crisis that could adversely affect the economy and financial markets of China. Additionally, any recurrence of SARS, similar to the occurrence in 2003 which affected the PRC, Hong Kong, Taiwan, Singapore, Vietnam and certain other countries and regions, would also have similar adverse effects. Such disruptions could adversely affect our business operations and earnings.

Our operations are also vulnerable to natural disasters or other catastrophic events, including wars, terrorist attacks, snowstorms, earthquakes, typhoons, fire, floods, power failures and shortages, water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. If any natural disaster or catastrophic event were to strike in the future in China, especially in the areas where our operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market may not develop.

Prior to the Global Offering, there has not been a public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of, and the Offer Price will be the result of, negotiations among us and the Joint Global Coordinators on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the Global Offering, the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for the Shares 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;

RISK FACTORS

- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the property management 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, China and elsewhere in the world.

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 pricing 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.

Our future dividend policy is subject to the discretion of our Directors.

The amount of dividends which we may declare in the future will be subject to the discretion of our Board of Directors depending on our results, working capital, cash position, future operations, profitability, surplus and capital requirements, as well as our general financial condition and any other factors which our Board of Directors may consider to be relevant. Therefore, our historical dividend distributions are not indicative of our Company's future dividend distribution policy.

RISK FACTORS

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

Subject to Shareholders' approval, our Board of Directors shall, at their discretion, formulate the distribution of dividends. 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, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, 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. See "Financial Information — Dividends and Distributable Reserves — Dividends" for more details of our dividend policy.

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 together control approximately 73.95% 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 action 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.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six and 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in "Underwriting." Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

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 Frost & Sullivan are subject to assumptions and methodologies set forth in the "Industry Overview."

Facts and statistics in this prospectus relating to China and the industry in which we operate, including those relating to the PRC economy and the property management industry in

RISK FACTORS

China, are derived from various publications of governmental agencies or industry associations, or an industry report prepared by Frost & Sullivan 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 Joint Global Coordinators, the Joint Sponsors, 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.

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 Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, or any other person involved in the Global Offering has authorized 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 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

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

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Liao Chuanqiang and Mr. Lee Lung Piu, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. Each of our authorized 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 authorized representatives is authorized to communicate on our behalf with the Stock Exchange;
- (b) both our authorized representatives have means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of our Board 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. All Directors will provide his/her mobile phone number, residential phone number, fax number and email address to our authorized representatives, in event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone and all Directors and authorized representatives will provide his/her mobile number, office phone number, fax number and email address to the Stock Exchange;
- (c) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, which has access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorized 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 authorized representatives and/or the compliance adviser.

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 for, and the Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in “Connected Transactions — (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders’ approval requirement”; and (ii) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “Connected Transactions — (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements.” Please see the section headed “Connected Transactions” of this prospectus for further information.

DIRECTORS' RESPONSIBILITY STATEMENT

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

THE 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 and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

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

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, 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 contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our equity or debt securities 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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 6, 2018. The Shares will be traded in board lots of 250 Shares each. The stock code of the Shares will be 2168.

SHARES WILL BE ELIGIBLE FOR ADMISSION 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 Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified, the translation of Renminbi into U.S. dollars were made at the rate of RMB6.9377 to US\$1.00 and the translation of Renminbi into Hong Kong dollars were made at the rate of RMB0.8858 to HK\$1.00, and vice versa, in this prospectus.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

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.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS INVOLVED IN THE GLOBAL OFFERING

The members of our Board are:

Name	Address	Nationality
<i>Executive Directors</i>		
Liao Chuanqiang (廖傳強)	Room 401, Block B Tower 2 Shenzhen Kaisa Metropolitan Homeland Longgang District Shenzhen PRC	Chinese
Guo Li (郭麗)	Room 903, Unit B No. 2, Building 1 Kaisa Central Plaza (Third Phase) Bantian Street Longgang District Shenzhen PRC	Chinese
<i>Independent Non-executive Directors</i>		
Liu Hongbai (劉洪柏)	Room 901, Block A Shahe Qiaoyuan (Second Phase) Nanshan District Shenzhen PRC	Chinese
Ma Xiumin (馬秀敏)	Room 6C, Block 10 Bihai Yuntian Garden Qiaocheng East Road Nanshan District Shenzhen PRC	Chinese
Chen Bin (陳斌)	Room 11A, Block A Changle Garden Baihua No. 4 Road Futian District Shenzhen PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further details of each member of our Board, please refer to the section headed “Directors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

CLSA Capital Markets Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Global Coordinators

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Joint Bookrunners

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited

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

Guotai Junan Securities (Hong Kong) Limited

27/F 2803-6
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

UOB Kay Hian (Hong Kong) Limited

15/F, China Building
29 Queen's Road Central
Hong Kong

Joint Lead Managers

BOCOM International Securities Limited

9/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

CCB International Capital Limited

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

Kaisa Securities Limited

Rooms 2011-12, 20/F,
Two International Finance Centre
No. 8 Finance Street Central
Hong Kong

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

ABCI Securities Company Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited

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

Guotai Junan Securities (Hong Kong) Limited

27/F 2803-6
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

UOB Kay Hian (Hong Kong) Limited

15/F, China Building
29 Queen's Road Central
Hong Kong

BOCOM International Securities Limited

9/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CCB International Capital Limited

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

Kaisa Securities Limited

Rooms 2011-12, 20/F,
Two International Finance Centre
No. 8 Finance Street
Central Hong Kong

Co-Manager

Sinomax Securities Limited

Room 2705-06, 27/F
Tower One, Lippo Centre
89 Queensway, Hong Kong

Legal Advisers to Our Company

As to Hong Kong law:

Sidley Austin

Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:

King & Wood Mallesons

20th Floor, East Tower, World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Joint Sponsors
and the Underwriters**

As to Hong Kong law:

Simpson Thacher & Bartlett

35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC law:

Commerce & Finance Law Offices

6F, NCI Tower
A12 Jianguomenwai Avenue
Beijing
China

Auditor and Reporting Accountant

Grant Thornton Hong Kong Limited

Certified Public Accountants
12th Floor, 28 Hennessy Road
Wanchai
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

1014–1018, Tower B
500 Yunjin Road
Xuhui District
Shanghai
China

Compliance Adviser

UOB Kay Hian (Hong Kong) Limited

15/F, China Building
29 Queen's Road Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters	507, Kaisa Center 66 Nanyuan Road Futian Shenzhen PRC
Principal Place of Business in Hong Kong	Room 1901 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	www.jzywy.com <i>(The information on the website does not form part of this prospectus)</i>
Company Secretary	Lee Lung Piu (李龍標) (HKICPA, ACIS, ACS) Room 1901 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Liao Chuanqiang (廖傳強) Room 401, Block B Tower 2 Shenzhen Kaisa Metropolitan Homeland Longgang District Shenzhen PRC Lee Lung Piu (李龍標) (HKICPA, ACIS, ACS) Room 1901 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Chen Bin (<i>Chairman</i>) Mr. Liu Hongbai Ms. Ma Xiumin
Remuneration Committee	Mr. Liu Hongbai (<i>Chairman</i>) Mr. Liao Chuanqiang Ms. Ma Xiumin Mr. Chen Bin
Nomination Committee	Mr. Liao Chuanqiang (<i>Chairman</i>) Mr. Liu Hongbai Ms. Ma Xiumin Mr. Chen Bin
The Cayman Islands Principal Share Registrar and Transfer Office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. 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
Principal Banks	Huaxia Bank, Nanyuan Branch Unit 2, 1/F, Block B Kaisa Center 66 Nanyuan Road Futian District Shenzhen PRC China Merchants Bank, Tianhe Branch Floor F1, Kaisa Plaza 191 West Tiyu Road Tianhe District Guangzhou PRC

CORPORATE INFORMATION

**Industrial and Commercial Bank of China,
Youyi Branch**

1/F, Kerry Centre
2008 South Renmin Road
Shenzhen
PRC

**Industrial and Commercial Bank of China,
Huizhou Branch**

3 Civilized Road
Jiangbei Huizhou District
Huizhou
PRC

INDUSTRY OVERVIEW

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

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

SOURCES OF INFORMATION

Our Group has engaged Frost & Sullivan, an independent third party, to conduct a study of the property management services industry in China. We agreed to pay Frost & Sullivan a fee of RMB750,000 for the preparation of the Frost & Sullivan report, and our Directors consider that such fee reflects market rates.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has four offices in Hong Kong and China and direct access to the most knowledgeable experts and market participants in the property management services market.

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan report included primary research and secondary research. Primary research involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involves information integration of data and publication from various resources, including company reports, independent research reports and data based on Frost & Sullivan's own research database.

In compiling and preparing the Frost & Sullivan report, Frost & Sullivan has adopted the following assumptions: (i) the Chinese economy is likely to maintain steady growth in the next decade; and (ii) the Chinese social, economic and political environment is likely to remain stable in the forecast period.

CHINA'S PROPERTY MANAGEMENT SERVICES MARKET OVERVIEW

Definition and Segmentation

Property management is the operation, control and oversight of real estate as used in its most broad terms. Most Chinese property management services companies provide services for

INDUSTRY OVERVIEW

a wide range of properties, including residential communities and non-residential properties, such as office buildings, government buildings, shopping centers, industrial facilities, arenas and stadiums, schools and hospitals. Property management can also include the management of other ancillary assets that are acquired and used to build, repair and maintain end item deliverables. Property management services companies generally offer these services: (i) property management services, (ii) pre-delivery and consulting services, and (iii) value-added services.

Property management services refer to services such as security, repair, cleaning and maintenance provided to residential communities (including mixed-use properties) and non-residential properties, including commercial properties, entertainment places and government buildings. Property management services companies can charge management fees either on a lump sum basis or on a commission basis.

Pre-delivery property management services refer to any sales-related assistance and services provided to the property developers at the pre-delivery stage of a sale of property. Property consulting services include advising property developers on project planning, design management and construction management.

Value-added property management services include (i) engineering services such as automation consulting, engineering product sales and inspection, repair, maintenance and upgrade of equipment; and (ii) community leasing, sales and other services where residents and tenants of the managed properties are offered a diversified range of online and offline services, such as common area rental assistance and housekeeping, through the O2O platform.

The history of the China's property management services market can be traced back to the early 1980s. The property management services market has experienced rapid growth over the past few decades. The official promulgation of the Provisions on Property Management (《物業管理條例》) in June 2003 provided a legal framework for regulating the property management services market. According to the Administrative Measures on Property Management Company Fees (《物業服務收費管理辦法》), which were jointly promulgated by NDRC and the Ministry of Housing and Urban-Rural Development on November 13, 2003 and came into effect on January 1, 2004, property management services companies are permitted to charge property owners fees for the maintenance and management of properties and ancillary facilities, and for compliance with environmental protection regulations and other relevant standards.

Market Size of Property Management Services Market

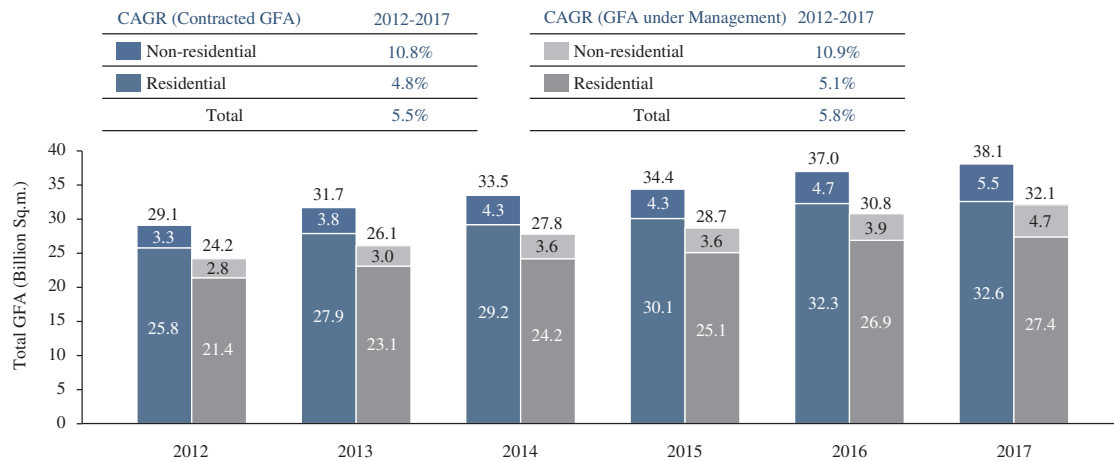
Contracted GFA refers to the aggregate of GFA under operating property management services contracts. From 2012 to 2017, the total contracted GFA by property management services companies increased from 29.1 billion sq.m. in 2012 to 38.1 billion sq.m. in 2017, with a CAGR of 5.5%. The total contracted GFA of residential communities reached 32.6 billion sq.m. in 2017, with a CAGR of 4.8% from 2012 to 2017, and the total contracted GFA of non-residential properties reached 5.5 billion sq.m. in 2017, with a CAGR of 10.9% from 2012 to 2017.

Different from contracted GFA, GFA under management refers to the aggregate of GFA of individual units privately owned by property owners and GFA of common areas. From 2012

INDUSTRY OVERVIEW

to 2017, the total GFA under management by property management services companies has increased from 24.2 billion sq.m. in 2012 to 32.1 billion sq.m. in 2017, with a CAGR of 5.8%. The total GFA under management of residential communities reached 27.4 billion sq.m. in 2017, with a CAGR of 5.1% from 2012 to 2017, and the total GFA under management of non-residential properties reached 4.7 billion sq.m. in 2017, with a CAGR of 10.9% from 2012 to 2017. The chart below sets forth the total contracted GFA and total GFA under management by property management services companies in China from 2012 to 2017.

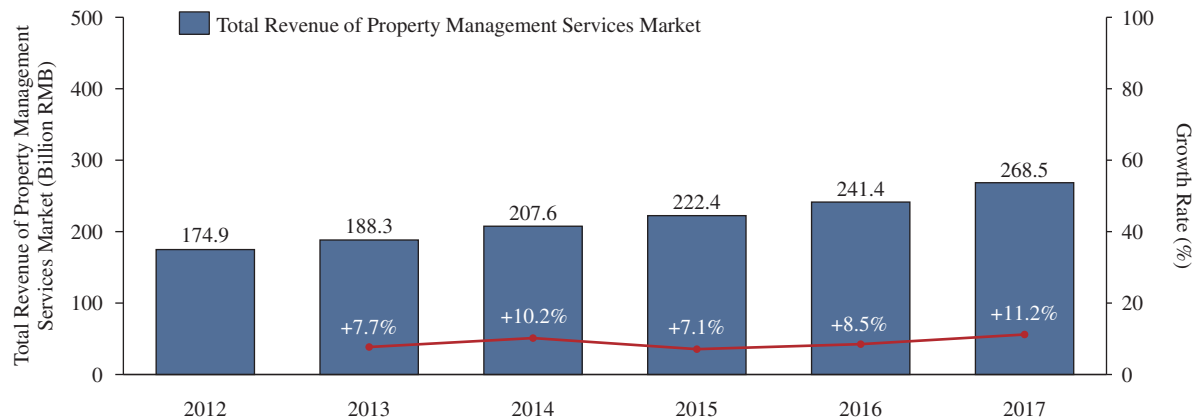
Total Contracted GFA and Total GFA Under Management by Property Management Services Companies (China), 2012 – 2017



Source: Frost & Sullivan

With rapid urbanization and increasing per capita disposable income as well as the development of real estate market, the property management services market kept fast growth in recent years. From 2012 to 2017, the total revenue of property management services market has increased from RMB174.9 billion to RMB268.5 billion, with a CAGR of 9.0%. In the future, the property management services market is expected to develop continuously. The chart below sets forth the total revenue of property management services companies in China from 2012 to 2017.

Total Revenue of Property Management Services Market (China), 2012 – 2017



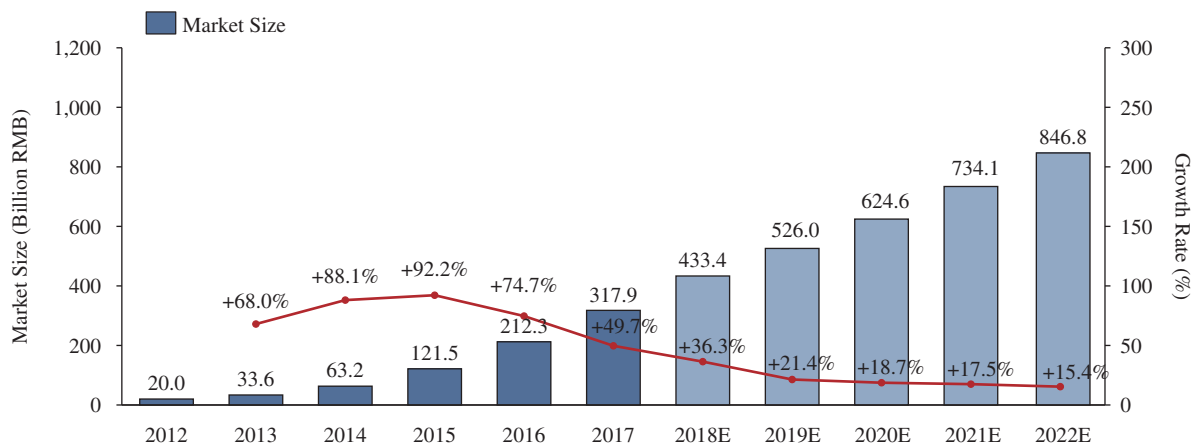
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Size of Residential Community O2O Market in China

Residential community O2O is a platform where online and offline resources are integrated to deliver property management services and products to property owners and residents conveniently, and to realize streams of information and capital within this closed cycle. Residential community O2O addresses problems offline service providers are facing as it provides delivery and door-to-door services within the communities. With the further development of the internet industry and increasingly diversified demands of property owners and residents, the market size of residential community O2O market has undergone rapid development in recent years. The market size of residential community O2O market in China has reached RMB317.9 billion in 2017, with a CAGR of 73.8% from 2012 to 2017. In the future, with the further promotion of government policies such as “Internet Plus” and the continuous increase in disposable income, the residential community O2O market is expected to keep growing. In 2022, the market size of residential community O2O market is anticipated to reach RMB846.8 billion, with a CAGR of 21.7% from 2017 to 2022. Leverage on the stable customer base and rich offline community resources, property management services companies are well positioned to provide O2O services within communities to meet the needs of property owners and residents. The chart below sets forth the market size of residential community O2O market in China from 2012 to 2022.

Market Size of Residential Community O2O Market (China), 2012 – 2022E



Note: Residential community O2O is designed to provide local services, mainly including the meal delivery service, grocery delivery service, housekeeping service, house call beauty care service and other door-to-door services reserved or purchased through internet, such as laundry service and maintenance services.

Source: Frost & Sullivan

MARKET DRIVERS OF CHINA'S PROPERTY MANAGEMENT SERVICES MARKET

Increasing Per Capita Disposable Income and Rapid Urbanization: The growth of per capita disposable income and rapid urbanization has a positive effect on Chinese property owners and residents' purchasing power and demand for property management services. Rapid urbanization results in increasing demand for property management with rapid growth of the real estate market. Therefore, increasing per capita disposable income and rapid urbanization has been one of the main drivers for the property management services market. Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and Bohai Economic Rim are the most economically dynamic regions in China. The Guangdong-Hong Kong-Macau Bay Area

INDUSTRY OVERVIEW

and Yangtze River Delta are well developed with a high urbanization rate and per capita annual disposable income. In 2017, the urbanization rate in Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta reached 85.0% and 71.0%, respectively, far above the urbanization rate in China. As for per capita annual disposable income, the Guangdong-Hong Kong-Macau Bay Area was more than three times as much as the national average, reaching RMB85,483.1 in 2017. The table below sets forth the population, urbanization and per capita disposable income in China, Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and Bohai Economic Rim from 2012 to 2017.

Population, Urbanization and Per Capita Disposable Income (China, Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim), 2012 – 2017

	2012	2013	2014	2015	2016	2017	2012-2017 CAGR
China							
Total Population (millions)	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	0.5%
Urban Population (millions)	711.8	731.1	749.2	771.2	793.0	813.5	2.7%
Urbanization Rate	52.6%	53.7%	54.8%	56.1%	57.3%	58.5%	N/A
Per Capita Annual Disposable Income (RMB)	16,510.0	18,311.0	20,167.0	21,966.0	23,821.0	25,974.0	9.5%
Guangdong-Hong Kong-Macau Bay Area							
Total Population (millions)	64.6	65.0	65.5	66.7	67.2	67.9	1.0%
Urban Population (millions)	55.5	55.8	56.4	57.6	58.2	58.9	1.2%
Urbanization Rate	83.8%	84.0%	84.1%	84.6%	84.8%	85.0%	N/A
Per Capita Annual Disposable Income (RMB)	58,085.4	62,160.6	66,905.9	71,780.0	78,184.9	85,483.1	8.0%
Yangtze River Delta							
Total Population (millions)	157.8	158.5	158.9	159.3	160.1	160.7	0.4%
Urban Population (millions)	105.8	107.7	109.4	110.7	112.9	114.1	1.5%
Urbanization Rate	67.0%	68.0%	68.8%	69.5%	70.5%	71.0%	N/A
Per Capita Annual Disposable Income (RMB)	33,384.4	36,294.0	39,202.0	42,346.4	45,807.2	50,420.1	8.6%
Bohai Economic Rim							
Total Population (millions)	309.4	311.7	313.9	315.5	317.3	319.6	0.7%
Urban Population (millions)	175.9	180.8	185.3	190.6	195.9	201.1	2.7%
Urbanization Rate	56.9%	58.0%	59.0%	60.4%	61.7%	62.9%	N/A
Per Capita Annual Disposable Income (RMB)	25,285.5	27,309.5	29,675.1	31,992.4	34,321.1	36,547.8	7.7%

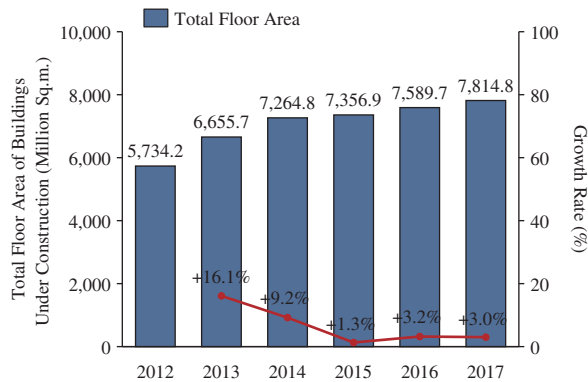
Source: National Bureau of Statistics of China; Frost & Sullivan

Further Development of Real Estate Market: The Chinese government has increased the land supply owing to the rapid urbanization and growing per capita disposable income. Thus, the real estate market achieved further development in recent years. Accordingly, the further development of real estate market drives the demands for property management services. Our long-term business cooperation with the Remaining Kaisa Group, a leading property developer in China and our Controlling Shareholder, has benefited and will continue to benefit us from its extensive and large project reserve. According to Frost & Sullivan, our close business relationship with the Remaining Kaisa Group is common for Chinese property

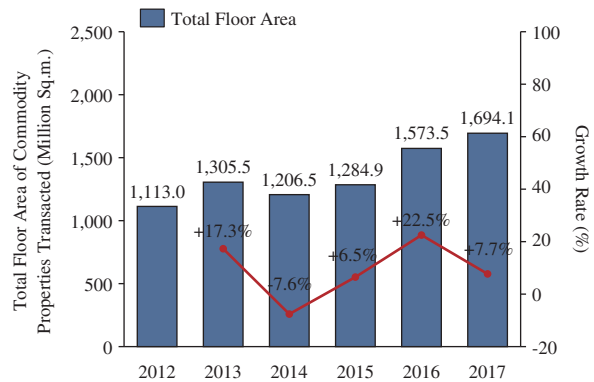
INDUSTRY OVERVIEW

management companies. The charts below set forth the total floor area of buildings under construction and total floor area of commodity properties transacted in China from 2012 to 2017, demonstrating the rapid growth of the real estate market in China.

Total Floor Area of Buildings under Construction (China), 2012 – 2017



Total Floor Area of Commodity Properties Transacted (China), 2012 – 2017



Note: Commodity properties include residential properties, commercial properties and other properties and exclude second-hand properties.

Source: National Bureau of Statistics of China; Frost & Sullivan

Support of Government Policies: Chinese government promulgated a series of policies to support the development of property management services market. National Development and Reform Commission issued the Opinions on Relaxing Fees Controls in Several Services (《放開部分服務價格意見的通知》) in 2014, which requires the provincial-level price administration authorities to abolish any price control or guidance policies on residential properties other than affordable housing. Property management fees for affordable housing, housing-reform properties and properties in old residential areas remain subject to price guidance imposed by competent provincial-level price administration departments and the administrative departments of housing and urban-rural development. It is expected that the favorable government policies will encourage the development of property management services market continuously. The Urban Real Estate Law (《城市房地產管理法》) defines a real estate developer as an enterprise which engages in the development and sale of real estate for the purpose of making profit. Additionally, the Law On Property (《物權法》) explicates that property owners can either manage the buildings and the ancillary facilities by themselves or engage a property management company or custodian. Property owners could also replace the property management company or custodian engaged by the developer.

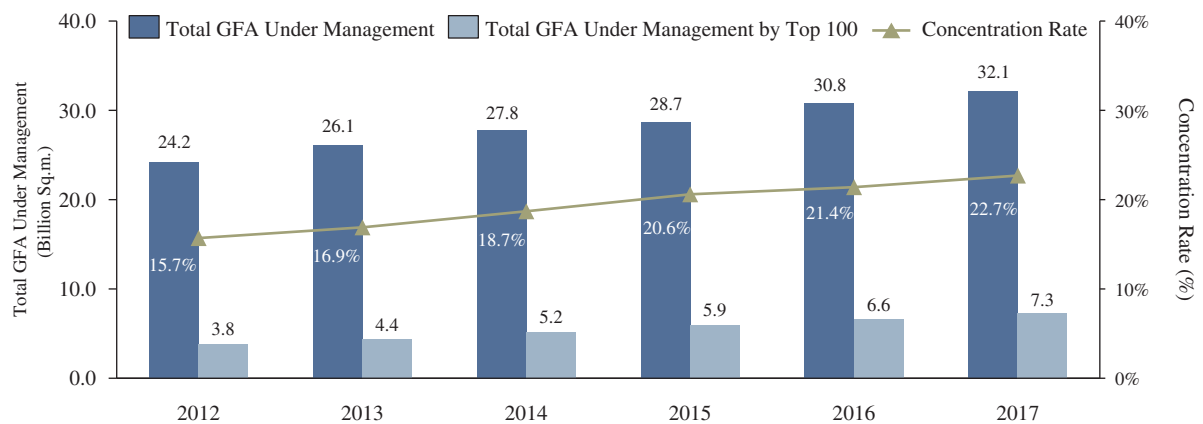
MARKET TRENDS OF CHINA'S PROPERTY MANAGEMENT SERVICES MARKET

Increasing Concentration Rate of Top 100 Property Management Services Companies: The degree of concentration of the property management services market is increasing in recent years as a result of policy changes, market competition and information technology. In particular, a few of the leading property management services companies are seeking access to enhance management standards and core competitiveness through mergers and acquisitions. Moreover, property management services companies are making efforts to develop alliances and partnerships in order to achieve economies of scale, resulting in the

INDUSTRY OVERVIEW

increasing concentration level of China's property management services market. In terms of total GFA under management by property management services companies, the top 100 property management services companies in aggregate accounted for approximately 15.7% of the total GFA under management in China, reaching 3.8 billion sq.m. in 2012. In recent five years, with the acceleration of top 100 property management services companies' expansion, the concentration rate of top 100 property management services companies increased continuously. In 2017, the total GFA under management of top 100 property management services companies reached 7.3 billion sq.m., amounting to 22.7% of the total GFA under management in China. The chart below sets forth the concentration rate of top 100 property management services companies in terms of total GFA under management in China from 2012 to 2017.

Concentration Rate of Top 100 Property Management Services Companies in Terms of Total GFA Under Management (China), 2012 – 2017



Source: Frost & Sullivan

Enhanced Standardization and Automation: There is no uniform standard governing the service provided by property management services companies in China. As a result, the quality of property management services from different companies could vary significantly. Thus, an increasing number of leading companies are making efforts to enhance the standardization of property management services. In addition, more investment in automation technology is purposed to improve the efficiency of property management services, such as intelligent systems in communities, like access control system and parking management system. Those companies are expected to improve the efficiency of corporate management and foster quality services through enhancing automation technology.

Chances from Diversified and Innovative Service: With the rapid development of the internet, data technology, and the growing demand for a diverse range of property management services, the property management services companies are capitalizing on the business opportunities and adjusting their traditional business model in order to sustain profit growth. In addition, the diversification of property management services is facilitated by information technology and the internet. For example, residential community O2O platform is a residential community platform where online and offline resources are integrated to deliver property management services such as grocery delivery service, maintenance and housing keeping service to property owners and residents more conveniently. The rapid development of mobile internet and big data enables the property management services companies to provide customers with various innovative services.

INDUSTRY OVERVIEW

The residential property management services market is becoming increasingly competitive as a result of rising labor and operation cost. Thus, property management services companies are expanding their services to more diversified types of properties such as non-residential properties. The entry barriers for non-residential property management services market are relatively higher due to less competitors in the market where experienced and large-scale companies are major players. Moreover, property management services companies are more flexible in negotiating with the property owners of non-residential properties on the property management fees. As a result, property management services companies are trying to gain competitive advantages through expanding services to more diversified properties such as public properties, office buildings and hotels, commercial establishments and government properties.

Increasing Labor and Operation Cost: The property management services market is labor intensive as it involves a large amount of workers such as security guards, cleaners and maintainers. The minimum monthly wage is increasing continuously in recent years. The monthly and daily average wages of workers in the property management service industry has increased from RMB3,056.5 in 2012 to RMB4,568.9 in 2017 and from RMB146.7 in 2012 to RMB219.3 in 2017, respectively, representing a CAGR of approximately 8.4%. In particular, with the rapid growth of the property management service industry in the Guangdong-Hong Kong-Macau Bay Area, the monthly and daily average wages of workers in the property management service industry in this region has increased from RMB4,317.8 in 2012 to RMB6,122.9 in 2017 and from RMB207.3 in 2012 to RMB293.9 in 2017, respectively, representing a CAGR of approximately 7.2%. In addition, the utility fees such as electricity and water have also increased in the last few years. The rising labor cost and operation cost may reduce the profit margin for property management services companies and produce greater pressure for these companies in the market.

COMPETITIVE LANDSCAPE

The property management services market in China is quite fragmented, with the top 100 companies accounting for approximately 26.57% of the total revenue of property management services market in China. In 2017, in terms of revenue, we were ranked 14th among the property management services companies in China, with a revenue of RMB0.67 billion, accounting for approximately 0.25% of the total revenue of property management services market. The table below sets for the market share of the top 100 property management services companies in China in 2017.

Top 100 Property Management Services Companies (China), 2017

Ranking	Company	Market Share (%)
1	Company A	2.59%
2	Company B	1.91%
3	Company C	1.21%
4	Company D	1.16%
5	Company E	1.08%
6	Company F	1.07%
7	Company G	0.76%
8	Company H	0.67%
9	Company I	0.66%
10	Company J	0.61%
11	Company K	0.47%
12	Company L	0.45%
13	Company M	0.37%
14	Our Group	0.25%
.....
100
Top 100		26.57%

Source: Annual Report; Frost & Sullivan

INDUSTRY OVERVIEW

According to Frost & Sullivan, our range of monthly management fee per sq.m. during the Track Record Period fell within the industry range. In particular, in 2017, our average property management fee for residential properties of RMB2.27 per sq.m./month was above industry average.

In 2017, the total revenue of property management services market in the Guangdong-Hong Kong-Macau Bay Area reached RMB96.2 billion. The property management services market in Guangdong-Hong Kong-Macau Bay Area is quite fragmented, with the top ten companies accounting for approximately 7.75% of the total revenue of property management services market in the Guangdong-Hong Kong-Macau Bay Area. In 2017, in terms of revenue, we were ranked seventh among the property management services companies in the Guangdong-Hong Kong-Macau Bay Area, accounting for approximately 0.43% of the total revenue of property management services market in the Guangdong-Hong Kong-Macau Bay Area. In 2017, we offered property management services for eight large-scale arenas and stadiums, accounting for approximately 3.2% of the total number of arenas and stadiums in the Guangdong-Hong Kong-Macau Bay Area. The table below sets for the market share of the top ten property management services companies in the Guangdong-Hong Kong-Macau Bay Area in 2017.

Top 10 Property Management Services Companies (Guangdong-Hong Kong-Macau Bay Area), 2017

Ranking	Company	Market Share (%)
1	Company A	2.17%
2	Company D	1.21%
3	Company F	1.19%
4	Company G	0.69%
5	Company C	0.50%
6	Company E	0.45%
7	Our Group	0.43%
8	Company J	0.39%
9	Company H	0.37%
10	Company I	0.35%
Top 10		7.75%

Source: Annual Report; Frost & Sullivan

ENTRY BARRIERS IN CHINA

Brand Reputation: Brand reputation is an important factor for property management services companies. Most consumers prefer better recognized property management services companies over less well-known service providers. A strong brand reputation relies on years of good management and cultivation. Therefore, new participants may not catch up to the established brands easily.

Customer Relationship: Customer relationship is one of the determinant factors affecting the business of property management services companies. In particular, long-term customer relationships serves as the basis for the co-operation with some customers with high standards and demand for quality property management services, such as hospitals and

INDUSTRY OVERVIEW

government institutions. Thus, the new players in this market may experience difficulties in forming valuable connections and achieving good customer relationships.

Qualification of Property Service Enterprise: In March 2018, the PRC government abolished the Administrative Measures on Qualification of Property Management Services Companies (《物業服務企業資質管理辦法》), thereby reducing entry barriers of the property management services market. However, customers may still take into consideration such qualifications, which may not be readily available to new participants in the property management services market.

Rich Industry Experience: Property management services market in the Guangdong-Hong Kong-Macau Bay Area enjoys a nationwide leading position, which involves a large number of outstanding property management services companies. Thus, customers prefer property management services companies in this area with rich experience and a well-established brand. New players in the Guangdong-Hong Kong-Macau Bay Area may face substantial difficulties in competing with these experienced property management services companies.

REGULATORY OVERVIEW

Our businesses are carried out under extensive regulation and supervision of the Chinese government. This section sets out the main laws, regulations as well as policies we shall abide by.

LEGAL SUPERVISION OVER PROPERTY MANAGEMENT SERVICES

Foreign Investment Property Management Enterprises

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) (issued by the State Council on February 11, 2002 and came into effect on April 1, 2002), foreign investment projects are divided into four categories, namely “encouraged”, “allowed”, “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. 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.

According to the Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (No. 18 Order of the National Development and Reform Commission and the Ministry of Commerce) (issued on June 28, 2018 and came into effect on July 28, 2018), property management industry is an industry that allows foreign merchants to make investments.

Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) (No. 379 Order of the State Council) (issued by the State Council on June 8, 2003, came into effect on September 1, 2003 and revised on August 26, 2007, February 6, 2016 and March 19, 2018), enterprises engaged in property management activities shall have independent corporate capacity. The construction administration authority of the State Council shall, jointly with the relevant authorities, establish a joint honesty incentives and joint dishonesty punishment mechanism, and strengthen industry creditworthiness administration.

Appointment of the Property Management Enterprises

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

REGULATORY OVERVIEW

According to the Regulations on Property Management, a general meeting of the property owners of a property can engage or dismiss the property management enterprise with affirmative votes of owners who exclusively own more than half of the total construction area of the building(s) and who account for more than half of the total number of the property owners. Homeowners' association, on behalf of the general meeting, signs the property management contract with property management enterprises engaged at the general meeting. Where a developer recruits and selects any property management enterprise before it is selected by owners and the general meeting, such developer shall conclude a written preliminary property management contract with the enterprise. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the homeowners' 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 and the Interim Measures for Bid-inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》) (JZF [2003] No. 130) (issued by the Ministry of Housing and Urban-Rural Development on June 26, 2003 and came into effect on September 1, 2003), the developer of residential buildings and non-residential buildings in the same property management area shall engage property management enterprises by bid inviting. In case where there are less than three bidders or for small-scale properties, the developer can hire property management enterprise by signing agreement with the approval of the real estate administrative department of the people's government of the district or county of the place where the property is located. Where the developer fails to hire the property management enterprise through bid inviting or hires the property management enterprise by signing agreement without approval of relevant government department, the competent real estate administrative department of the people's government at or above the county level shall order it to make correction within a prescribed time limit, issue a warning and impose with the penalty of less than RMB100,000.

A bid assessment committee established by the developer in accordance with the law shall be in charge of the assessment of the bid. The bid assessment committee shall be composed of the representatives of the developer and property management experts and the number of members shall be an odd number at or above five, and the expert members may not be less than two-thirds of the total members. Expert members in the bid assessment committee shall be selected randomly from the roster of experts established by the competent real estate administrative department. A person having a common interest or have an interest conflict with a bidder may not join the bid assessment committee of the related project.

In addition, Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》) (FS [2009] No. 8) (issued by the Supreme People's Court on May 15, 2009 and came into effect on October 1, 2009) stipulates the interpretation principles applied by the court when hearing the dispute on specific matters between property owners and property management enterprises. For example, the preliminary property management contract signed according to law by the developer and property management enterprise and the property management contract signed by the homeowners' association and property management enterprises hired according to law by the general meeting are legally binding on property owners. Thus, the people's court shall not

support a claim if property owners plead for the cause of not being the contract party. The court shall support a claim if the homeowners' association or property owners appealed to the court to confirm that the clauses of property management service contracts which exempt the liability of property management enterprises or which aggravate the liability or exempt the rights of homeowners' association or property owners are invalid.

Charging of Property Management Enterprises

According to the Measures on the Charges of Property Services (《物業服務收費管理辦法》) (FGJG [2003] No. 1864) (jointly issued by the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development on November 13, 2003 and came into effect on January 1, 2004), property management enterprises are permitted to charge fees from property owners for the maintenance, conservation and management of properties, ancillary facilities and related grounds, and the maintenance of the environmental health and order of relevant areas according to relevant management contract.

The competent pricing department and construction administrative department of the State Council shall jointly take charge of supervising and administering the fees charged by property management enterprises throughout the PRC. The competent pricing departments of the local people's governments at or above the county level shall be in charge of supervision and control over fee charged by property management within their administrative regions jointly with the competent real estate administrative departments at the same level.

The fees charged by property management enterprises shall be based on both the government guidance price and market-regulated price on the basis of the nature and features of relevant properties. Specific forms of pricing shall be determined by the competent pricing departments of the people's governments in the provinces, autonomous regions and municipalities directly under the Central Government jointly with competent administrative departments at the same level.

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

Property management enterprises shall expressly mark prices according to the regulations adopted by competent pricing departments of the people's government, revealing the service information, standards, charging items and standards to the public at prominent positions within the property management region.

REGULATORY OVERVIEW

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》) (FGJJ [2004] No. 1428) (jointly issued by the National Development and Reform Commission and the Ministry of Construction on July 19, 2004 and came into effect on October 1, 2004), property management enterprises shall clearly mark the price and state service items, charging standards and relevant information on services (including property management services under the property management contract and services entrusted by property owners) provided to the owners. If the 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. If property management enterprises fail to charge according to the marked price or mark false price, they may be ordered to surrender all illegal incomes obtained therefrom, pay the penalty, even in severe cases be imposed to cease business operation for rectification or revoke business license, until irregularities are corrected.

According to the Measures for Property Management Pricing Costs Supervision and Examination (Trial) (《物業服務定價成本監審辦法(試行)》) (FGJG [2007] No. 2285) (jointly issued by the National Development and Reform Commission and the Ministry of Construction on September 10, 2007 and came into effect on October 1, 2007), competent pricing departments of people's government formulate and regulate property management charging standards and implement 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 people's government. With the assistance of competent real estate administrative departments, competent pricing departments are responsible to organize the supervision and examination of the property management pricing cost. 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.

LEGAL SUPERVISION OVER THE INTERNET INFORMATION SERVICES

Supervision on Internet Information Services

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (No. 292 Order of the State Council) (issued by the State Council on September 25, 2000, came into effect on the same day and revised on January 8, 2011), internet information service refers to the provision of information through internet to web users, and includes two categories: commercial and non-commercial. Commercial internet information service refers to the provision with charge of payment of information through internet to web users or of web page designing, etc. Non-commercial internet information service refers to the provision free of charge of public, commonly-shared information through internet to web users.

Entities engaged in providing commercial internet information service shall apply for a license for value-added telecommunication services. As for the operation of non-commercial internet information services, only a filing is required. Internet information service provider shall provide services within the scope of their licenses or filing. Non-commercial internet information service providers shall not provide services with charge of payment. In case an

REGULATORY OVERVIEW

internet information service provider changes its services, website address, etc., it shall apply for approval 30 days in advance at the relevant government department.

Where an entity provides commercial internet information service without a license or provides service beyond the scope of the license, the competent 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 3 times and less than 5 times of such gains shall be imposed. Where there is no illegal gain or the gain is less than RMB50,000, a fine of RMB100,000 to RMB1 million shall be imposed. Where the circumstance is serious, the website shall be ordered to shut down. Where an entity provides non-commercial internet information service without a filing, the competent 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.

Supervision on Mobile Internet Application Information Services

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》) (issued by the Cyberspace Administration of China on June 28, 2016 and came into effect on August 1, 2016), entities providing information services through mobile internet applications shall obtain relevant qualifications according to law. Mobile internet application providers shall not use mobile internet application program to carry out activities prohibited by laws and regulations, such as endangering national security, disturbing public orders, and infringing other's legal rights and interests, or use mobile internet applications to produce, copy, publish and spread illegal information prohibited by laws and regulations.

The Cyberspace Administration of China shall be responsible for the supervision and administration of information on mobile internet applications. The local cyberspace administrations shall be responsible for the supervision and administration of information on mobile internet application program within the administrative regions.

LABOR AND SOCIAL SECURITY-RELATED LAWS AND REGULATIONS

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (No. 28 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and revised on August 27, 2009), employers shall establish and improve their rules and regulations in accordance with the law so as to ensure that workers enjoy labor rights and perform their labor obligations. Labor contracts shall be concluded if labor relationships are to be established.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (No. 65 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on June 29, 2007, came into effect on January 1, 2008 and revised on December 28, 2012) and the Regulation on the Implementation of the Labor Contract Law of the PRC (No. 535 Order of the State Council) (issued by the State Council on September 18, 2008 and came into effect on the same day), labor contracts must be concluded in written form. Upon reaching an agreement after due negotiation, an employer and an employee may conclude a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes

REGULATORY OVERVIEW

upon the completion of certain work assignment. Upon reaching an agreement after due negotiation with employees or under other circumstances in line with legal conditions, an employer may terminate a labor contract and dismiss its employees according to law.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (No. 259 Order of the State Council) (issued by the State Council on January 22, 1999 and came into effect on the same day), the Regulation on Work-Related Injury (《工傷保險條例》) (No. 375 Order of the State Council) (issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010), the Regulations on Unemployment Insurance (《失業保險條例》) (No. 258 Order of the State Council) (issued by the State Council on January 22, 1999 and came into effect on the same day) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) (Order No. 504 of the Ministry of Labor and Social Security) (issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995), enterprises subject to those laws and regulations shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (Order No. 35 of the President of the PRC), (issued by the Standing Committee of the National People's Congress on October 28, 2010 and came into effect on July 1, 2011), for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of five-ten thousandths of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default shall be imposed on them by the relevant administrative department.

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (No. 262 Order of the State Council) (issued by the State Council on April 3, 1999 and came into effect on the same day, and revised on March 24, 2002), an employee shall own the housing provident fund deposited by the employee and its employer. Employers shall pay the housing provident fund in full and on time and overdue or insufficient payment shall be prohibited. Employers shall conduct the housing fund payment and deposition registration in the housing provident fund administrative center. For entities in violation of the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant entities to complete the relevant procedures within a prescribed time limit. Companies failing to make registration within the prescribed time limit will be fined RMB10,000 to RMB50,000. In the event that an entity violates these regulations and fails to pay the housing provident fund in full amount before the deadline, the housing provident fund administrative center will order the entity to pay the amount within a prescribed time limit; if the entity still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for compulsory enforcement.

INTELLECTUAL PROPERTY RIGHTS RELATED LAWS AND REGULATIONS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) (No. 11 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on March 12, 1984, came into effect on April 1, 1985, revised on September 4, 1992, August 25, 2000 and December 27, 2008), the patent administrative department of the State Council 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., one invention can only be awarded one patent, 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 patent for invention is 20 years, while the validity period of utility models and design is 10 years, all counted from the date of application. Others may use the patent after obtaining the permit of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (No. 10 Order of the Standing Committee of the National People's Congress) (issued by the Standing Committee on August 23, 1982, came into effect on March 1, 1983 and revised on February 22, 1993, October 27, 2001 and August 30, 2013) and the PRC Trademark Law Implementing Regulations (《中華人民共和國商標法實施條例》) (No. 651 Order of the State Council) (issued by the State Council on April 29, 2014 and came into effect on May 1, 2014). The Trademark Bureau under the State Intellectual Property Office of the PRC is responsible for domestic trademark registration. The validity period of trademark is 10 years. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall undergo the renewal formalities within 12 months before expiry according to the relevant provisions. If failing to do so, the trademark registrant may be granted a six-month grace period. The period of validity of each renewal is ten years, commencing from the day after the expiry date of the last period of validity. If the renewal formalities are not undergone within the grace period, the registration of the trademark shall be canceled. Trademark registrants may, by signing a trademark license contract, authorize others to use their registered trademark. The trademark license contract shall be submitted to the trademark office for filing. An unrecorded license may not be used as a defense against a third party in good faith. As for trademark registration, trademark law adopts the principle of "prior application". Where two or more trademark registration applicants apply for registration of identical or similar trademarks to be used on identical or similar goods, the trademark, the registration of which is applied for first, shall be preliminarily approved and published; or if the applications are filed on the same day, the trademark which is used first shall be preliminarily approved and published, while the applications of the others shall be rejected without publication. Where a trademark in registration application is identical with or similar to the trademark of another party that has, in respect of the same or similar goods or services, been registered or, after examination, preliminarily approved, the application for trademark registration may be rejected. Anyone who

applies for trademark registration shall not impair any existing prior right of anyone else, or forestall others in registering a trademark with a certain reputation already used by another party.

Copyright Law

The Copyright Law of the PRC (《中華人民共和國著作權法》) (No. 31 Order of the President of the PRC) (issued by the Standing Committee of the National People's Congress on September 7, 1990, came into effect on June 1, 1991 and revised on October 27, 2001 and February 26, 2010) specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, all enjoy the copyright. Copyright holders 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》) (No. 1 Order of the National Copyright Administration) (issued by the National Copyright Administration on February 20, 2002, and came into effect on the same day) regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. 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》) (No. 339 Order of the State Council) (issued by the State Council on December 20, 2001, came into effect on January 1, 2002 and revised on January 8, 2011 and January 30, 2013).

According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in Hearing Cases of Civil Disputes of Information Network Transmission Right (《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》) (No. 20 FS [2012]) (issued by the Supreme People's Court on December 17, 2012 and came into effect on January 1, 2013), where network users or network service providers provide, through information networks, any work, performance, or audio or video recording in which the right holders enjoy the transmission right of information network without due permission, they shall be regarded as infringing upon the transmission right of information network by the people's court.

Domain Name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) (No. 43 Order of the Ministry of Information Industry) (issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017), the Ministry of Information Industry shall conduct supervision and administration of the domain name services nationwide, the communications administrations of all provinces, autonomous regions and municipalities directly under the Central Government shall conduct supervision and administration of the domain name services within their respective administrative regions.

Domain name registration services shall, in principle, be subject to the principle of “apply first, register first”. A domain name registrar shall, in the process of providing domain name registration services, require an applicant for the registration of a domain name to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration information. Where any organization or individual registers or uses any domain name in violation of the provisions, which constitutes a crime, it or he shall be subject to criminal liability in accordance with the law; or if the act does not constitute a crime, it or he shall be punished by the relevant department in accordance with the law.

CHINESE TAX LAWS AND REGULATIONS

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》) (No. 63 Order of the President of PRC, hereinafter referred to as the Enterprise Income Tax Law) (issued by the National People’s Congress on March 16, 2007, came into effect on January 1, 2008 and revised on February 24, 2017) and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (No. 512 Order of the State Council, hereinafter referred to as Regulations on the Implementation of the Enterprise Income Tax Law) (issued by the State Council on December 6, 2007 and came into effect on January 1, 2008), the 25% rate applies to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises who have production and operation facilities in the PRC. These enterprises are classified into resident and non-resident enterprises. Enterprises which are established according to the law of a foreign country or region, but whose actual management bodies (referring to the bodies conducting substantive and all-around management and control over the enterprises’ production, operation, personnel, accounting matters, finance, etc.) are in the PRC are deemed as resident enterprises. Thus, the 25% rate applies to their income from both inside and outside the PRC.

According to the Enterprise Income Tax Law and the Regulations on the Implementation of the Enterprise Income Tax Law, dividends distributed to non-resident enterprise (enterprises have no organizations or business sites in China, or those have organizations and business sites in China but to whom the income of the enterprises is not substantially connected) investors shall be subject to withholding tax levied at 10% except where the applicable tax treaties are reached between the jurisdictions of the non-resident enterprises and the PRC and the terms on relevant tax concession are provided. Similarly, any profit derived from the transfer of shares by the investor, if regarded as profit of income within the territory of the PRC, shall be taxed in accordance with a Chinese income tax rate of 10% (or a lower tax treaty rate (if applicable)).

According to the Arrangements Between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (issued by State Administration of Taxation on August 21, 2006 and came into effect on December 8, 2006, and was revised on January 30, 2008, May 27, 2010 and April 1, 2015) and the Announcement of the State Administration of Taxation on the Determination of “Beneficial Owners” in the Tax Treaties (《關於稅收協定中「受益所有人」有關問題的公告》) ([2018] No. 9) (issued by State Administration of Taxation on February 3, 2018), if any company incorporated in Hong Kong holds no less than 25% of the equity of a

REGULATORY OVERVIEW

PRC company, its dividend obtained from the company incorporated in the PRC shall be taxed with a lower tax rate of 5% as the withholding tax. The Notice 9 provides that “Beneficial Owners” refer to persons who engaged in substantial business operations.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the 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》) (GJSWZJGG [2015] No. 7) (issued by State Administration of Taxation on February 3, 2015 and came into effect on the same day, Article 8.2 & 13 of this Announcement have been annulled), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the enterprise income tax payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the Enterprise Income Tax Law. Where the enterprise income tax on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transferor according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent. If the equity transferor fails to declare and pay tax payable of indirectly transferred taxable property income in the PRC on time and in full amount, and the withholding agent fails to withhold the tax, in addition to recovering the tax payable, the equity transferor shall be charged with interest on a daily basis according to the provisions of the Regulations on the Implementation of the Enterprise Income Tax Law.

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》) (No. 134 Order of the State Council) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994 and revised on November 10, 2008, February 6, 2016 and November 19, 2017) and the Detailed Implementing Rules for the Implementation of the Temporary Regulations on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (No. 65 Order of the MOF) (issued on December 25, 1993 by the MOF, came into effect on the same day and revised on December 15, 2008 and October 28, 2011), entities and individuals that sell goods or labor services of processing, repair or replacement (hereinafter referred to as “labor services”), sell services, intangible assets, or immovables, or import goods within the territory of the People’s Republic of China are taxpayers of value-added tax (“VAT”), and shall pay VAT in accordance with these Regulations. The VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders. (except as otherwise specified in laws.)

REGULATORY OVERVIEW

In addition, 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》) (CS [2016] No. 36) (issued by the MOF and the State Administration of Taxation on March 23, 2016 and came into effect on May 1, 2016), the state started to fully implement the pilot change from business tax to value-added tax on May 1, 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

City Maintenance and Construction Tax and Educational Surcharges

According to the Notice on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (GF [2010] No. 35) (issued by the State Council on October 18, 2010 and came into effect on December 1, 2010), since December 1, 2010, the Temporary Regulation on Urban Maintenance and Construction Tax of the PRC (《中華人民共和國城市維護建設稅暫行條例》) issued in 1985 and the Temporary Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) issued in 1986 and other rules and regulations issued 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 (issued by the State Council on February 8, 1985, retroactive to January 1, 1985 and revised on January 8, 2011), entities and individuals who pay consumption tax, value-added tax and business tax shall pay city maintenance and construction tax. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, value-added tax and business tax paid by the entities and individuals and shall be paid at the same time along with the above taxes. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town.

According to the Temporary Provisions on the Collection of Educational Surcharges (GF [1986] No. 50) (issued by the State Council on April 28, 1986, came into effect on July 1, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011), entities and individuals obliged to pay consumption tax, value-added tax and business tax shall pay educational surcharges under these Provisions, except for entities paying additional charges for rural education. 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.

FOREIGN EXCHANGE REGULATIONS OF THE PRC

According to Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (No. 193 Order of the State Council) (issued by the State Council on January 29, 1996, came into effect on April 1, 1996 and revised on January 14, 1997 and August 5, 2008), foreign currency earnings of domestic entities or individuals can be transferred back to the PRC or deposited overseas; the conditions and time limit of transferring back to China and overseas deposit shall be specified by the foreign exchange administration

REGULATORY OVERVIEW

department of the State Council according to the international receipts and payments status and requirements of foreign exchange administration. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange according to the relevant provisions of the State. Domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. Entities and individuals above shall submit relevant documents for inspection and approval or recordation before registration if they are required to get approval or make filings before registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply. According to the Provisions on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (YF [1996] No. 210) (issued by the People's Bank of China on June 20, 1996 and came into effect on July 1, 1996), foreign exchange receipts under the current account of foreign-invested enterprises may be retained within the maximum amount approved by the foreign exchange administration department and the exceeding part shall be sold to a designated foreign exchange bank or sold through the foreign exchange swap center.

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

HISTORY AND DEVELOPMENT

History

Our history can be traced back to 1999, with an initial focus on providing complementary property management support to our Controlling Shareholder, Kaisa Holdings, a leading comprehensive property developer in China. Benefiting from Kaisa Holdings' rich industry experience and rapid business growth, we have expanded our geographic coverage quickly from our initial footprint in the Guangdong-Hong Kong-Macau Bay Area to other regions across China since 2008. As of December 31, 2017, our property management services covered 37 cities across 12 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 25.4 million sq.m.

With our professional service, enhanced technology and forward-looking vision, we position ourselves as a pioneering and leading property management service provider in China. In 2013, we established Jiake Intelligent to provide smart solution services, which demonstrate our continuous efforts to build smart community and enhance the living experience of our property owners and residents. In 2014, we adopted "Community Butler" developed by Qijia Technology as our first smart community mobile app to address the evolving everyday and life-style needs of property owners and residents in our managed properties. Our acquisition of Qijia Technology in November 2017 and the launch of our one-stop service platform "K Life" and "K Service" mobile apps in 2018 further speeded up our development in consolidating and upgrading our community value-added services.

Business Development Milestones

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

YEAR	EVENT
1999	<ul style="list-style-type: none">Kaisa Property (Shenzhen) was founded and started providing residential property management services to the real estate projects developed by Kaisa Group in Shenzhen, Guangdong province in 2001
2004	<ul style="list-style-type: none">Gui Fang Yuan, a residential project managed by us, was awarded Guangdong Province Property Management Model Residential Community (廣東省物業管理示範住宅社區) by the Department of Construction of Guangdong Province (廣東省建設廳)
2005	<ul style="list-style-type: none">Kaisa Property (Shenzhen) was accredited with ISO9001 quality management system certification
2008	<ul style="list-style-type: none">We expanded our residential property management services across China, including Chengdu. In addition, we also expanded our property management services to non-residential properties including commercial properties and office buildings
2009	<ul style="list-style-type: none">We received Property Management Industry National Level One Qualification (國家一級物業管理資質) from the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部)

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

YEAR	EVENT
2010	<ul style="list-style-type: none"> We were elected as the standing council member (常務理事單位) for the China Property Management Association (中國物業管理協會)
2013	<ul style="list-style-type: none"> We started to provide property management services to Shenzhen Universiade Sports Center, which is the first arenas and stadiums project under our management We established Jiake Intelligent and started to provide smart solution services
2014	<ul style="list-style-type: none"> We invested in Qijia Technology and for the first time adopted smart community mobile app “Community Butler” developed by Qijia Technology as an online gateway to our community products and services
2017	<ul style="list-style-type: none"> We were awarded China Property Management Services Companies of Professional Operation and Leading Brand (中國物業服務專業化運營領先品牌企業) by the China Index Academy We acquired additional stake in Qijia Technology to strengthen our mobile platform development capacity
2018	<ul style="list-style-type: none"> We launched our “K Life” and “K Service” mobile apps to offer one-stop service to provide more tailored and integrated smart solution services to our customers

OUR PRINCIPAL SUBSIDIARIES

Kaisa Property (Shenzhen)

Kaisa Property (Shenzhen) was established in the PRC on October 20, 1999 as a limited liability company with an initial registered capital of RMB500,000 and was owned as to 90% and 10% by Kaisa Real Estate (Shenzhen) Company Limited (佳兆業地產(深圳)有限公司) (“**Kaisa Real Estate (Shenzhen)**”), an indirect wholly-owned subsidiary of Kaisa Holdings and Mr. Chen Gengxian (陳耿賢), respectively. Mr. Chen Gengxian disposed of his entire equity interest in Kaisa Property (Shenzhen) in 2002 (as further detailed below) and was an executive director of Kaisa Holdings from November 17, 2009 to April 4, 2014. Kaisa Property (Shenzhen), its subsidiaries and branches have been engaged in the provision of property management services in the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Western China, Central China and the Bohai Economic Rim since establishment.

On May 10, 2002, Kaisa Real Estate (Shenzhen) and Mr. Chen Gengxian entered into an equity transfer agreement with Kaisa Holdings Limited (“**Kaisa Holdings (HK)**”), an indirect wholly-owned subsidiary of Kaisa Holdings, pursuant to which Kaisa Real Estate (Shenzhen) and Mr. Chen Gengxian transferred their entire equity interest in Kaisa Property (Shenzhen) to Kaisa Holdings (HK) at a consideration of HK\$150,000 and HK\$20,000, respectively. The consideration was determined after arm’s length negotiation with reference to the then paid-up registered capital of Kaisa Property (Shenzhen). Upon completion of such transfer, Kaisa Property (Shenzhen) became wholly-owned by Kaisa Holdings (HK) and was converted into a wholly foreign owned company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In August 2002, the registered capital of Kaisa Property (Shenzhen) was increased from RMB500,000 to RMB2,000,000; was further increased from RMB2,000,000 to RMB3,000,000 in February 2004; and subsequently to RMB5,000,000 in February 2006.

On November 1, 2010, Kaisa Property (Shenzhen) entered into an agreement with Guangzhou Jin Mao Property Management Co., Ltd. (廣州金貿物業管理有限公司) (“**Guangzhou Jin Mao**”) which engaged principally in the provision of property management services in Guangzhou, pursuant to which Kaisa Property (Shenzhen) merged Guangzhou Jin Mao by absorption. Upon completion of the merger by absorption, the registered capital of Kaisa Property (Shenzhen) increased from RMB5,000,000 to RMB10,000,000, and became owned as to 52.3% and 47.7% by Kaisa Holdings (HK) and Keyu Hotel Management (Shenzhen) Co., Ltd. (可域酒店管理(深圳)有限公司), an indirect wholly-owned subsidiary of Kaisa Holdings, respectively.

On April 27, 2013, Kaisa Holdings (HK) and Keyu Hotel Management (Shenzhen) Co., Ltd. entered into an equity transfer agreement with Kaisa Property, pursuant to which Kaisa Property acquired the entire equity interest of Kaisa Property (Shenzhen) at an aggregate consideration of RMB10,000,000, which was determined after arm’s length negotiation with reference to the then paid-up registered capital of Kaisa Property (Shenzhen). Upon completion of the transfer, Kaisa Property (Shenzhen) became wholly-owned by Kaisa Property.

In November 2014, the registered capital of Kaisa Property (Shenzhen) was further increased from RMB10,000,000 to RMB310,000,000, of which (i) RMB10,000,000 was paid up as of the Latest Practicable Date, and (ii) the remaining RMB300,000,000 shall be paid up on or before December 2022 pursuant to the articles of association of Kaisa Property (Shenzhen).

Kaisa Property (Chengdu)

Kaisa Property (Chengdu) was established in the PRC on January 30, 2008 as a limited liability company with an initial registered capital of RMB3,000,000 and was wholly-owned by Kaisa Property (Shenzhen). Kaisa Property (Chengdu) has engaged principally in the provision of property management services in Chengdu since its establishment.

In November 2017, the registered capital of Kaisa Property (Chengdu) was increased from RMB3,000,000 to RMB30,000,000, of which (i) RMB3,000,000 was paid up as of the Latest Practicable Date, and (ii) the remaining RMB27,000,000 shall be paid up on or before December 2037 pursuant to the equity holders resolution of Kaisa Property (Chengdu) regarding such increase of registered capital.

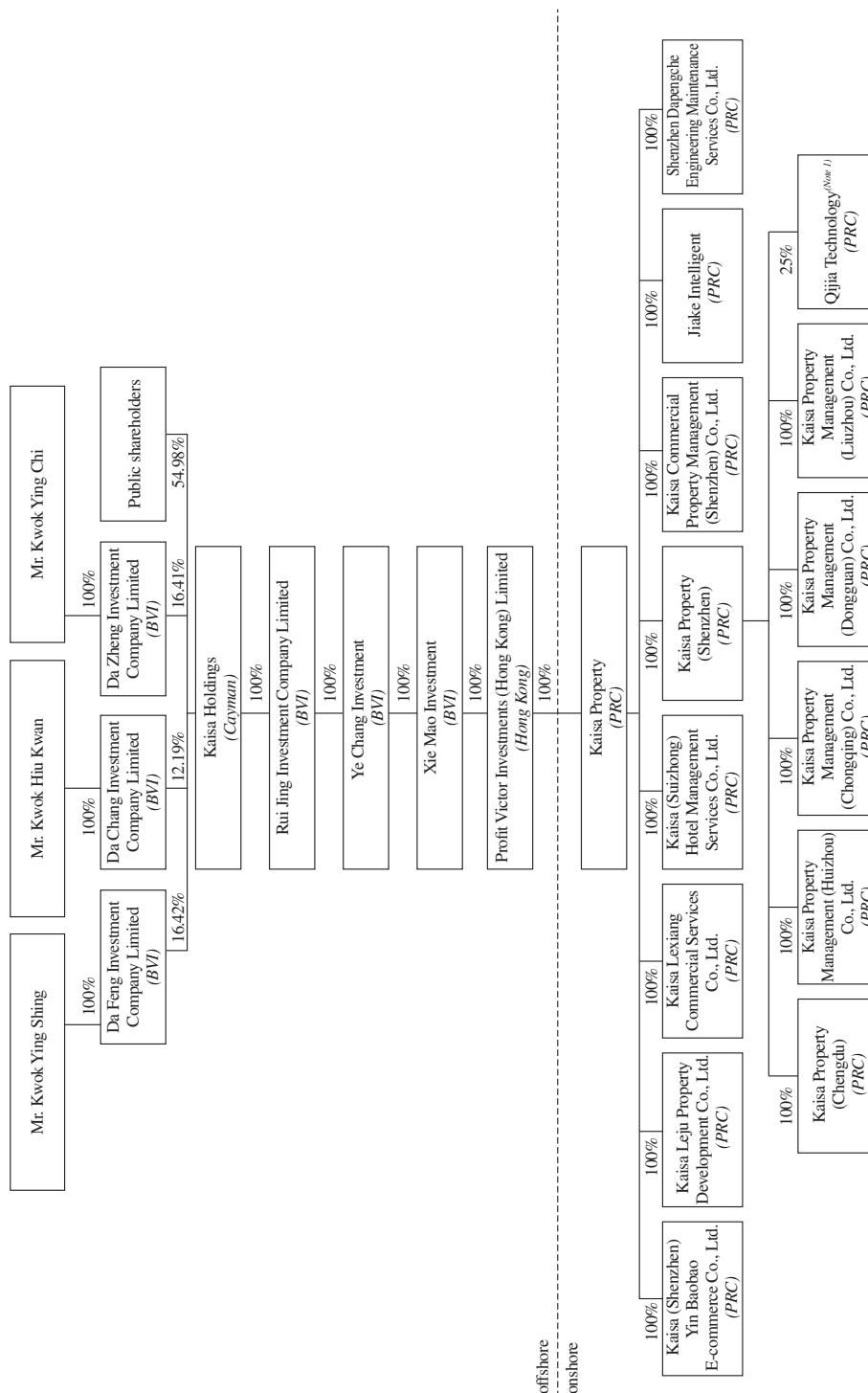
Jiake Intelligent

Jiake Intelligent was established in the PRC on December 23, 2013 as a limited liability company with an initial registered capital of RMB5,000,000 and was wholly-owned by Kaisa Property. Jiake Intelligent has engaged principally in the provision of equipment installation services since its establishment.

In November 2016, the registered capital of Jiake Intelligent was increased from RMB5,000,000 to RMB20,000,000, of which (i) RMB5,000,000 was paid up as of the Latest Practicable Date, and (ii) the remaining RMB15,000,000 shall be paid up on or before November 2019 pursuant to the articles of association of Jiake Intelligent.

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Note:

- The remaining equity interest is held as to approximately 43.51%, 10.00%, 9.32%, 7.24%, 4.43% and 0.50% by Mr. Lin Yiping (林義平) and five independent third parties, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the Listing, the following steps were implemented to establish our Group:

1. Disposal of Kaisa (Suizhong) Hotel Management Services Co., Ltd. (佳兆業(緩中)酒店服務管理有限公司) (“Kaisa Suizhong”)

Kaisa Suizhong was incorporated on August 29, 2013 for the purpose of providing hotel management services by Kaisa Property. Given that the business of Kaisa Suizhong was not in line with the business of our Group, in order to focus our resources on our property management business, on June 19, 2017, its sole shareholder Kaisa Property transferred the entire equity interest in Kaisa Suizhong to Kaisa Travel Development Co., Ltd. (佳兆業旅遊開發有限公司), an indirect wholly-owned subsidiary of Kaisa Holdings, at a consideration of RMB500,000, which was determined after arm’s length negotiation with reference to the paid-up registered capital of Kaisa Suizhong. The consideration was settled in cash on December 20, 2017. Upon completion of the transfer, Kaisa Suizhong ceased to be a subsidiary of Kaisa Property.

2. Disposal of Kaisa Shenzhen Yin Baobao E-commerce Co., Ltd. (深圳市銀寶寶電子商務有限公司) (“Kaisa E-commerce”)

Kaisa E-commerce was acquired in whole by Kaisa Property from Shenzhen Fengshenglong Financial Investment Holdings Co., Ltd. (深圳市豐盛隆金融投資控股有限公司), an independent third party, at a consideration of RMB300,000,000 on September 18, 2014 for the purpose of providing e-commerce services. Such consideration was determined after arm’s length negotiation with reference to the paid-up registered capital of Kaisa E-commerce. Given that Kaisa E-commerce was inactive and had no business operations since the above acquisition, on June 27, 2017, its sole shareholder Kaisa Property transferred the entire equity interest in Kaisa E-commerce to Kaisa Financial Investment (Shenzhen) Co., Ltd. (佳兆業金融投資(深圳)有限公司), an indirect wholly-owned subsidiary of Kaisa Holdings, at a consideration of RMB300,000,000, which was determined after arm’s length negotiation with reference to the paid-up registered capital of Kaisa E-commerce. The consideration was settled on September 24, 2017. Upon completion of the transfer, Kaisa E-commerce ceased to be a subsidiary of Kaisa Property.

3. Disposal of Kaisa Lexiang Commercial Service Co., Ltd. (佳兆業樂享商務服務有限公司) (“Kaisa Lexiang”)

Kaisa Lexiang was incorporated on November 5, 2014 by Kaisa Property. Given that Kaisa Lexiang was inactive and had no business operations since its incorporation, on July 3, 2017, its sole shareholder Kaisa Property transferred the entire equity interest in Kaisa Lexiang to Kaisa Zhengnan House Purchasing (Shenzhen) Co., Ltd. (佳兆業正漢置業(深圳)有限公司), an indirect wholly-owned subsidiary of Kaisa Holdings, at a nominal consideration of RMB1.00 as none of its registered capital was paid up and Kaisa Lexiang had no asset immediately prior to the transfer. The consideration was settled in cash on October 20, 2017. Upon completion of the transfer, Kaisa Lexiang ceased to be a subsidiary of Kaisa Property.

4. Disposal of Kaisa Leju Property Development Co., Ltd. (佳兆業樂居物業發展有限公司) (“Kaisa Leju”)

Kaisa Leju was incorporated on September 15, 2014 for the purpose of developing our business through investments by Kaisa Property. Given that Kaisa Leju was inactive and had no business operations since 2015, on July 7, 2017, its sole shareholder Kaisa Property transferred the entire equity interest in Kaisa Leju to Kaisa City Renovation Group (Shenzhen) Co., Ltd. (佳兆業城市更新集團(深圳)有限公司), an indirect wholly-owned subsidiary of Kaisa Holdings, at a consideration of RMB50,000,000, which was determined after arm's length negotiation with reference to the paid-up registered capital of Kaisa Leju. The consideration was settled on September 24, 2017. Upon completion of the transfer, Kaisa Leju ceased to be a subsidiary of Kaisa Property.

5. Acquisition of an additional equity interest of approximately 67.26% in Qijia Technology

Qijia Technology was established in the PRC on July 25, 2012 as a limited liability company with a registered capital of RMB8,000,000, and has engaged principally in the development and sales of computer network since its establishment. Immediately before the Reorganization, Qijia Technology was owned as to 25% by Kaisa Property (Shenzhen), and the remaining approximately 43.51%, 10.00%, 9.32%, 7.24%, 4.43% and 0.50% were owned by Mr. Lin Yiping (林義平) and five independent third parties, respectively. Mr. Lin Yiping was a director of Qijia Technology and has remained as its director after the Reorganization. For further details of the business of Qijia Technology, please refer to the section headed “Business — Community Value-added Services — Utilization of the K Life Mobile App” in this prospectus.

Since Qijia Technology is the service provider of our mobile app K Life, an application installed on mobile phones providing value-added services to our customers, to further enhance the development of K Life, on November 16, 2017, Kaisa Property (Shenzhen) acquired approximately 43.51%, 10.00%, 9.32% and 4.43% equity interest in Qijia Technology from Mr. Lin Yiping and three other independent third parties at a consideration of RMB3,481,016, RMB800,000, RMB745,152 and RMB354,432, respectively, which was determined after arm's length negotiation with reference to, among others, (i) the preliminary valuation of Qijia Technology as of August 31, 2017 assessed by an independent valuer; (ii) the paid-up registered capital of Qijia Technology; (iii) the unaudited net asset value of Qijia Technology as of August 31, 2017; and (iv) the business operation of Qijia Technology. The consideration was settled in cash on December 28, 2017. Upon completion of the above transfers, Qijia Technology became an indirect non-wholly-owned subsidiary of our Company.

6. Incorporation of our Company

On October 13, 2017, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability. As of the date of incorporation, the authorized share capital of our Company was HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each, among which one nil-paid Share was issued to an independent third party at par value and transferred to Ye Chang Investment at par on the same day.

7. Acquisition of Xie Mao Investment

On December 19, 2017, our Company acquired 100% of the issued capital of Xie Mao Investment from Ye Chang Investment at a consideration of RMB546,620,632.84, which was determined with reference to the then book value of Xie Mao Investment as of October 30, 2017. The consideration was satisfied by the allotment and issue of one Share to Ye Chang Investment on December 19, 2017.

8. Pre-IPO Investments

On May 4, 2018, our Company entered into a subscription agreement with Ms. Chen Dantong (陳丹彤), Ms. Zhang Yinglei (張英蕾) and Ms. Chen Yanfang, pursuant to which 9,979 Shares, 1,939 Shares and 2,082 Shares became allotted and issued to Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang at a consideration of HK\$4,989,500, HK\$969,500 and HK\$1,041,000, respectively, on May 8, 2018. Such consideration was determined after arm's length negotiation with reference to, among others, the unaudited net asset value of our Company as of December 31, 2017. For the purpose of the Pre-IPO Investments, 985,998 Shares were allotted and issued to Ye Chang Investment at par on May 7, 2018.

Upon completion of the Pre-IPO Investments, our Company became owned as to approximately 98.6%, 1%, 0.2% and 0.2% by Ye Chang Investment, Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang, respectively.

Each of Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang is a private investor who got to know our Company through her spouse. The spouse of Ms. Zhang Yinglei was an indirect investor in Qijia Technology from 2015 to 2017, while the respective spouse of Ms. Chen Dantong and Ms. Chen Yanfang was each an equity holder of Qijia Technology before the acquisition of an additional approximately 67.26% equity interest in Qijia Technology by Kaisa Property (Shenzhen) on November 16, 2017. Ms. Chen Dantong is a businesswoman who holds 100% interest in a HK incorporated trading company. Serving as the sole director and general manager of the trading company, she is responsible for the overall management and daily operation. Ms. Zhang Yinglei is an associate professor in accounting at a university in Hong Kong and a director of a foreign invested PRC securities firm where she is responsible for corporate governance and internal control. Ms. Chen Yanfan, who is a businesswoman, together with her spouse, have invested in various private and listed companies in the PRC and Hong Kong for a number of years and are familiar with the capital markets in the PRC and Hong Kong. None of the Pre-IPO Investors are PRC residents. During the Track Record Period through their business collaboration with us in Qijia Technology, the spouses of the Pre-IPO Investors became familiar with our business and were attracted by our business development and growth potentials and advised the Pre-IPO Investors to invest in us by way of the Pre-IPO Investments. Each of the Pre-IPO Investments was financed with the personal savings of each of the Pre-IPO Investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Set out below is a summary of the details of the subscription agreement in relation to the Pre-IPO Investments:

Name of the Pre-IPO Investors:	(a) Ms. Chen Dantong; (b) Ms. Zhang Yinglei; and (c) Ms. Chen Yanfang. The Pre-IPO Investors (including their respective associates) are not parties acting in concert.
Date of subscription agreement:	May 4, 2018
Amount of consideration:	(a) Ms. Chen Dantong — HK\$4,989,500; (b) Ms. Zhang Yinglei — HK\$969,500; and (c) Ms. Chen Yanfang — HK\$1,041,000.
Number of Shares subscribed for:	(a) Ms. Chen Dantong — 9,979 Shares, representing approximately 1% of the enlarged issued share capital of our Company after the completion of the Pre-IPO Investments but before the completion of the Capitalization Issue and the Global Offering; (b) Ms. Zhang Yinglei — 1,939 Shares, representing approximately 0.2% of the enlarged issued share capital of our Company after the completion of the Pre-IPO Investments but before the completion of the Capitalization Issue and the Global Offering; and (c) Ms. Chen Yanfang — 2,082 Shares, representing approximately 0.2% of the enlarged issued share capital of our Company after the completion of the Pre-IPO Investments but before the completion of the Capitalization Issue and the Global Offering.
Basis of determination of the consideration:	After arm's length negotiation between the parties to the subscription agreement with reference to, among others, the audited net asset value of our Company as of December 31, 2017.
Date of payment of the consideration:	May 14, 2018

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Investment cost per Share and discount over the mid-point of the Offer Price range (assuming no exercise of the Over-allotment Option):	Approximately HK4.76 per Share, representing a discount of approximately 52.30% to the mid-point of the Offer Price range of HK\$9.08 to HK\$10.88.
Use of proceeds:	General working capital.
Benefit from the Pre-IPO Investments:	Considering their experience in financial management and exposure to Hong Kong capital market and their spouse's previous investment in Qijia Technology especially Ms. Chen Danton's spouse, who is a director of Qijia Technology, we consider they will bring in strategic benefits to our Group by providing strategic advice to our Group to enhance our financial management, corporate governance and the business development in community value-added services.
Lock-up restrictions:	Six months from the Listing Date.
Special rights:	No special rights.

Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang will hold approximately 0.75%, 0.15% and 0.15%, respectively of the issued share capital of our Company after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised). Save for (i) the Pre-IPO Investments; and (ii) the spouse of Ms. Chen Dantong, Mr. Lin Yiping, who is a director of Qijia Technology, each of Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang is an independent third party and has no past or present relationship with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company. Hence, the Shares held by Ms. Chen Dantong will not be considered, and the Shares held by Ms. Zhang Yinglei and Ms. Chen Yanfang will be considered, as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

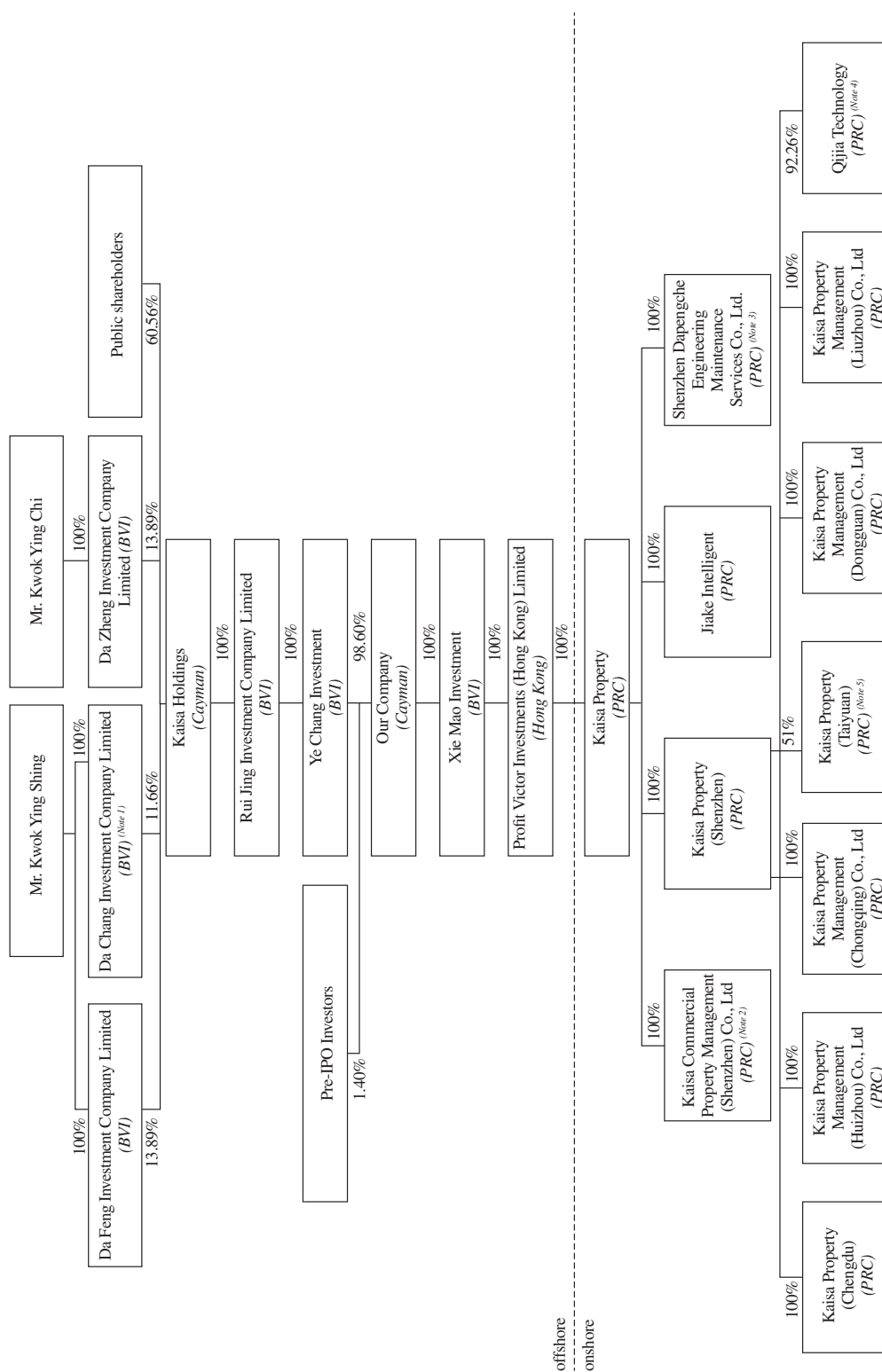
As of the Latest Practicable Date, none of the proceeds from the Pre-IPO Investments had been utilized.

Our PRC Legal Advisers have confirmed that all the required consents, approvals, authorizations or filings have been made or obtained for the completion of our Group's reorganization in respect of the PRC companies mentioned above and such reorganization complies with PRC Laws.

Joint Sponsors' Confirmation

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

The following chart sets out the shareholding structure of our Group immediately following the completion of the Reorganization but immediately before the completion of the Capitalization Issue and the Global Offering:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Note:

1. Since July 2017, Mr. Kwok Ying Shing became the sole shareholder of Da Chang Investment Company Limited.
2. Kaisa Commercial Property Management (Shenzhen) Co., Ltd. engages principally in the provision of property management services for commercial properties in Shenzhen.
3. Shenzhen Dapengche Engineering Maintenance Services Co., Ltd. engages principally in the provision of maintenance and repairing services on properties in Shenzhen.
4. The remaining equity interest is held as to approximately 7.24% and 0.50% by two independent third parties, respectively.
5. Kaisa Property (Taiyuan) has not commenced any business since its establishment and the remaining equity interest is held as to 49% by an independent third party.

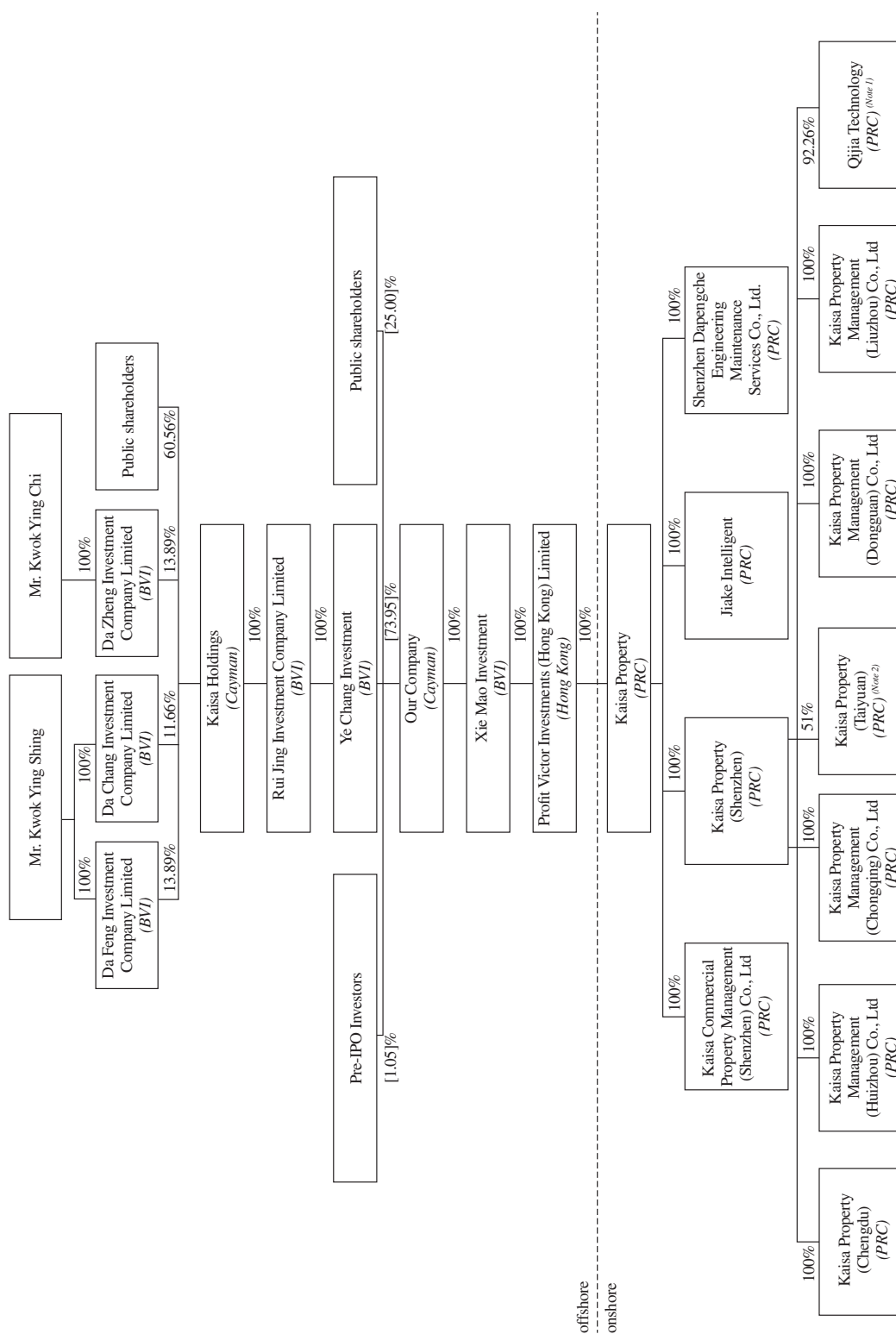
INCREASE OF AUTHORIZED SHARE CAPITAL

On November 12, 2018, our Company increased its authorized share capital to HK\$5,000,000 through the creation of 462,000,000 additional Shares of nominal value of HK\$0.01 each.

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on November 12, 2018, subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to allot and issue a total of 104,000,000 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company at the close of business on December 5, 2018 (or another date as our Directors may direct) in proportion to their respective shareholdings by way of capitalization of the sum of HK\$1,040,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

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



Note:

1. The remaining equity interest is held as to approximately 7.24% and 0.50% by two independent third parties, respectively.
2. The remaining equity interest is held as to 49% by an independent third party.

REASONS FOR THE PROPOSED SPIN-OFF

Pursuant to the Listing Rules and in accordance with the corporate structure and ownership of our Company, the Listing of our Company will constitute a spin-off of Kaisa Holdings (the “**Proposed Spin-off**”).

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

- (a) the Proposed Spin-off will enable us to build our identity as a separately listed group, and have a separate fund-raising platform; the Proposed Spin-off would allow us to gain direct access to the capital markets for equity and/or debt financing to fund our existing operations and future expansion, thereby accelerating our expansion and improving our operating and financial performance, which will in turn result in better financial return to the shareholders of both the Remaining Kaisa Group and our Group;
- (b) as a separately listed group, we will be able to build on our reputation further and be in a better position to negotiate and solicit more business, and Kaisa Holdings will in turn be able to benefit from our growth through its shareholding in our Group;
- (c) the Proposed Spin-off will enable us to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for us, for investment in and forming strategic partnerships directly with us; and
- (d) the Proposed Spin-off would enable a more focused development, strategic planning and better allocation of resources for the Remaining Kaisa Group and our Group with respect to our respective businesses; both the Remaining Kaisa Group and our Group would benefit from the efficient decision-making process under the separate management structure for taking emerging business opportunities, especially with a dedicated management team for our Group to focus on its development.

The Proposed Spin-off by Kaisa Holdings complies with the requirements of Practice Note 15 of the Listing Rules.

THE DEFAULT AND DEBT RESTRUCTURING OF KAISA HOLDINGS

Between early 2015 and mid-2016, as a result of certain incidents which had led it to be faced with a challenging liquidity and cash position, Kaisa Holdings, one of the Company’s Controlling Shareholders, was involved in certain debt restructuring (the “**Debt Restructuring**”) to address certain default on a number of debts (the “**Default**”).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

As set out in the published announcements of Kaisa Holdings, in December 2014, Kaisa Holdings became aware that certain unsold units of some property projects of the Kaisa Group situated in Shenzhen were blocked from sale and purchase agreement filing imposed by the relevant governmental authorities in Shenzhen. As of the end of January 2015, a number of Kaisa Holdings' projects were blocked from sale or subject to restrictions imposed by the Shenzhen Government. Furthermore, certain commercial banks across the PRC had suspended the issuance of personal mortgage loans to purchasers of substantially all of the Kaisa Group's properties and certain projects were blocked for sale or frozen by local courts due to pre-litigation asset preservation. In addition, the resignation of chairman of the board of directors of Kaisa Holdings had triggered events of default in certain debts of Kaisa Holdings. As of early March 2015, certain banks had frozen various deposits of Kaisa Holdings pending resolution of the then existing defaults. All of the above coupled with requests for accelerated or immediate repayment caused Kaisa Holdings to be faced with acute liquidity pressure and severe business disruption.

In early March 2015, Kaisa Holdings announced its plans for the Debt Restructuring, which was aimed at restructuring certain onshore and offshore indebtedness of Kaisa Holdings comprising certain of Kaisa Holdings' then existing high yield notes (the "**HY Notes**"), certain convertible bonds (the "**Convertible Bonds**") and certain onshore and offshore loan facilities with various banks and non-bank financial institutions. There were a number of trading suspensions and halts in the shares of Kaisa Holdings between December 2014 and March 2015. On March 31, 2015, trading in the shares of Kaisa Holdings was once again suspended. In July 2015, Kaisa Holdings announced that it was required by the Stock Exchange to fulfill the following conditions for the resumption (the "**Resumption Conditions**") of trading in its shares on the Stock Exchange: (i) to publish all outstanding financial results under the Listing Rules and address any audit qualifications; (ii) to have sufficient working capital for its operation for at least 12 months from its expected resumption date; (iii) to demonstrate that it has adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations; (iv) to investigate issues raised by its auditors in the course of the audit, disclose the findings of the investigation, assess the impact on its financial and operational positions, and take appropriate remedial actions; and (v) to disclose all material information for the shareholders and the investors to appraise the Kaisa Group's position.

In July 2016, Kaisa Holdings announced that the Debt Restructuring was completed. On March 26, 2017, Kaisa Holdings announced that all the Resumption Conditions were fulfilled. Trading in the shares of Kaisa Holding on the Stock Exchange resumed on March 27, 2017.

OVERVIEW

We are one of the leading comprehensive property management service providers in China focusing on mid- to high-end properties, in particular in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta. According to Frost & Sullivan, mid- to high-end properties usually have superior location, well-equipped facilities and better property management services with higher average property management fee. During the Track Record Period, approximately 90% of our managed properties are mid- to high-end properties. Our business covers a wide range of properties and provides customers with tailored quality services through our one-stop service platform. We strive to maintain and add value to our managed properties by providing high-quality and sophisticated services to increase our customer satisfaction.

We have been providing property management services in China for almost 20 years since 1999, and our extensive industry experience differentiates us from our competitors. With our leading brand recognition and outstanding service quality, we were awarded the 2017 Specialized Operational Leading Brand of China Property Service Companies and a Certificate of China Property Management Brand Value of RMB2.8 billion, both by China Index Academy. In addition, according to Frost & Sullivan, we were ranked 14th among the Property Management Service Companies in China and seventh among the Property Management Service Companies in the Guangdong-Hong Kong-Macau Bay Area in terms of revenue in 2017.

As of June 30, 2018, our property management services covered 37 cities across 12 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 25.4 million sq.m. We managed 124 properties, comprised of 101 residential communities and 23 non-residential properties, and provided property management services to approximately 0.16 million property units as of June 30, 2018.

Our four main business lines, namely, property management services, pre-delivery and consulting services, community value-added services and smart solution services, form an integrated service spectrum covering the entire value chain of property management.

- *Property management services.* We provide a wide range of property management services, such as security, cleaning and gardening, repair and maintenance and customer service, to residential communities. Our property management portfolio also covers non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks.
- *Pre-delivery and consulting services.* Pre-delivery property management services refer to any sales-related assistance and services provided to the property developers at the pre-delivery stage of a sale of property. Property consulting services include advising property developers on project planning, design management and construction management.
- *Community value-added services.* With the goal of providing diverse products and services to our property owners and residents, our community value-added services include car parking, space leasing and value-added services through both offline and online channels. In 2014, we adopted “Community Butler” mobile app developed by Qijia Technology as an online gateway to a variety of

our community products and services. In March 2018, we further launched our K Life mobile app to consolidate our previous platforms and to offer an upgraded one-stop service, which has covered all of the residential communities under our management with approximately 0.6 million registered users as of the Latest Practicable Date. Our K Life mobile app enables our property owners and residents with access to a broad products and services portfolio that addresses the evolving everyday and life-style needs of them.

- *Smart solution services.* To build smart home and smart community, we provide smart solution services, including automation and other hardware equipment installation services, to property developers and property management companies in different aspects, such as hotels, office buildings, shopping malls and public facilities. In 2016, Jiake Intelligent won the “Recommendation Brand for Smart City Development in China” by Smart China Federation, China Public Security Magazine and Shenzhen Smart City Industry Association. In 2017, our smart community solutions for Huizhou Kaisa Centre and smart hotel solutions for Great China CEPA earned us the honor of the “Outstanding Solutions for Smart Community Development” by China Security System Technology Innovation Industry Alliance and Shenzhen Security Industry Association. We believe our smart solution services will enhance our customers’ experience and stickiness to our overall services, thereby creating synergy for the business as a whole.

We strive to provide high-quality and sophisticated services to our customers through our automated, standardized and specialized processes which allow us to strengthen our operational efficiency and effectively control our costs. Our property management services serve as the basis for us to generate and expand business scale, providing an increasing customer base for our community value-added services. Our pre-delivery and consulting services help us gain early access to property development projects and establish and cultivate business relationships with the property developers, putting us in a stronger position to secure engagements for property services. Our community value-added services offer a full range of diversified and bespoke services to property owners and residents, which increase our engagement level with customers and improve their satisfaction and loyalty. Our smart solution services broaden our revenue sources and unlock future growth potential, which also help us increase customers’ satisfaction and differentiate us from other competitors with our comprehensive services. Through our integrated platform of services, we aim to provide service offerings which meet our customers’ needs in order to diversify our revenue base, improve our market position and create a closed-loop value chain.

We have experienced continual business growth during the Track Record Period in terms of revenue and net profit. Our revenue increased from RMB478.0 million in 2015 to RMB539.1 million in 2016 and further to RMB669.2 million in 2017, representing a CAGR of 18.3% from 2015 to 2017. Our revenue increased by 34.0% from RMB307.7 million for the six months ended June 30, 2017 to RMB412.3 million for the six months ended June 30, 2018. Our profit for the year increased from RMB57.7 million in 2015 to RMB58.1 million in 2016 and further to RMB71.4 million in 2017, representing a CAGR of 11.2% from 2015 to 2017. Our profit for the period decreased by 47.7% from RMB44.0 million for the six months ended June 30, 2017 to RMB23.0 million for the six months ended June 30, 2018.

OUR STRENGTHS

We believe we have achieved our success to date and are well-positioned to achieve future growth due to the following competitive strengths.

One of the leading comprehensive property management service providers in China focusing on mid- to high-end properties and spanning across key economics regions and cities

We are one of the leading comprehensive property management service providers in China with a strong market position established over the years. We have been providing property management services in China for almost 20 years since 1999, and have since then established a strong footprint in Guangdong-Hong Kong-Macau Bay Area. Leveraging our success in Guangdong-Hong Kong-Macau Bay Area, we have further expanded to other key economics regions and cities in China such as Yangtze River Delta and Bohai Economic Rim.

We have demonstrated a proven track record in expanding our operations. As of June 30, 2018, we have set up 146 branches to implement better control over the properties under our management, which cover 37 cities across 12 provinces, municipalities and autonomous regions in China. The number of properties under our management, including residential communities, commercial properties and government properties, increased from 78 properties as of December 31, 2015 to 93 properties as of December 31, 2016, to 119 properties as of December 31, 2017, and further to 124 properties as of June 30, 2018. The total GFA under management increased from 18.3 million sq.m. as of December 31, 2015 to 20.6 million sq.m. as of December 31, 2016, to 24.0 million sq.m. as of December 31, 2017, and further to 25.4 million sq.m. as of June 30, 2018. In addition, we provided property management services to approximately 0.16 million property units as of June 30, 2018. The large size of our portfolio of managed properties enhances the market recognition of our brand, creates a greater entry barrier for potential competitors and allows us to promote our community value-added services to a large customer base.

Furthermore, we differentiate ourselves from our competitors through our track record in meeting customers' demand with high-quality services, which has established our expertise in managing mid- to high-end properties and helped us gain market acceptance and industry recognition widely among our customers. We were awarded the 2017 Specialized Operational Leading Brand of China Property Service Companies and a Certificate of China Property Management Brand Value of RMB2.8 billion, both by China Index Academy. According to Frost & Sullivan, we were ranked 14th among the Property Management Service Companies in China and seventh among the Property Management Service Companies in the Guangdong-Hong Kong-Macau Bay Area in terms of revenue in 2017. Moreover, with our leading brand recognition and outstanding service quality, our range of monthly management fee per sq.m. during the Track Record Period fell within the industry range and our average property management fee for residential communities was above industry average in China in 2017, according to Frost & Sullivan. We have received various honors and awards during the Track Record Period. See “— Awards and Recognitions” for more details. Our customers associate our brand with high-quality services, which is proven by our high levels of customer satisfaction. Our brand appeal has helped and would continue to help us maintain a high renewal rate for property management service contracts and bring upon new engagement opportunities from customers as well as more business opportunities with industry participants.

Wide sources of revenue generated from our diversified property management portfolio and service offerings

We have been successful in exploring market opportunities to diversify our property management portfolio and service offerings with wider sources of revenue:

- *Property management portfolio*
 - *Residential properties.* Our long-term business cooperation with the Remaining Kaisa Group, a leading property developer in China and our Controlling Shareholder, has benefited and will continue to benefit us from its extensive and large project reserve. For the year ended December 31, 2017, the contracted sales of the Remaining Kaisa Group amounted to approximately RMB44.7 billion and the Remaining Kaisa Group had total land bank amounted to approximately 21.9 million sq.m. with approximately 126 property development projects across 35 cities in China as of December 31, 2017. The GFA of newly completed projects of the Remaining Kaisa Group amounted to approximately 4.3 million sq.m. in 2017. During the Track Record Period, we managed all of the residential communities developed by the Remaining Kaisa Group.

In addition, we have achieved significant growth during the Track Record Period with respect to property management engagements from independent third party property developers. As of June 30, 2018, 38 properties under our management were developed by third-party developers, contributing to 14.8% of our total GFA under management for property management services.

- *Non-residential properties.* We have endeavored to diversify our property management portfolio by extending our services to other non-residential properties comprised of commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks, including local landmark buildings such as Shenzhen Universiade Sports Center and Guangzhou Sinopec Tower. In particular, Shenzhen Universiade Sports Center was one of the venues used to hold the 26th Summer Universiade, which was the first and only time held in China, and is now one of the top venues for big concerts and activities. We also expanded our service to scenic parks, providing gardening maintenance and operation management. Currently, we provide property management services to two wetland parks, namely Boluo Dongjiang Xincheng wetland park and Jiangsu Taizhou Tiande wetland park. The latter was used to hold the sixth Jiangsu Horticulture Expo with GFA under management over 1.0 million sq.m. Our footprints in these properties are good indications of our ability to tap into the non-residential and landmark projects in the regions and well-positioned ourselves for future business expansion.

As of June 30, 2018, we managed 23 non-residential properties, including ten arenas and stadiums. Our total GFA under management of non-residential properties increased from 1.7 million sq.m. as of December 31, 2015 to 2.9 million sq.m. as of June 30, 2018. The diversification of our managed property types has enriched our service dimensions and operating revenue streams with business opportunities emerging from newer markets. Moreover, our engagements with landmark buildings demonstrate our capability to provide more sophisticated and superior services to high-profile properties.

- *Service offerings.* With our comprehensive and integrated service offerings covering property management services, pre-delivery and consulting services, community value-added services and smart solution services, our revenue sources are well-diversified. The revenue contributed by our property management services increased at a CAGR of 20.1% from RMB186.1 million in 2015 to RMB268.4 million in 2017 and by 47.8% from RMB120.2 million for the six months ended June 30, 2017 to RMB177.7 million for the six months ended June 30, 2018. The revenue contributed by our pre-delivery and consulting services increased at a CAGR of 9.5% from RMB246.9 million in 2015 to RMB295.8 million in 2017 and by 19.7% from RMB137.3 million for the six months ended June 30, 2017 to RMB164.3 million for the six months ended June 30, 2018. The revenue contributed by our community value-added services increased at a CAGR of 26.1% from RMB36.3 million in 2015 to RMB57.7 million in 2017 and by 57.2% from RMB24.3 million for the six months ended June 30, 2017 to RMB38.2 million for the six months ended June 30, 2018. The revenue contributed by our smart solution services increased at a CAGR of 133.2% from RMB8.7 million in 2015 to RMB47.3 million in 2017 and by 23.9% from RMB25.9 million for the six months ended June 30, 2017 to RMB32.0 million for the six months ended June 30, 2018.

Leverage our proprietary one-stop K Life service platform to build a closed-loop community value chain and increase user experience

Our service goal is to provide services that differentiate ourselves with our peers and to increase customer experience, with quality, comfort, convenience, safety and user-friendly as the key elements.

To provide diverse products and services to our property owners and residents, our community value-added services include car parking, space leasing and value-added services through both offline and online channels. In 2014, we adopted “Community Butler” mobile app developed by Qijia Technology as an online gateway to a variety of our community products and services. In March 2018, we further launched our K Life mobile app to consolidate our previous platforms and to offer an upgraded one-stop service, which has covered all of the residential communities under our management with approximately 0.6 million registered users as of the Latest Practicable Date. Leveraging the research and development capabilities owned by our subsidiary, Qijia Technology, and our understanding of customers’ needs, our K Life mobile app aims to further improve the living experience of our property owners and residents. To build a closed-loop value chain in our community, we connect our property management services with

community value-added services through K Life to offer everyday and life-style services. Our comprehensive products and services to our property owners and residents include courier, parking, bill paying, food delivery, cleaning, laundry, household, finance and e-commerce services. For example, our residents can pay their parking fees on K Life. They can also choose “home mode” on K Life to customize and automatically adjust the smart home devices, such as curtain, air conditioner and light, at their pre-designed setting.

We carefully select vendors based on their quality and post-sales delivery capabilities and continuously evaluate their performance to ensure we provide quality services and a good experience for our property owners and residents. To attract more property owners and residents to join K Life, we have launched membership and point bonus program and provide discount at partner merchants to our members, which has helped increase users’ stickiness and enabled us to increase our engagement level with property owners and residents. With our one-stop K Life service platform, we integrate our community value-added products and services to boost customer satisfaction, diversify our revenue base and expand our core competency in mid- to high-end property management segment industry

Centralized and effective management system incorporating advanced and optimized technology

Our dedication to enhancing quality and user experience is key to our success in the industry. To ensure the delivery of consistent premium quality services across markets and enhance customer satisfaction and loyalty as well as market awareness of our brand, we have designed a standardized service protocol to provide our employees guidance in their day-to-day operations. Accordingly, during the Track Record Period, our customer satisfaction rate continued to increase and reached the score of 93 in the second half of 2017, according to Gallup, Inc., an independent third party consulting firm, conducted telephone and in-person interviews with approximately 80,000 property units in our managed properties covering 27 cities in Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta, Bohai Economic Rim, Western China and Central China. We focus on streamlining and standardizing our property management services with the support of information technology to enhance our operational efficiency, service quality and overall customer satisfaction. Meanwhile, we are also flexible in responding to different customers’ needs in different local markets.

We have established a centralized information control center at our Shenzhen headquarters, comprising our call center, video surveillance command system and other data integration control platforms, to achieve effective and efficient monitoring of our nationwide operations. Through our centralized information control center, we have real-time access to multi-dimensional data including basic information about communities, collection status of property management fees, feedback from customer services, and facilities and equipment maintenance among our subsidiaries. In addition, we have established comprehensive service standards and procedures for different kinds of properties. We publish work manuals and provide systematic trainings to help our employees understand and follow our service standards and procedures. We also conduct third-party onsite check and survey to ensure the implementation of our service standards and procedures.

Furthermore, with the support of cloud technology and big data analytics, we allow for data interchange among our operation platforms, and provide computation results of big data to the management to help with their decision making. To upgrade our service quality and operational efficiency, we established our proprietary K Service mobile app in March 2018, which provides us with a one-stop solution in property management and customer service. Through K Service, our employees can conduct quality control, work allocation and facility management remotely, achieving the automation and visualization of our daily operation. By utilizing advanced and optimized information technology to automate our operations, we can improve service efficiency and reduce reliance on labor, which will directly help enhance our profitability.

Experienced and professional management team as well as human resources policies designed to cultivate outstanding employees

Our professional management team and thorough human resources policies are the key to our achievements. Our management team has abundant industry experience in the property management and community value-added services industry. Mr. Liao Chuanqiang, our chairman and president, has over 15 years of experience in the property management industry and served in senior management positions at a number of property management companies in China. For example, prior to joining our Group, Mr. Liao has served as the vice general manager of the property management department of Dalian Wanda Commercial Management Group Co., Ltd., during which Mr. Liao was responsible for the daily operation of its property management business. Our executive Directors and key senior management members have on average more than 15 years of experience in the property management and have been instrumental to the success and growth of our business.

To sustain our growth, we have established a talent development system covering both internal training and external recruitment. Our internal training features differentiated employee cultivation, performance assessment and incentive schemes which tailor to the needs of different positions from entry-level staff to senior management with varying skill sets and career pursuits. We also focus on external recruitment to expand our talent pool and nurture management for the future. We have systematic campus recruiting programs with reputational universities to spot suitable candidates and provide them with well-rounded trainings. To supplement our recruiting and training efforts, we cooperate with professional institutions and industrial organizations for strategy planning as well as establishing various training camps. Through regular performance reviews, stipends, bonuses and special contractual arrangements, we incentivize our employees and boost productivity by ensuring compensation is tied to performance to motive employees and optimize employee remuneration. Our human resources policies have help build a cohesive corporate culture, which will not only attract diversified talent but also help retain key employees required for our business expansion.

BUSINESS STRATEGIES

We intend to further strengthen and position ourselves as a leading comprehensive property management service provider based in China. Specifically, we plan to pursue the following strategies to achieve our objectives:

Continue to leverage our extensive experience and well-established service standard and management system to expand our business scale in mid- to high-end market through multiple channels

With our successful experience in the mid- to high-end market in Guangdong-Hong Kong-Macau Bay Area and well-established service standard and management system, we intend to expand our business scale and market share. We seek to increase our property management portfolio through multiple channels. We will continue to leverage our existing business relationship and coverage with the Remaining Kaisa Group to increase our organic growth, as well as proactively obtain new engagements from independent third party property developers capitalizing our reputable brand value, comprehensive property portfolio, high-quality services and solid customer relationships.

In addition to growing our business through organic growth initiatives, we intend to explore selective strategic investment and acquisition opportunities to increase the depth and breadth of our service offerings and our managed property portfolio. According to Frost & Sullivan, the degree of concentration of the property management services market is increasing in recent years as a result of policy changes, market competition and information technology. In particular, a few of the leading property management services companies are seeking access to enhance management standards and core competitiveness through mergers and acquisitions. Property management services companies are making efforts to develop alliances and partnerships in order to achieve economies of scale. Furthermore, we might be subject to higher risks when organically expanding into a new market due to differences in regional cultures and market conditions, leading to higher expansion costs. Therefore, strategic investment as well as mergers and acquisitions can be alternative means of efficient expansion into new markets to save costs and time, and increase our geographical market coverage. Such expansion method also enhance resource utilization, leading to better market resource allocation, resource sharing and stronger business alliances.

The four main criteria we will consider for a potential target are location, business profile, operating performance and growth potential. For location, we will focus on areas that we are familiar with and hold promising prospects in terms of market development, namely, Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and Bohai Economic Rim. These areas also have relatively dense populations, strong spending power and mature property management markets. For business profile, we will target companies with complementary managed property portfolio and customer geographic base in order to expand our services to different kinds of properties and areas. Moreover, we will prefer companies which also engage in property management related business, such as security, cleaning, gardening and maintenance services. Last but not least, we will pay attention to a target company's operating performance, including profitability and compliance record, and its growth potential to ensure we can leverage its market reserves and expansion capabilities.

Within the next one to three years, we plan to use approximately 50%, or HK\$139.7 million, of the net proceeds from the Offering to acquire or invest in other property management companies which have comparable market positions with us. Detailed timeframe and capital investment will depend on the actual condition of the potential target, including its business scale and the proportion of shares we plan to acquire or invest in. Specifically, we will first consider companies with GFA under management above 3.0 million sq.m., annual revenue above RMB50.0 million and annual net profit margin above 6.0%. Our Directors are of the view that there are many suitable targets in the market fall within such category. Our Directors also believe that these acquisitions can increase our business scale, enhance resources allocation, expand our geographic coverage and lower procurement cost due to economies of scale.

Continue to scale our business in non-residential properties to further diversify our revenue streams

To further diversify our property management portfolio and revenue streams, we intend to provide comprehensive property management services to an increasing number of non-residential properties, such as arenas and stadiums, vacation properties, agricultural parks, industrial parks, science parks, educational institutions as well as government and public facilities, through strategic cooperation with various business partners. With our abundant experiences and well-established service standards and procedures, we will continue to explore engagements of new types of properties, endeavoring to provide localized and customized property management services. In particular, we aim to seek potential property management engagement opportunities of landmark buildings to increase our brand recognition. We will also continue to expand our geographic coverage in new markets with suitable opportunities. By continuing to expand to a wider type of property management portfolio, we expect to diversify our revenue streams and achieve sustainable growth.

Continue to develop one-stop service platforms to optimize user experience, expand product and service offering and increase operational efficiency

We will continue to devote resources to develop our one-stop service platforms, namely K Life and K Service. We plan to position K Life as our external platform to connect with property owners and residents, while K Service as our internal platform to facilitate day-to-day operations.

We intend to use K Life to facilitate the interaction among us, property owners and residents to increase customers' satisfaction rates. As community value-added services typically have higher margins, we will focus on utilizing K Life to improve our profitability by expanding its business scales and coverage. We will increase the variety of products and services offered on K Life by partnering with third-party vendors who can provide quality services, including strategic alliances with or investments in companies providing community value-added services that are complementary to ours, in order to achieve full coverage of our customers' needs. In particular, we plan to acquire companies engaging in community retail business, community finance, community elderly caring (such as daily care and healthcare) and community education (such as pre-school education). For community retail business, in addition to building our own logistics system and professional team, we plan to focus on fresh food and commodities production or trading companies since these two markets are very mature in operation and quality control and have many available investment targets. For community finance, we plan to first form strategic alliances with insurance companies to promote insurance products targeting the needs of our property owners and residents. After we have gained sufficient experience, we will further obtain insurance brokerage licenses and seek controlling rights over insurance brokerage companies to complete our vertical integration. For community elderly caring, we plan to form strategic alliances with or invest in elderly care and healthcare institutions. Their industry experience can create synergy with our brand recognition, customer base as well as capital and operational resources. For community education, we will seek joint venture with education institutions. The education institutions can provide professional services while we will focus on promotion among our managed properties and provide necessary support. The success of the above expansion plans, to a large degree, will depend on our user base of K Life. Therefore, to expand the user base of K Life and increase users'

engagement, we plan to set up a reward point system, allowing registered users to earn reward points and redeem for free gifts with points accumulated over time. Furthermore, we plan to spend approximately RMB14.8 million on K Life hardware purchase and research and development and RMB13.2 million on its operation and promotion, respectively, of the net proceeds from the Offering in 2019 and 2020. For hardware development, we will apply smart technology to our property management services through K Life, including cloud server, smart parking, entrance gates control and smart home from late 2018 to 2019. For operation and promotion, we expect to (i) strengthen the community sharing function of K Life by encouraging users to post community activities and trade second-hand goods by the second quarter of 2019; and (ii) enrich the community value-added products and services offerings on K Life in 2019 and 2020. With increased engagement with property owners and residents and a more full-spectrum and convenient service offering, we believe K Life will generate increased revenue opportunities for us.

On the other hand, we aim to continue to provide high-quality service and enhance operational efficiency through K Service to support our rapid business growth. With K Service integrating various types of our day-to-day operations, we expect to further centralize and streamline different functions of work through K Service to provide a one-stop and transparent control point for our employees. To achieve this goal, we plan to upgrade our smart management systems for property management with more standardized modular management functions covering a full range of service contact points with customers. We will mainly focus on building a centralized system including four modules, namely information system, energy system, surveillance system and smart parking system. For information system, we will devote to the digitalization of our data and operation procedures to increase our management efficiency. We plan to spend approximately RMB3.0 million in the first half of 2019 for such initiative. For energy system, we will enhance our real-time monitoring on energy usage. We plan to spend approximately RMB1.5 million in the first half of 2019 for system development and another RMB0.5 million in 2020 for the upgrade and launch. For surveillance system, we will apply it to the monitoring of elevator, video camera, entrance gates control, engine rooms as well as drainage, conditioning and lighting systems to increase the stability, security and efficiency of our operations. We plan to spend approximately RMB7.0 million in the second and third quarters of 2019 for system development and another RMB9.0 million in 2020 for the upgrade and launch. For smart parking system, we will build a more convenient parking system to increase our service quality to customers. We plan to spend approximately RMB3.0 million in the first half of 2019 for system development and another RMB4.0 million in 2020 for the upgrade and launch.

In addition, these upgraded property management systems will be designed to enhance the gathering and consolidation of first-hand customer data and service record for us to analyze customer needs and behavioral patterns when formulating customer-oriented business procedures and strategies. We will also upgrade our cloud platform through the support of big data analytics and digitalization to maximize operation and management efficiency and increase our service quality. Benefiting from our one-stop K Service platform, we can facilitate our day-to-day operations and ensure a more focused quality control and straightforward internal management from our headquarter to our managed properties.

Continue to develop our smart solution services to build smart home and smart community

With Internet of Things manifesting itself as a living concept in our lives today, this has brought in a great opportunity for property management service providers like us to increase the value of our properties by adding smart technology as an amenity for users, while lowering costs with more efficient property management. To further develop our smart solution services, we will actively seek for possible engagement opportunities with government, property developers and property management companies to increase our brand awareness through more high-profile projects. To build smart home and smart community, we plan to work with industry leading internet companies to enhance our smart technology. For smart home, we will focus on comfort, energy saving, safety and convenience. With just a touch of a fingertip, our residents will be able to customize home appliances and settings to their personal needs and lifestyle or power them off to reduce energy consumption wherever they are. Moreover, smart home solutions will provide significant security benefits by preventing burglary and unauthorized access. With wireless motion detectors and water leak sensors integrated into the home control system, our residents can recognize potential dangers or accidents more easily. For smart community, we will utilize internet technology and cloud computing into the application of green building, traffic monitoring and digital life to provide a safe, comfortable and convenient environment as well as lower the operating costs for our customers. By devoting to offering more smart technology, we hope to introduce more next-generation products and services to achieve sustainable growth and maintain industry leading position. Our diverse and customized smart solution services can also drive our revenue and margin growth and help us seek future engagement for other service segments such as community value-added services.

PROPERTY MANAGEMENT SERVICES

We have been providing property management services in China for almost 20 years since 1999, and have since then established a strong footprint in Guangdong-Hong Kong-Macau Bay Area. As of June 30, 2018, our property management services covered 37 cities across 12 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 25.4 million sq.m. We managed 124 properties, comprised of 101 residential communities and 23 non-residential properties, and provided property management services to approximately 0.16 million property units as of June 30, 2018.

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

	As of December 31,			As of June 30,
	2015	2016	2017	2018
Contracted GFA ('000 sq.m.)	21,896	25,139	29,668	30,445
GFA under management ('000 sq.m.) .	18,334	20,565	24,008	25,423
Number of managed properties	78	93	119	124

Geographic Coverage

The map below illustrates the geographic coverage of our managed properties as of June 30, 2018.



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

	As of December 31,						As of June 30,	
	2015		2016		2017		2018	
	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number	GFA (^{'000} sq.m.)	Number
Guangdong-Hong Kong								
-Macau Bay Area	7,784	36	8,763	43	10,097	52	10,588	56
Yangtze River Delta	2,010	14	2,476	18	3,144	27	3,568	28
Bohai Economic Rim	2,839	13	2,626	13	2,871	15	2,883	16
Western China	3,576	8	4,267	12	4,822	16	5,310	15
Central China	2,125	7	2,433	7	3,074	9	3,074	9
Total	18,334	78	20,565	93	24,008	119	25,423	124

BUSINESS

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

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Guangdong-Hong Kong										
-Macau Bay Area	139,430	74.9	146,248	69.9	177,623	66.2	80,260	66.7	103,923	58.4
Yangtze River Delta	16,037	8.6	22,252	10.6	33,028	12.3	14,403	12.0	26,940	15.2
Bohai Economic Rim	22,688	12.2	28,423	13.6	36,784	13.7	17,063	14.2	20,990	11.8
Western China	5,597	3.0	9,087	4.3	16,922	6.3	6,687	5.6	21,061	11.9
Central China	2,322	1.3	3,298	1.6	4,011	1.5	1,795	1.5	4,807	2.7
Total	186,074	100.0	209,308	100.0	268,368	100.0	120,208	100.0	177,721	100.0

During the Track Record Period, over 80% of our property management services revenue were generated from properties located in the three major economic zones in China, namely, the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and the Bohai Economic Rim. The population density and per capita disposable income are higher in these economic zones than in most other regions in China. We expect that our properties in the three major economic zones will continue to account for a significant portion of our operations in the near future. As of the Latest Practicable Date, we had established 153 branches across China to facilitate the expansion of the geographical scope of our operations, while maintaining service quality as well as minimizing and controlling discrepancies in service standards across different regions and different properties under our management. We believe that the establishment of such branch will help us prepare for further expansion of our operations and enable us to better capitalize on economies of scale.

Types of Properties Managed

We manage a diversified portfolio of properties covering mid- to high-end residential communities and non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks. We adopt two revenue models under which we charge property management fees on a lump sum basis or commission basis. For lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. For commission basis, we essentially act as the agent of the property owners and therefore record only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. We cover the expenses incurred in connection with providing property management services with the property management fees collected. See “— Revenue Model of Property Management Services” for details.

The table below sets forth the breakdown of our (i) property management services revenue, (ii) total GFA under management, and (iii) the number of our managed properties by type of properties for the periods/as of the dates indicated:

	Year ended/as of December 31,						For the six months ended/as of June 30,																		
	2015			2016			2017			2018															
	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	Number of projects %	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	Number of projects %	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	Number of projects %	Revenue (RMB'000)	GFA under management % ('000 sq.m.)	Number of projects %													
Residential communities	67,934	36.5	16,610	90.6	69	91,691	43.8	18,727	91.1	81	137,316	51.2	21,603	90.0	100	60,374	50.2	20,765	89.9	94	94,909	53.4	22,562	88.7	101
Non-residential properties	118,140	63.5	1,724	9.4	9	117,617	56.2	1,838	8.9	12	131,052	48.8	2,405	10.0	19	59,834	49.8	2,341	10.1	16	82,812	46.6	2,861	11.3	23
Total	186,074	100.0	18,334	100.0	78	209,308	100.0	20,565	100.0	93	268,368	100.0	24,008	100.0	119	120,208	100.0	23,106	100.0	110	177,721	100.0	25,423	100.0	124

The average property management fees for our non-residential properties were much higher than the average property management fees for our residential properties. Our average property management fees for non-residential properties amounted to RMB13.25 per sq.m./month, RMB14.41 per sq.m./month, RMB15.02 per sq.m./month and RMB15.12 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Our average property management fee for residential properties amounted to approximately RMB2.13 per sq.m./month, RMB2.20 per sq.m./month, RMB2.27 per sq.m./month and RMB2.29 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Accordingly, during the Track Record Period, though our GFA for non-residential properties accounted for a lower percentage of our total GFA under management than our GFA for residential communities, the revenue contribution from non-residential properties was not necessarily lower than the contribution from residential communities.

For the six months ended/as of June 30,

(unaudited)

still higher than the contribution from commission basis.

BUSINESS

Nature of the Property Developers

During the Track Record Period, the properties under our property management were developed principally by the Remaining Kaisa Group while the rest were developed by independent property developers. During the same periods, we won all the public tenders with respect to projects developed by the Remaining Kaisa Group for which we bid. For information concerning the business delineation between the Remaining Kaisa Group and us, see section “Relationship with our Controlling Shareholders — Delineation of Business.” We are also actively exploring new engagement opportunities with independent property developers. We have submitted 62, 66, 94 and 49 tenders to the independent property developers in 2015, 2016, 2017 and for the six months ended June 30, 2018, respectively. Our bidding success rate for properties developed by independent property developers, which is calculated by dividing the number of public tenders with respect to properties developed by independent property developers that we won during a respective period by the total number of public tenders with respect to properties developed by independent property developers in which we participated in the same period, was approximately 11.3%, 34.6%, 21.2% and 22.4% in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively.

The table below sets forth the breakdowns of (i) our total GFA under management and (ii) the number of our managed properties by type of developers as of the dates indicated:

	As of December 31,						As of June 30, 2018	
	2015		2016		2017			
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
Properties developed by the Remaining Kaisa Group ⁽¹⁾	16,840	69	18,879	77	20,677	85	21,655	86
Properties developed by independent third party property developers . .	1,494	9	1,686	16	3,331	34	3,768	38
Total	18,334	78	20,565	93	24,008	119	25,423	124

Note:

(1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.

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

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000 (unaudited)	%	RMB’000	%
Properties developed by the Remaining Kaisa Group ⁽¹⁾	165,587	89.0	182,555	87.2	220,511	82.2	100,490	83.6	136,028	76.5
Properties developed by independent third party property developers . . .	20,487	11.0	26,753	12.8	47,857	17.8	19,718	16.4	41,693	23.5
Total	186,074	100.0	209,308	100.0	268,368	100.0	120,208	100.0	177,721	100.0

Note:

- (1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.

Scope of Our Property Management Services

The property management services we provide typically include:

- *Security services.* The security services that we provide primarily include patrolling, access control, manned guard stations, visitor handling and emergency handling. We generally provide our security services through our own employees or through subcontracting. For details, see “— Our Suppliers — Subcontracting.” We also seek to enhance the quality and operational efficiency of our security services through equipment upgrade such as our 360-degree surveillance system. For details, see “— Centralization, Digitalization, Standardization and Automation.”
- *Cleaning and gardening services.* We provide general cleaning, gardening, pest control and landscaping services primarily through subcontractors.
- *Repair and maintenance services.* The scope of our property repair and maintenance services typically covers (i) common area equipment and facilities, such as elevators, escalators and central air conditioning systems, (ii) fire and safety facilities, such as fire extinguishers and fire alarm systems, (iii) security facilities, such as entrance gates control and surveillance cameras, and (iv) utility facilities, such as electricity generators, water pumps and water tank. We outsource substantially all of the specialized property repair and maintenance services to subcontractors. For details, see “— Our Suppliers — Subcontracting.” Our in-house technicians perform routine management and inspections of certain systems and equipment and they also take charge of planning equipment maintenance and maintaining ledgers to ensure the normal operation of the equipment in the serviced areas.
- *Customer services.* Our customer services include (i) assisting property owners and residents with daily services, such as checking in, decoration, car parking, moving in and out, (ii) handling customer complaints and suggestions and following up on the progress and feedback, (iii) concierge services, (iv) accepting maintenance requests and following up on the progress and feedback, (v) collecting property management fees, (vi) collecting and categorizing property owners and residents information and (vii) establishing and maintaining relationships with property owners and residents.

Revenue Model of Property Management Services

We adopt two revenue models under which we charge property management fees on a lump sum basis or commission basis. Property developers and property owners’ associations generally propose, subject to local regulations, whether they prefer the properties to be managed on a lump sum basis or commission basis. Based on the proposal, we then conduct financial assessments by evaluating key factors such as estimated costs of managing the property, fee collection rate, projected profitability, as well as when renewing contracts,

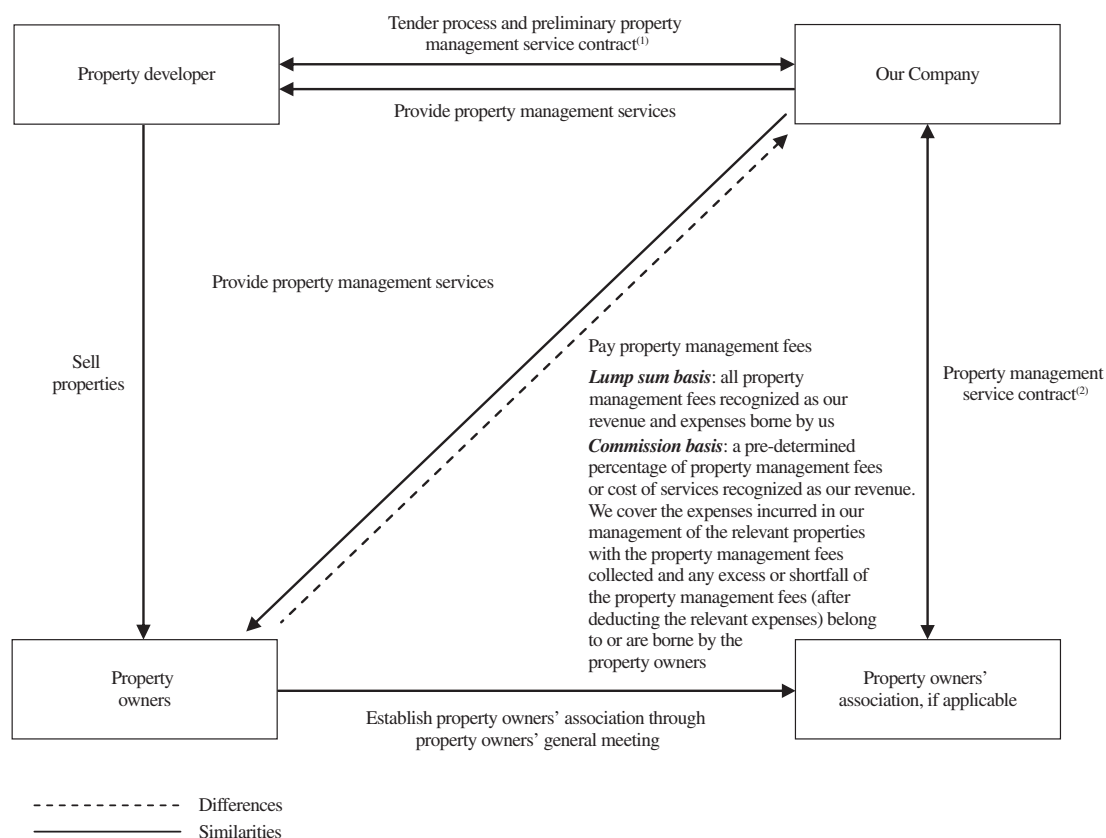
BUSINESS

whether the property was previously managed on a commission basis or lump sum basis. The assessment results help us determine whether to accept a proposal and take up the engagement.

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

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Lump sum basis	158,940	85.4	178,360	85.2	233,739	87.1	104,455	86.9	159,874	90.0
Commission basis	27,134	14.6	30,948	14.8	34,629	12.9	15,753	13.1	17,847	10.0
Total	186,074	100.0	209,308	100.0	268,368	100.0	120,208	100.0	177,721	100.0

The following diagram illustrates the major differences between managing properties under the two revenue models:



Notes:

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

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

- ***Property management fees charged on a lump sum basis***

On a lump sum basis, we recognize as revenue the full amount of the total property management fees. From the property management fees received, we pay the expenses incurred in connection with managing the properties which are recognized as our cost of services and direct operating expenses. During the term of a property management service contract, if the amount of property management fees we collect is not sufficient to cover all the expenses incurred, we are not entitled to require the property owners and residents or property developers to pay us the shortfall. The property management service contract generally has no price adjustment mechanism in the event that our costs incurred are higher than expected.

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

On a commission basis, we retain as our revenue a pre-determined percentage of (i) the total property management fees or (ii) the total expenses incurred in connection with providing the property management services, depending on our assessment of the collectability of property management fees. The remainder of the property management fees after deducting our commission is used as working capital to cover the expenses incurred from property management.

In the event of a surplus of working capital after deducting the relevant property management expenses, the surplus is generally rolled over to the next annual period. On the other hand, in the event of a temporary shortfall of working capital to pay for the relevant property management expenses, we may need to make up for the shortfall and pay on behalf of the property owners and residents first, with a view to recovering subsequently. Our PRC Legal Advisers have confirmed that we have the legal right to request the property owners and residents to make up for the shortfall and also to recover such shortfall, within the scope set by local competent authorities in the PRC, according to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》) (Fa Gai Jia Ge [2003] No.1864). For further details, see “Financial Information — Description of Selected Items in Combined Statements of Financial Position — Payment on Behalf of Residents.”

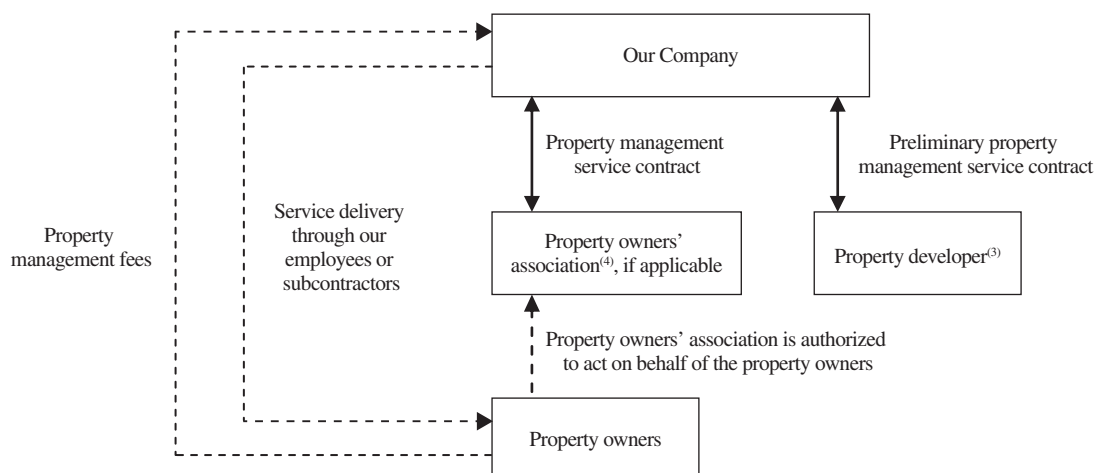
On a commission basis, we essentially act as an agent of the property owners and residents. The relevant costs associated with the onsite staff and subcontracting arrangements are typically borne by the property owners and residents. We are not entitled to any excess of the property management fees paid by property owners and residents and property developers, after deducting the fees receivable by us as the property manager, over the costs and expenses associated with the provision of services to the property. Therefore, we generally do not recognize any direct cost under property management service contracts charged on a commission basis. Such costs are borne by the property owners and residents and property developers, as the case may be.

Property Management Service Contracts

The provision of our property management services is governed by (i) preliminary property management service contracts entered into between the property developers and us

before the newly developed properties are delivered to the property owners or (ii) property management service contracts entered into between the property owners' associations and us after the developed properties have been delivered to the property owners and the property owners' associations have been established in accordance with PRC laws.

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



Notes:

- (1) Solid lines indicate binding agreements were entered into between the parties.
- (2) Dotted lines indicate no agreements were entered into between the parties.
- (3) Property developer enters into the preliminary property management service contract with us. Such contract is legally binding on the future property owners in accordance with PRC laws.
- (4) Property owners' association enters into the property management service contract on behalf of property owners with us. Such contract is legally binding on all property owners in accordance with PRC laws.

During the Track Record Period, the majority of the new engagements we entered into were for newly developed properties for which the property owners' associations are yet to be set up. We generally prefer to provide management services for newly developed properties as they typically have higher property management fees and better infrastructures which enable us to provide better services to the residents.

Property developers typically engage property management service providers before newly developed properties are sold to property owners to ensure that property management services are available before the property owners' associations are established and are able to contract with the property management service providers directly. Upon engagement by the property developers, property management companies will need to make registration of the preliminary property management service contracts, together with the proposed property management fees according to the local regulations, with the local PRC authorities.

Our PRC Legal Advisers have advised us that although neither the property owners' associations nor property owners are parties to the preliminary property management service contracts, these contracts are nonetheless legally binding on the future property owners under PRC law and property owners are obligated to pay management fees directly to us under these contracts. When the property developers enter into property sale and purchase agreements with property owners, we take the following precautionary measures to highlight to the property

BUSINESS

owners their legal obligations to comply with the preliminary property management service contracts: (i) we typically request the property developers to incorporate the major terms of the preliminary property management service contracts into their property sale and purchase agreements and (ii) we typically enter into separate confirmation letters with the property owners concurrently with the execution of the property sale and purchase agreements. The confirmation letters contain the same terms as those in the preliminary property management service contracts. Under PRC laws, the property owners' associations may engage a property management company on behalf of the property owners and enter into a property management service contract that is legally binding on all property owners.

The table below sets forth a breakdown of the total contracted GFA and the GFA under management of the properties to whom we provided property management services at different stages as of or for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 with related property management services information.

	As of or for the year ended December 31,												As of or for the six months ended June 30,			
	2015				2016				2017				2018			
	Contracted GFA	GFA under management	Property management services revenue		Contracted GFA	GFA under management	Property management services revenue		Contracted GFA	GFA under management	Property management services revenue		Contracted GFA	GFA under management	Property management services revenue	
	('000 sq.m.)	('000 sq.m.)	(RMB'000)	%	('000 sq.m.)	('000 sq.m.)	(RMB'000)	%	('000 sq.m.)	('000 sq.m.)	(RMB'000)	%	('000 sq.m.)	('000 sq.m.)	(RMB'000)	%
Properties developed by the Remaining Kaisa Group ⁽¹⁾																
	19,494	16,840	165,587	89.0%	22,626	18,879	182,555	87.2%	25,434	20,677	220,510	82.2%	25,924	21,655	136,028	76.6%
– Preliminary stage	18,065	15,850	58,328	31.4%	19,909	16,600	78,523	37.5%	22,462	17,861	103,081	38.4%	22,939	18,827	71,566	40.3%
– Property owners' associations stage ^{(2) (3)}	1,429	990	107,259	57.6%	2,717	2,279	104,032	49.7%	2,972	2,816	117,429	43.8%	2,985	2,828	64,462	36.3%
Properties developed by independent third party property developers																
	2,402	1,494	20,487	11.0%	2,513	1,686	26,753	12.8%	4,234	3,331	47,858	17.8%	4,521	3,768	41,693	23.4%
– Preliminary stage	1,205	297	4,448	2.4%	1,405	578	5,807	2.8%	1,915	1,190	20,256	7.5%	1,937	1,184	11,224	6.3%
– Property owners' associations stage ^{(2) (3)}	1,197	1,197	16,039	8.6%	1,108	1,108	20,946	10.0%	2,319	2,141	27,602	10.3%	2,584	2,584	30,469	17.1%
Total	21,896	18,334	186,074	100.0%	25,139	20,565	209,308	100.0%	29,668	24,008	268,368	100.0%	30,445	25,423	177,721	100.0%

Notes:

- (1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.
- (2) Include one project that the property owners' association was dissolved afterwards.
- (3) At the property owners' association stage, office and commercial building, individual owners and arenas and stadiums operator numbers are also included.

We obtain property management projects from property developers such as Remaining Kaisa Group and independent third party property developers. During the Track Record Period, the contracted GFA of the properties developed by Remaining Kaisa Group increased from 19.5 million sq.m. as of December 31, 2015 to 25.9 million sq.m. as of June 30, 2018 and the GFA under our management of the properties developed by Remaining Kaisa Group increased from 16.8 million sq.m. as of December 31, 2015 to 21.7 million sq.m. as of June 30, 2018. Although of the GFA we contracted and the GFA under management of the properties developed by Remaining Kaisa Group increase steadily during the Track Record Period, our quality services

have enabled us to obtain property management projects for independent third party property developers, as our contracted GFA of the properties contracted with the above increased from 2.4 million sq.m. as of December 31, 2015 to 4.5 million sq.m. as of June 30, 2018, and our total GFA under management of the properties contracted with the above increased from 1.5 million sq.m. as of December 31, 2015 to 3.8 million sq.m. as of June 30, 2018.

During the Track Record Period, a majority of our revenue was generated from managing the properties developed by Remaining Kaisa Group. At the preliminary stage, the contracted GFA of the properties developed by Remaining Kaisa Group increased from 18.1 million sq.m. as of December 31, 2015 to 22.9 million sq.m. as of June 30, 2018, and the GFA under management of the same increased from 15.9 million sq.m. as of December 31, 2015 to 18.8 million sq.m. as of June 30, 2018. At the property owners' association stage, the GFA under management of the same increased from 1.4 million sq.m. as of December 31, 2015 to 3.0 million sq.m. as of June 30, 2018.

The key terms of our preliminary property management service contracts and property management service contracts are substantially identical and typically include the following:

- *Scope of services.* We provide typical property management services consisting of security, cleaning, gardening, repair and maintenance of the common areas such as lobby, hallway, outdoor open space, stairway, carpark, elevator shaft, equipment room, and common area equipment and facilities such as elevators, central air conditioning equipment, electricity generators, fire protection equipment, drainage systems, community gates and community surveillance systems. It is our duty to set up the annual budgets, service plans and final accounting reports of a managed community. The contract also sets out the quality standards required for providing the property management services.
- *Property developer's obligations.* The property developer is primarily responsible for, among other things, (i) obtaining a commitment from every property buyer that it will comply with the preliminary property management service contract, (ii) providing sufficient office space for us to use as our onsite property management office, (iii) conducting acceptance inspection for the delivery of the common areas, equipment and facilities of a property and (iv) providing us with blueprints and other construction design documents and completion inspection documents. The property developer is also responsible for the property construction quality by meeting the standards for property acceptance inspection and delivery in accordance with applicable PRC laws and undertakes the maintenance obligations of the property within the prescribed warranty period.
- *Property management fees.* The contract sets out the property management fee rates to be collected per sq.m. and, if applicable, the commission rate charged on such fees, which generally begin to accrue upon delivery of the purchased property. The property developer is responsible for paying the property management fees for the units that remain unsold. We may also impose late fees on overdue property management fees and have the right to initiate legal proceedings against the property owners or property developer to collect the fees.

- *Outsourcing.* We are allowed to outsource individual components of the property management services to specialized third-party contractors. For example, we may choose to outsource security, cleaning, gardening, repair and maintenance services to third-party contractors and only conduct the overall coordination and planning ourselves. However, we are not allowed to outsource all aspects of the property management services on a wholesale basis. For arrangements with our third-party subcontractors, see “— Subcontracting.”
- *Term.* The majority of our preliminary property management service contracts do not have any fixed terms and expire only when the relevant property owners’ association is established and a property management service contract is entered into to replace the preliminary property management service contract. The remaining preliminary property management service contracts generally have fixed terms of between three to five years. If the preliminary property management service contract with a fixed term expires before the property owners’ general meeting is held to establish the property owners’ association in accordance with applicable PRC laws and no renewal agreement is reached, the preliminary property management service contract will expire at the end of the current term. However, if no new property management company is selected and we continue to provide services with the acceptance from the property owners and residents, generally the PRC courts will deem that there is an existence of an implied in fact contract and we can charge service fees based on the rate agreed in the preliminary property management service contract. When the property owners’ association has entered into a property management service contract with us or another property management company, our preliminary property management service contract will be terminated automatically, even if its current term has not expired. A property management service contract typically has a fixed term ranging from three to five years. We typically have the option to unilaterally terminate a property management service contract and cease service provisions before its expiration if we pay a compensation to our counterparty. We may also unilaterally terminate a contract and cease service provisions before its expiration without paying a compensation to our counterparty if there are legal or contractual grounds for such unilateral termination, such as our counterparty’s non-performance of its material obligations. Furthermore, both parties may agree on early termination based on mutual consent.

BUSINESS

The table below sets forth the expiration schedule of the related property management service contracts with fixed terms as of June 30, 2018.

	Number of contracts	Percentage
Properties developed by the Remaining Kaisa Group⁽¹⁾		
One year or less	26	30.2%
More than one year and up to two years	5	5.8%
More than two years and up to three years	2	2.3%
More than three years	3	3.5%
No fixed terms	50	58.2%
Total	<u>86</u>	<u>100.0%</u>
Properties developed by independent third party property developers		
One year or less	13	34.2%
More than one year and up to two years	8	21.1%
More than two years and up to three years	7	18.4%
More than three years	3	7.9%
No fixed terms	7	18.4%
Total	<u>38</u>	<u>100.0%</u>

Note:

(1) Refers to properties developed, solely or jointly with other parties, by subsidiaries, joint ventures or associates of the Remaining Kaisa Group.

In 2015, 2016 and 2017 and for the six months ended June 30, 2018, two, nine, 18 and 18, respectively, communities under our management had established property owners' associations, accounting for approximately 2.6%, 9.7%, 15.1% and 14.5%, respectively, of the total number of communities under our management. During the Track Record Period, our renewal rates with respect to property management service contracts, calculated as the number of renewed property management service contracts in a given period divided by the number of expiring property management service contracts in the same period, all reached 100%, and we will endeavor to maintain such high renewal rates in the future. Under PRC laws, the property owners' association of a residential community of a certain scale has the right to change property management companies pursuant to certain procedures. For more information, see "Regulatory Overview — Appointment of the Property Management Enterprises." In the event of termination or non-renewal of property management service contracts, we may be adversely affected. See "Risk Factors — Risks Relating to Our Business and Industries — Termination or non-renewal of our preliminary property management service contracts or property management service contracts could have a material adverse effect on our business, financial condition and results of operations."

Property Management Fees

Pricing of Property Management Fees

We are typically appointed as the property management company to provide property management services to residential communities and other non-residential properties through a tender process. When we bid for a new engagement, we generally price our services based on a number of factors, including (i) our budgeted expenses, (ii) scope and quality of the services

proposed, (iii) revenue generating model and our targeted profit margins, (iv) types and locations of the properties, (v) local government's guidance price on property management fees (where applicable), (vi) pricing of comparable properties, and (vii) our estimation of competitors' pricing. In addition, we consider the potential cost savings we can realize via automation and other equipment upgrade, which allow us to lower our proposed property management fees and submit more competitive tenders to customers.

In the PRC, the fees that property management companies may charge in connection with property management services are regulated and supervised by relevant PRC authorities. The relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of the fees charged in relation to property management services and such fees may need to follow PRC government guidance prices. See "Regulatory Overview — Charging of Property Management Enterprises." The government-imposed limits on fees have, to certain extent, had an effect on our results of operation during the Track Record Period, as we may not at all times have the flexibility to adjust our pricing in response to rising operating costs. As a result, we have adopted other measures, such as cost control and revenue source diversification through our other businesses, such as smart solution and community value-added services, to maintain our profitability. See "Risk Factors — Risk Relating to Our Business and Industries — Our pricing of property management fees under preliminary property management service contracts and for affordable housing is subject to PRC laws and regulations."

When the residential communities have reached the delivery stage, we receive property management fees from owners of sold property units which are generally calculated based on the size of the unit and the nature of the area of communities, such as residential areas, retail areas and carparks. For the residential areas, we further differentiate the fee standards based on property nature, such as high-rise apartments or townhouses. We also receive property management fees from property developers for the remaining unsold units generally at the same rate as the sold units.

Leveraging our brand and industry presence, we have been able to charge premium property management fees which reflect the quality of our property management services. Our average property management fee for all properties in 2015, 2016 and 2017 and for the six months ended June 30, 2018 amounted to approximately RMB2.55 per sq.m./month, RMB2.61 per sq.m./month, RMB2.67 per sq.m./month and RMB2.68 per sq.m./month, respectively. Our average property management fees for non-residential properties amounted to RMB13.25 per sq.m./month, RMB14.41 per sq.m./month, RMB15.02 per sq.m./month and RMB15.12 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Our average property management fee for residential properties amounted to approximately RMB2.13 per sq.m./month, RMB2.20 per sq.m./month, RMB2.27 per sq.m./month and RMB2.29 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. In particular, our average property management fee charged for residential properties developed by the Remaining Kaisa Group continued to increase from approximately RMB2.13 per sq.m./month in 2015, to RMB2.20 per sq.m./month in 2016, to RMB2.27 per sq.m./month in 2017, and further to RMB2.28 per sq.m./month for the six months ended June 30, 2018, primarily because (i) we increased our property management fees following overall industry upward trend; and (ii) we were benefited by the Remaining Kaisa Group's expanded coverage in tier one and tier two cities where we generally charged higher property management fees. Our

average property management fee charged for residential properties developed by independent third party property developers continued to decrease from approximately RMB3.24 per sq.m./month in 2015, to RMB2.29 per sq.m./month in 2016, and further to RMB2.21 per sq.m./month in 2017, primarily because (i) we expanded our geographic coverage from Guangdong-Hong Kong-Macau Bay Area in 2015 to Bohai Economic Rim and Western China in 2016 and 2017, where we generally charged lower property management fees; and (ii) we were engaged in one old town renovation project in 2016, where we charged relatively low property management fees compared with our other projects. Our average property management fee charged for residential properties developed by independent third party property developers later increased to RMB2.33 per sq.m./month for the six months ended June 30, 2018, primarily because we terminated two property management service contracts with a relatively low fee rate in May 2018. In 2015 and 2016, our average property management fees charged for residential properties developed by independent third party property developers were higher than for those developed by the Remaining Kaisa Group, primarily because we had fewer projects from independent third party property developers in 2015 and 2016, and many of these were located in Guangdong-Hong Kong-Macau Bay Area, where we generally charged higher property management fees. In 2017, our average property management fee charged for residential properties developed by independent third party property developers became lower than for those developed by the Remaining Kaisa Group, primarily because the projects we obtained from the Remaining Kaisa Group in 2017 were mostly new projects concentrated in Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta, where we generally charged higher property management fees. On the other hand, the projects we obtained from independent third party property developers in 2017 were mostly old projects from property owners' associations located in many areas with different fee rates. For the six months ended June 30, 2018, our average property management fee charged for residential properties developed by independent third party property developers was again higher than for those developed by the Remaining Kaisa Group, primarily because we terminated two third party property management service contracts with a relatively low fee rate in May 2018. Our range of monthly management fee per sq.m. during the Track Record Period fell within the industry range and our average property management fee for residential communities was above industry average in China in 2017, according to Frost & Sullivan. However, there is no assurance that we would succeed in maintaining our property management fees in the future. See "Risk Factors — Risks Relating to Our Business and Industry — Our provision of property management services on a lump sum basis could subject us to losses" for further details.

Collection and Payment of Property Management Fees

We generally charge property management fees on a monthly basis. Owners of both properties managed on a lump sum basis and commission basis are generally provided with similar credit terms and have similar credit risk profiles, as fees are collected from the property owners in both cases. Property management fees are due for payment by property owners upon the issuance of a payment notice. We typically require property management fees to be paid by the end of that month. We may charge late fines on overdue fees on a daily basis, generally at a rate of 0.05% subject to geographic difference, as provided in some of our property management service contracts.

During the Track Record Period, we extended certain payments on behalf of property owners for properties managed on a commission basis under specific circumstances such as (i) during the application processing period for opening bank account(s) for the management office of newly developed properties; (ii) salaries, social security payments and social welfare payments; (iii) utility costs; (iv) centralized procurement costs; and (v) transitional arrangements for properties with temporary working capital needs due to non-recurring building repair costs, equipment installation costs or actions taken to address changes in regulations such as minimum wage increases. As the working capital of properties managed on a commission basis is considered to belong to property owners and is managed by the management offices on behalf of the property owners, such payments on behalf of property owners are recovered from property owners through the management offices. For more information on the circumstances under which we extend such payments and the internal controls we have in place, see “Financial Information — Description of Selected Items in Combined Statements of Financial Position — Payments on Behalf of Residents.”

We have undertaken various measures to enhance the timeliness of collection of property management fees and other payments. Such measures include home visits, payment reminders and payment status notices. When the property management fees become overdue, we will deliver overdue payment notices in person or to the mailboxes of the relevant residents and follow up with frequent payment reminders. For payments that are overdue for the current month, our staff at the management offices will pay home visits to the relevant residents to collect the management fees in person and our legal department will send out demand letters if the management fees have not been paid within a reasonable time period after the home visits. In the event of significant payment delays, we may initiate legal proceedings to collect the fees.

In addition to making payments at our onsite management offices by cash or bank cards, we have made available to the property owners and residents to make payment online. In 2015, 2016 and 2017 and the six months ended June 30, 2018, our collection rates of property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 97.7%, 95.8%, 95.1% and 92.6%, respectively.

Growth of Our Property Management Services Portfolio

We had been expanding our property management services business during the Track Record Period primarily through obtaining new service engagements from property developers or property owners’ associations. In the future, we also plan to expand our coverage by acquiring other property management companies which have comparable market positions with us. For details, see “— Business Strategies — Continue to scale our business in non-residential properties to further diversify our revenue streams.”

BUSINESS

The table below indicates the movement of our (i) total GFA under management and (ii) number of managed properties during the Track Record Period.

	As of December 31,						As of June 30,	
	2015		2016		2017		2018	
	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number	GFA (’000 sq.m.)	Number
As of beginning of the period . . .	14,390	58	18,334	78	20,565	93	24,008	119
New engagements ⁽¹⁾	3,944	20	2,644	18	3,443	26	1,568	7
Terminations ⁽²⁾	—	—	(413)	(3)	—	—	(153)	(2)
As of end of the period	<u>18,334</u>	<u>78</u>	<u>20,565</u>	<u>93</u>	<u>24,008</u>	<u>119</u>	<u>25,423</u>	<u>124</u>

Notes:

- (1) In relation to residential communities we manage, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies.
- (2) The reasons for the termination mainly include: (i) the collection rate of the projects were much lower than our average level; (ii) the fees for the management of unsold property units could not be collected from property developers as contracted; and (iii) the projects were lack of synergy due to remote location.

Our sales and marketing team performs our market research and business development functions. We actively seek opportunities for new property management engagements in geographic markets with relatively dense populations and strong spending power, such as cities located in Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and Bohai Economic Rim. We are also expanding into newer geographic markets such as cities located in Beijing, Tianjin, Langfang, Ningbo, Zhongshan, Zhengzhou, Nanning, Yangjiang and Jiaxing. Once we have established a presence in a new geographic market, we expect to grow our penetration rate in the market with a view to enhance our economies of scale.

Organic Growth Through New Engagements

For organic growth, we select our customers based on their property portfolio, background and development timetable of the target properties. We conduct feasibility analysis and financial projections before taking on a new engagement, taking into account a variety of factors, such as the expected rate of return, profile and size of the project, competitive landscape of the local market and potential synergy with our community value-added services.

Under PRC law, property developers are typically required to select property management service providers through a bidding process. In circumstances where there are not enough bidders or the size of the residential community is small, property developers are permitted to select property management service providers without conducting any bidding process, subject to approval by competent PRC property administration authorities.

A typical bidding process primarily involves the following stages:

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

- *Pre-qualification.* The property developer may pre-examine the bidding qualification of the bidders according to the provisions of the invitation documents.
- *Tender submission.* Bidders submit tender documents to the property developer which generally contain proposed pricing, proposal and plan for property management and other information as specified by the tender invitation. Bidders may be required to provide pre-qualification documents for vetting before the formal tender documents are submitted.
- *Review.* The property developer will establish a tender review committee to review and rank the submitted tenders. The tender review committee takes into account factors such as credentials, service quality, availability of capital and proposed fee levels when it reviews the proposals.
- *Selection.* Based on its review, the tender review committee recommends to the property developer not more than three candidates. The property developer will then engage the property management company ranked the first.
- *Award and contract signing.* The property management service contract so awarded to the winner is expected to be signed within 30 days of the award and will take effect after filing with the competent PRC property administration authorities.

A public bidding process is also required for engaging property management service providers for non-residential properties owned by the PRC government or government-controlled entities, such as public schools, airports and industrial parks. The bidding processes are generally similar to those for entering into preliminary property management service contracts in relation to residential communities.

There is no difference between the public tendering process and the reviewing criteria with respect to projects developed by the Remaining Kaisa Group or independent property developers. Our high customer satisfaction rate, reputable credentials, capital resources, diverse managed property portfolio, industry rank and brand recognition, wide service offerings and long-time relationship help us secure the projects developed by the Remaining Kaisa Group. During the Track Record Period, we won all the public tenders with respect to projects developed by the Remaining Kaisa Group for which we bid. We are also actively exploring new engagement opportunities with independent property developers. We have submitted 62, 66, 94 and 49 tenders to the independent property developers in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Our bidding success rate for properties developed by independent property developers, which is calculated by dividing the number of public tenders with respect to properties developed by independent property developers that we won during a respective period by the total number of public tenders with respect to properties developed by independent property developers in which we participated in the same period, was approximately 11.3%, 34.6%, 21.2% and 22.4% in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively.

Acquisition of Third-party Property Management Companies

In addition to growing our business through organic growth initiatives, we intend to explore selective strategic investment and acquisition opportunities to increase the depth and breadth of our service offerings and our managed property portfolio. According to Frost & Sullivan, the degree of concentration of the property management services market is increasing in recent years as a result of policy changes, market competition and information technology. In particular, a few of the leading property management services companies are seeking access to enhance management standards and core competitiveness through mergers and acquisitions. Property management services companies are making efforts to develop alliances and partnerships in order to achieve economies of scale. Furthermore, we might be subject to higher risks when organically expanding into a new market due to differences in regional cultures and market conditions, leading to higher expansion costs. Therefore, strategic investment as well as mergers and acquisitions can be alternative means of efficient expansion into new markets to save costs and time, and increase our geographical market coverage. Such expansion method also enhance resource utilization, leading to better market resource allocation, resource sharing and stronger business alliances.

The four main criteria we will consider for a potential target are location, business profile, operating performance and growth potential. For location, we will focus on areas that we are familiar with and hold promising prospects in terms of market development, namely, Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and Bohai Economic Rim. These area also have relatively dense populations, strong spending power and mature property management markets. For business profile, we will target companies with complementary managed property portfolio and customer geographic base in order to expand our services to different kinds of properties and areas. Moreover, we will prefer companies which also engage in property management related business, such as security, cleaning, gardening and maintenance services. Last but not least, we will pay attention to a target company's operating performance, including profitability and compliance record, and its growth potential to ensure we can leverage its market reserves and expansion capabilities.

Within the next one to three years, we plan to use approximately 50%, or HK\$139.7 million, of the net proceeds from the Offering to acquire or invest in other property management companies which have comparable market positions with us. Detailed timeframe and capital investment will depend on the actual condition of the potential target, including its business scale and the proportion of shares we plan to acquire or invest in. Specifically, we will first consider companies with GFA under management above 3.0 million sq.m., annual revenue above RMB50.0 million and annual net profit margin above 6.0%. Our Directors are of the view that there are many suitable targets in the market fall within such category. Our Directors also believe that these acquisitions can increase our business scale, enhance resources allocation, expand our geographic coverage and lower procurement cost due to economies of scale.

Centralization, Digitalization, Standardization and Automation

To strengthen our competitiveness and reduce our reliance on labor, we focus on implementing centralization, digitalization, standardization and automation of our services. During the Track Record Period, we have spent approximately RMB4.3 million on these initiatives. In March 2018, we further launched an internal K Service mobile app to increase our

operational efficiency by utilizing smart technologies at our managed communities. We evaluate our property management services and formulate processes to render such services in a manner that is intended to demonstrate consistent high-quality and to alleviate the pressure of increasing labor cost.

- *Management centralization.* We have established a centralized information control center at our Shenzhen headquarters, comprising our call center, video surveillance command system and other data integration control platforms, to achieve effective and efficient monitoring of our nationwide operations. Through our centralized information control center, we have real-time access to multi-dimensional data including basic information about communities, collection status of property management fees, feedback from customer services, and facilities and equipment maintenance among our subsidiaries.
- *Information digitalization.* With the support of cloud technology and big data analytics, we allow for data interchange among various platforms, and provide computation results of big data to the management to help with their decision making. The information digitalization enables us to monitor our operation in real time and increase our operational efficiency.
- *Procedure standardization.* We have established our star-rated service program and formulated more than 800 rules for star-rated services laying out detailed guidance on key standards and procedures for providing property management services covering a full spectrum of property types. We have also prepared written operating manuals to facilitate the implementation of such service standards.
- *Operation automation.* We strive to increase operation automation by employing equipment such as carpark security systems, building access systems and surveillance cameras to reduce dependency on labor. Our K Service mobile app further standardizes and facilitates our provision of property management services by allowing our employees to, among other things, perform various property management functions and conduct internal controls. We have several automatic online systems and platforms to achieve our purpose of (i) quality examination, (ii) engineering assignment, (iii) electronic surveillance and (iv) equipment inspection to improve consistent quality services and reduce operational costs.

PRE-DELIVERY AND CONSULTING SERVICES

Leveraging our property management expertise, we offer a wide range of pre-delivery and consulting services to address the issues arising during each major stage of a property development project. We deploy onsite staff to provide security, cleaning, concierge and maintenance services to property developers for property construction sites, pre-sale display units and property sales venues at the early stages of a property development project prior to delivery of properties. We also provide consulting services to other property management companies with respect to the management of properties.

In 2015, 2016 and 2017 and for the six months ended June 30, 2018, our revenue generated from providing pre-delivery and consulting services amounted to approximately RMB246.9 million, RMB248.8 million, RMB295.8 million and RMB164.3 million, respectively, representing approximately 51.7%, 46.1%, 44.2% and 39.8% of our total revenue for the same periods.

During the Track Record Period, we generated a majority of our revenue of pre-delivery services from the Remaining Kaisa Group, demonstrating an enhanced synergy between our business and the property development business of the Remaining Kaisa Group. For further details, see “Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirement — 1. Property Management Services Framework Agreement.” In 2015, 2016 and 2017 and for the six months ended June 30, 2018, our revenue generated from the Remaining Kaisa Group for pre-delivery services amounted to approximately RMB227.9 million, RMB236.1 million, RMB277.0 million and RMB158.4 million, respectively, representing approximately 92.3%, 94.9%, 93.7% and 96.4% of our total pre-delivery and consulting services revenue for the same periods. As we further promoted our brand name and industry presence over the years and with an aim to diversifying our customer base, our number of pre-delivery projects from independent third parties increased from 13 in 2015 to 18 in 2016, and further to 22 in 2017. Our number of pre-delivery projects from independent third parties increased from 14 for the six months ended June 30, 2017 to 19 for the six months ended June 30, 2018.

Service Types

Pre-delivery Services

Our pre-delivery services include the following categories:

- *Construction sites management services.* During the Track Record Period, we provided primarily security services and to a less extent management services, such as cleaning and maintenance services, for the construction sites of property development projects. We deployed security staffs to the construction sites to guard and maintain order at the sites and assigned cleaning staff to the construction sites to keep them clean and maintain their environment. We charged a fixed fee which is payable by the property developers in installments over the course of the service contracts; and
- *Display units and property sales venues management services.* We deploy personnel onsite to assist property developers with their property marketing and selling activities. When the property developers market their property development projects, they typically set up display units to showcase their properties to potential buyers. Given the high foot traffic at the display units and the needs to secure, manage and maintain the display units, the property developers usually engage property management service providers to provide these specialized services. We also assist property developers with responding to general enquiries at front desk and maintaining order at property sales venues. We assign our dedicated and experienced teams to these work sites to address our customers’ needs and are paid for a fixed service fee in return.

Consulting Services

As a well-recognized property management company, we provide general daily property management consulting services to other property management companies. Consulting services are a cooperation model in which we assist other property management companies in achieving growth and trust by implementing our management philosophy and successful operation models in their businesses. Under such arrangements, we are able to expand our presence to new markets and demonstrate our services quality and ability to wider audiences. For example, in April 2018, we have been engaged to provide property management consulting services to Boluo agricultural demonstration park. Boluo agricultural demonstration park is our first county-level pilot agricultural demonstration base and is built to become a national comprehensive modern agricultural park with research, education, tourist and commercial functions.

Pre-delivery Service Agreements

The summary below sets out the key terms of our typical pre-delivery service agreements:

- *Scope of work.* Our services typically include general management, environmental management, security, equipment repair and maintenance and energy management, such as reception services, cleaning services, preventive and corrective maintenance on the display units and equipment inside the units, site surveillance, parking and site touring. We typically attach a service manual to the service agreement listing out the detailed standards and procedures, staffing requirements and other requirements that we follow in providing our services. Our customers may conduct review and rate our services against the requirements set forth in the service proposal.
- *Customer's responsibilities.* Our property developer customers are responsible for providing our staff with office space, office supplies, cleaning equipment, housing and meals, and purchasing insurance for the display units and construction sites.
- *Management fees.* We usually charge fixed amount of fees, which are required to be paid in installments over the course of the agreements. We determine the amount of fees that we charge based on our estimates of expenses that we would incur in performing services required under the service agreements. We are also entitled to charge extra service fees if our customer request us to provide service out of scope.
- *Indemnification.* Both parties are entitled to indemnification due to the losses and damages incurred by the other party's fault or gross negligence.
- *Term.* The typical term for our pre-delivery service agreements ranges from one to two years, and may be renewed from time to time upon mutual consent of the parties.

Pre-delivery Service Fees

We determine our pre-delivery service fee rates by taking into account, among others, (i) our budgeted expenses, (ii) the types and locations, (iii) profiles of the property developers, (iv) fee rates charged by our competitors in the same region, and (v) the profit margin of the target. We may also consider other case-by-case factors when implementing our pricing policy. For example, we might lower our service fees to compete with other service providers when bidding for a new property developer for the very first time.

We charge our pre-delivery service fees on a per-transaction basis and the fees are pre-transaction negotiated and fixed. We recognize our revenue based on the fees we charge, which is calculated in accordance with the headcount and positions of the personnel we deploy. We recognize relevant labor costs and subcontracting costs we incur as cost of services in connection with performing our services. We usually grant our customers a credit term of 30 days for the pre-delivery services that we provide. Among others, for the service fee for our consulting services, depending on the agreements, the fees are generally calculated either (i) as periodic fixed fees, typically with a 30-day credit term, regardless of the performance of the relevant communities, or (ii) as a percentage of our counterparties' revenue from managing the relevant communities, which are typically payable monthly with a 30-day credit term.

COMMUNITY VALUE-ADDED SERVICES

As an extension of our property management services, our community value-added services aim to address the life-style and daily necessities needs of our property owners and residents with an extensive array of products and services to improve our service quality, enhance customer experience and satisfaction, and provide a healthier and more convenient life for our property owners and residents. We provide community value-added services, including car parking, space leasing and value-added services through both offline and online channels. In 2014, we adopted “Community Butler” mobile app developed by Qijia Technology as an online gateway to a variety of our community products and services. Later in March 2018, we further launched our K Life mobile app to consolidate our previous platforms and to offer an upgraded one-stop service. Through K Life, we provide community value-added services, such as courier, parking, bill paying, food delivery, cleaning, laundry, household, finance and e-commerce services. Our K Life mobile app enables our property owners and residents with access to a broad products and services portfolio that addresses the evolving everyday and life-style needs of them.

In 2015, 2016 and 2017 and for the six months ended June 30, 2018, revenue generated from our community value-added services amounted to RMB36.3 million, RMB45.1 million, RMB57.7 million and RMB38.2 million, respectively, representing 7.6%, 8.4%, 8.6% and 9.3% of our total revenue for the same periods.

Service Types***Rental of Parking Spaces***

During the Track Record Period, we leased from the Remaining Kaisa Group parking spaces of the residential communities and non-residential properties developed by it. We subsequently generate a rental income from subleasing these parking spaces. We recognize our operating profit after deducting the operating cost and the rents paid to the Remaining Kaisa Group from the rental income.

As of June 30, 2018, our rental of parking spaces business covered 62 residential communities and four non-residential properties developed by the Remaining Kaisa Group across ten cities in China. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, revenue generated from our rental of parking spaces amounted to RMB20.5 million, RMB27.1 million, RMB32.1 million and RMB25.0 million, respectively, representing 4.3%, 5.0%, 4.8% and 6.1% of our total revenue for the same periods.

Space Leasing

We provide common area leasing assistance to property owners or developers. Physical advertising spaces in the common areas of residential communities belong to the properties' owners or developers. We assist the property owners and developers to lease out such spaces and receive a commission in return. We also provide such common area leasing assistance with regards to extra space at a residential community, which is rented out as storage space.

In addition, we offer a wide range of activities utilizing the common areas of our managed communities. For example, we organize community events utilizing outdoor open spaces at our managed communities. We operate community clubhouses that provide residents with convenient facilities to socialize and relax. These services can increase our engagement level with the residents and expand our access to consumer activities of the residents at the same time.

Value-added Services

Home Living Services

We offer purchase assistance to our residents for a full range of products and services offered by pre-screened third-party merchants including groceries, daily necessities, other merchandize and home living services, such as bottled drinking water delivery, dry cleaning and laundry and trip booking. We purchase these products and services from third-party merchants and re-sale to the residents through our online and offline channels. With our launch of K Life, the residents can place orders through K Life, which offers a one-stop shopping experience, and the merchants will make deliveries or render the services.

We also cooperate with third-party suppliers to offer property owners and residents design and purchasing services with a turnkey furnishing package to create a move-in ready residence. Leveraging our integrated supplier resources, we assist the owners and residents in decorating and furnishing the units and purchasing furniture, home appliances and accessories, saving them time and efforts. These services are offered and sold offline through third-party suppliers' display units in our residential community.

Property Transaction Services

When a property owner, as a landlord, seeks rental assistance from us, we will forward the information to an appropriate tenant. In addition to property rental assistance, we also help property owners sell their units. For each successful case, we are entitled to receiving a commission based on the rent or selling price. Furthermore, sometimes we will refer the property leasing and purchasing cases to other independent third party property agents. We receive our commission calculated at a percentage of the commission such agent receives.

Selection of Third-party Merchants

To ensure the quality of products and services provided by merchants and the sustainability of our community value-added services, we screen and select suitable merchants based on factors including price competitiveness, quality of products or services, responsiveness to demands of customers and long-term sustainability. With respect to local merchants mainly targeting neighborhood markets, our staff at the community level would select local merchants for each community to cater to the different needs and preferences of the residents at such community.

We typically enter into written agreements with merchants, setting forth, among other things, fee rates, settlement mechanisms, logistics for deliveries of products and services. The merchants are also required to indemnify us for losses incurred due to their defective products or substandard services. We may replace a third-party merchant in the event of substandard performances. For more details about our quality control over merchants, see “— Quality Control.”

Utilization of the K Life Mobile App

Our mobile app K Life has achieved significant progress in providing community value-added services to our owners and residents. As of the Latest Practicable Date, K Life has covered all of the residential communities under our management, and the number of our registered users on K Life reached approximately 0.6 million.

During the Track Record Period, we have spent approximately RMB4.3 million and RMB1.0 million on our previous “Community Butler” mobile app and K Life, respectively. In March 2018, we launched our K Life mobile app to consolidate our previous online platforms and to offer an upgraded one-stop service. Leveraging the research and development capabilities of our subsidiary, Qijia Technology, and our understanding of customers’ needs, our K Life mobile app aims to further improve the living experience of our property owners and residents. To build a closed-loop value chain in our community, we connect our property management services with community value-added services through K Life to offer everyday and life-style services. We utilize K Life as the online gateway to a variety of our community products and services and the registered users are primarily property owners and residents of our managed properties, who need to provide required information to complete the registration.

Our registered users of K Life can access the following of our services:

- *Purchase from local merchants.* In connection with our home living services, our registered users can order and pay for products and services from our selected local merchants and can also track product and service orders and deliveries on K Life.
- *Payment of property management fees.* Via K Life, our registered users can review the monthly property management fees payment statements and our staff can send payment reminders to the registered property owners in the event of late payment. Property management fees can also be paid through K Life which is linked to third-party payment platforms.

- *Customer communication.* Property owners and residents can receive public announcements and private messages posted by us with respect to property management services, service orders, upcoming events, activities, advertisements and promotions. They can also send us feedback and suggestions on our services via an embedded messaging system.

In addition to the revenue we receive from the sales of products and services through K Life, it has significantly increased the level of our engagement with property owners and residents, which will improve customer loyalty, satisfy the diverse demands of our customers and create greater market acceptance of our premium property management fees. By providing online access to products and services delivered at our managed communities, we expect K Life to broaden our access to consumer activities at our managed communities, thereby diversifying our revenue stream.

Regulatory Requirement for K Life

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (No. 292 Order of the State Council), which was issued by the State Council on September 25, 2000 and came into effect on the same day and was revised on January 8, 2011, internet information services refer to the provision of information to web users through the internet, which can be divided into commercial internet information services and non-commercial internet services. Commercial internet information services refer to paid services of providing information to or creating web pages for web users through the internet. Non-commercial internet services refer to free services of providing public, commonly-shared information to web users through the internet. Whether a certain internet information service is regarded as commercial or non-commercial depends on whether the provision of internet information is free or to be charged. For details, see “Regulatory Overview — Legal Supervision over the Internet Information Services — Supervision on Internet Information Services.”

We also establish commercial arrangement with third-party merchants to provide home living services to property owners and residents. (i) In most cases, we enter into procurement agreement (“**Procurement Agreement**”) with third-party merchants, under which we directly procure products from the third-party merchants with full payment made by us. Upon receiving the orders from the residents in our managed property, we will directly sell the products to them with full payment made by such residents. (ii) In certain cases, we also enter into K-Life platform cooperation agreements with third-party merchants, under which they showcase their products or service on our online platform without having to pay any fee. The third-party merchants provide the residents with a free trial period of their products or services, during which period the products or services are free of charge, hence no revenue is generated. Upon expiry of such free trial period, we will procure the products or services directly from the third-party merchants in accordance to the Procurement Agreement and then sell the products or services directly to the residents.

The functions of K Life mainly include (i) selling goods (including food) and providing various living related services; and (ii) providing networking services for free. Our customers pay for the goods and services but do not need to pay for the internet information services

provided by us and revenue generated from K Life comes from sales of goods and services instead of providing paid internet information services. Therefore, the business conducted by Qijia Technology through K Life is “non-commercial internet information services.” In addition, Qijia Technology has obtained and completed the necessary filings and registrations in respect of such business, including a filing of non-commercial internet information services, a food sales license and a filing of self-built food trading website of food traders. Also, as advised by our PRC legal adviser, Qijia Technology’s business conducted through K Life is not subject to foreign ownership restrictions under relevant PRC laws and regulations.

SMART SOLUTION SERVICES

With a goal to build smart home and smart community, during the Track Record Period, we provided smart solution services to property developers through collaboration with qualified third-party contractors and our subsidiary, Jiake Intelligent, which specializes in electronic smart solution services. Our smart solution services primarily include automation and other hardware equipment installation services. As of June 30, 2018, we rendered our smart solution services to 391 residential communities and 32 non-residential properties. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, revenue generated from our smart solution services amounted to RMB8.7 million, RMB35.9 million, RMB47.3 million and RMB32.0 million, respectively, representing 1.8%, 6.7%, 7.1% and 7.8% of our total revenue for the same periods.

We provide smart solution services mainly to property developers, in accordance with their requirements. Through our smart solution services, we are able to diversify our revenue sources and develop business relationships with property developers which have engaged us or may subsequently engage us to provide property management services when the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system.

During the Track Record Period, we had completed 184 smart solution service contracts to property developers, of which 156 contracts were to the Remaining Kaisa Group. As of June 30, 2018, we had 103 smart solution service contracts in progress or to be commenced with a total contract value of approximately RMB83.9 million. In 2016, Jiake Intelligent won the “Recommendation Brand for Smart City Development in China” by Smart China Federation, China Public Security Magazine and Shenzhen Smart City Industry Association. In 2017, our smart community solutions for Huizhou Kaisa Centre and smart hotel solutions for Great China CEPA earned us the honor of the “Outstanding Solutions for Smart Community Development” by China Security System Technology Innovation Industry Alliance and Shenzhen Security Industry Association.

We secure some of our new engagements through bidding processes. We price our services based on a number of factors, such as the types of engineering projects, project cost forecast, our procurement needs and the technical complexity involved. We enter into contracts which generally set forth our work scope, quality standards and the period within which we must complete the work. These contracts also detail the models, quantities and unit prices of the equipment we are responsible for procuring, designing and installing. We are generally allowed to subcontract with our customers’ prior approval. The payment terms of the contracts are

generally based on the progress of our engineering work, and payments up to a certain prescribed percentage of the contract value are made to us either on a monthly basis or by installments. The remaining contract value, except for warranty fees, is paid to us upon project completion and after we passed our customers' quality inspection.

OUR SUPPLIERS

Our major suppliers are primarily (i) subcontractors for our property management services and pre-delivery and consulting services which provided cleaning, gardening, maintenance and security services, (ii) subcontractors for our smart solution services and (iii) merchants offering selected products and services and the Remaining Kaisa Group for car parking rental services among our community value-added services. Our suppliers usually grant us a credit term ranging from 30 days to 90 days. During the Track Record Period and up to the Latest Practicable Date, other than the Remaining Kaisa Group, all of our suppliers were independent third parties and we did not experience any material delay, supply shortages or disruptions in our operations relating to our suppliers, or any material product claims attributable to our suppliers. For further details, see “Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirement — 3. Property Lease Framework Agreement.”

Major Suppliers

In 2015, 2016 and 2017 and for the six months ended June 30, 2018, purchase from our single largest supplier amounted to RMB19.1 million, RMB25.1 million, RMB28.5 million and RMB24.0 million, respectively, representing 6.1%, 6.7%, 6.1% and 8.8%, respectively, of our total purchase. During the same periods, purchase from our five largest suppliers amounted to RMB29.7 million, RMB42.2 million, RMB41.0 million and RMB37.9 million, respectively, representing 9.5%, 11.2%, 8.8% and 14.0%, respectively, of our total purchase. We have maintained business relationship with our five largest suppliers during the Track Record Period for four years on average. During the Track Record Period, we have entered into a three-year agreement with our supplier, the Remaining Kaisa Group, for the car parking rental services. See “Connected Transaction — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements” for more details. Except as disclosed above, we do not have any long-term or exclusive agreement with our five largest suppliers. We typically enter into one to two years agreements with our five largest suppliers during the Track Record Period and review their performance on an annual basis.

As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest suppliers. 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 of the Latest Practicable Date, had any interest in any of our five largest suppliers, other than the Remaining Kaisa Group, during the Track Record Period and as of the Latest Practicable Date.

Subcontracting

To utilize our own workforce more efficiently, we delegate certain labor-intensive property management, pre-delivery and consulting and smart solution services, such as security, cleaning, gardening, public facility repair and maintenance and equipment installation and maintenance services, to qualified third-party subcontractors which specialize in these services. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, our subcontracting costs amounted to RMB58.2 million, RMB81.3 million, RMB103.8 million and RMB60.8 million, respectively, accounting for approximately 18.6%, 21.6%, 22.3% and 22.4% of our total cost of services, respectively.

We believe such subcontracting arrangements allow us to leverage the human resources and technical expertise of the subcontractors, reduce our operation costs, improve service quality, contribute more resources to our core businesses and enhance the overall profitability of our operations. To ensure that the subcontractors meet our requirements and standards of services and are able to serve our customers, we monitor and evaluate subcontractors on an annual basis and provide comments and suggestions to them from time to time. We aim to create and maintain a quality-oriented, effective and comprehensive system for subcontractor management. We have established business relationships with most of our major subcontractors for more than four years. Based on our experience in the property management industry in China, we believe that there are readily available alternative subcontractors that could replace any of our existing subcontractors if necessary. Therefore, we do not consider our business operations to be reliant on the services provided by any of our subcontractors.

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. The agreement terminates automatically if the corresponding property owners' association, after establishment, does not engage us as the property management service provider. Upon termination, we settle the services fees with our subcontractor based on the actual services provided.
- *Our responsibilities.* We are typically responsible for providing necessary working facilities such as work office, necessary equipment or storage units.
- *Obligations of subcontractors.* The subcontractors are responsible for providing services in accordance with the scope and standards prescribed in the subcontracting agreement and in compliance with all applicable laws and regulations. In the event of substandard performance, the subcontractors are required to take necessary rectification measures within the period required by us. If they fail to do so, we have the right to unilaterally terminate the subcontracting agreements. 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.

- *Risk allocation.* The subcontractors are responsible for any damages to property or persons caused by the fault or gross negligence of the subcontractors in the course of providing the contracted services. The subcontractors are also required to pay all social security and housing provident funds contributions for its staff in accordance with PRC laws and to bear the liabilities in the event of any non-compliance with applicable PRC laws or industry standards. We typically require the subcontractors to indemnify us for any damages that they cause to the properties of the residents and us.
- *Subcontracting fees.* Subcontracting fees are typically determined with reference to costs incurred in connection with the procurement of raw materials, labor costs and other miscellaneous costs incurred by the subcontractors. We may conduct annual surveys among the property owners and residents with respect to the quality of services provided by our subcontractors and adjust the subcontracting fees based on the outcomes of such surveys.
- *No assignment.* Subcontractors shall not assign or subcontract their obligations to any other third party without our prior consent.

OUR CUSTOMERS

We have a large, growing and loyal customer base primarily consisting of property owners and residents of the properties we manage, property developers and property management companies. The following table sets forth the major customers for each of the four segments:

Segments	Major customers
Property management services	Property owners and residents
Pre-delivery and consulting services . . .	Property developers and property management companies
Community value-added services	Property owners and residents
Smart solution services	Property developers and property management companies

In 2015, 2016 and 2017 and for the six months ended June 30, 2018, revenue from our largest customer, the Remaining Kaisa Group, amounted to RMB265.4 million, RMB293.8 million, RMB359.0 million and RMB210.0 million, accounting for approximately 55.5%, 54.5%, 53.7% and 50.9%, respectively, of our total revenue. During the same periods, revenue from our top five customers collectively amounted to RMB311.9 million, RMB338.0 million, RMB400.6 million and RMB232.6 million, accounting for approximately 65.2%, 62.7%, 59.9% and 56.3%, respectively, of our total revenue. Our top five customers for the Track Record Period generally engaged in property development, petroleum industry, engineering and network services in China. We provided property management services, pre-delivery and consulting services and smart solution services to our top five customers. The credit period we granted to them ranged from nil, 30 and nil to 90 days, respectively, and we had not experienced any material default from them. We have had ongoing business relationships with our top five customers during the Track Record Period on average for approximately five years. As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our top five customers.

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 of the Latest Practicable Date, had any interest in any of our five largest customers, other than the Remaining Kaisa Group, during the Track Record Period and as of the Latest Practicable Date. For further details, see “Connected Transactions — (B) Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement Requirements But Exempted from the Independent Shareholders’ Approval Requirement and (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders’ Approval Requirement.”

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:

- *Strengthening customer bonds.* We endeavor to provide professional, courteous and high-standard customer services through various initiatives, including: (i) “Three-meter Smile” (“三米微笑”) activity whereby we promote a customer-friendly attitude, (ii) providing “Ten Convenient Services” (“十項便民”) to customers, such as home toolkit, umbrella, emergency box and trolley car, and (iii) providing “Five Services Free-of-charge” (“五大免費”) to customers including sharpening, carpet cleaning, air conditioner cleaning, hanging and drilling and wedding services.
- *Managing customer satisfaction and communications.* We regularly conduct surveys of the satisfaction level among the property owners and residents of our managed properties to proactively identify issues. In order to provide a better customer experience and enhance our customer service, we offer a toll-free customer service hotline for residents living in the residential communities we manage. Through the hotline as well as our K Life mobile app, they can provide us with their complaints, feedback and suggestions, and request for home maintenance service. We endeavor to hear our clients’ voice and to resolve their problems and concerns as soon as possible. Through K Life, property owners and residents can also receive public announcements and private messages from us, upcoming events and activities and advertisements and promotions.
- *Complementary services.* We offer certain community value-added services free-of-charge, such as organizing physical exercises for the seniors, organizing festive and celebratory activities in the common areas, offering “free-to-use” umbrellas, shopping trolleys, baby strollers and bicycles to the property owners and residents. These services typically can be provided by our on-site property management staff at no or low costs. In addition, we organize and sponsor community gala and sports events from time to time. We believe offering these free-of-charge services increases our engagement level with the property owners and residents at minimal cost and accentuate our role as the single point of contact for their life-style and everyday needs and improve their satisfaction level.

SALES AND MARKETING

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

We have taken sales and marketing measures that are tailored to the characteristics of the following categories of customers:

- *Property owners and residents.* We intend to continue improving our property management service quality to obtain more recommendations and referrals by our existing property owners and residents, which is an effective and cost-efficient way to promote our business. Our community value-added services also help us obtain new engagements for our property management services by providing property owners and residents of our managed properties with the benefits of accessing a wide range of products and services addressing their life-style and everyday needs.
- *Property developers.* In addition to maintaining a long-term and stable business relationship with the Remaining Kaisa Group, we will endeavor to expand our cooperation with independent third party property developers by providing customized, diversified and quality services. We have implemented various incentive measures to encourage our employees to obtain property management contracts developed by third-party developers through investigation and analysis of and communication with target customers in the real estate industry and taking advantage of our resources, including our brands, capital and expertise.

COMPETITION

The property management industry in China is highly competitive and fragmented with numerous market participants. As one of the leading players in mid- to high-end property management industry, according to Frost & Sullivan, our property management services primarily compete against large national, regional and local property management companies. According to Frost & Sullivan, as of December 31, 2017, there were over 100,000 property management companies, which generally provide property management services to residential and commercial properties. We believe that the principal competitive factors include, among others, operation scale, price and quality of services, brand recognition and financial resources.

Our pre-delivery and consulting services primarily compete against other property management companies providing similar services and consulting companies. Our smart solution services primarily compete against equipment installation and maintenance service providers and other property management companies providing similar services. Our community value-added services primarily compete against a wide range of firms and individuals providing similar services, such as firms and individuals providing space leasing services and property agency and brokerage services.

For more details about the industry and markets that we operate in, see “Industry Overview.”

RESEARCH AND DEVELOPMENT

During the Track Record Period, we subcontracted a substantial amount of research and development work to external information technology companies. We plan to further build up our research and development capacities through our subsidiaries, namely Qijia Technology and Jiake Intelligent, focusing on online channels integration, cloud server, smart home and smart community. As of June 30, 2018, our subsidiary, Qijia Technology, had a team of 23 research and development personnel, 83% of whom have college degrees. Qijia Technology has developed our K Life and K Service mobile apps, smart parking system and smart home project. As of June 30, 2018, our subsidiary, Jiake Intelligent, had a team of nine research and development personnel, all of whom have college degrees. Jiake Intelligent has accomplished the upgrades of video surveillance command system, carpark management system and security access system. We plan to leverage on their solid industry experience and ample supplier resources to continue building our one-stop platforms and implementing smart home and smart community plan.

QUALITY CONTROL

We have a track record in prioritizing quality in our services, and we believe quality control is crucial to the long-term success of our business. As of June 30, 2018, we had a dedicated quality control team consisting of 12 members, who primarily focus on, among other things, maintaining service standards, standardizing service procedures and supervising service quality at the corporate level. Our quality control team has an average of over ten years of relevant industry experience and all of them have college degrees.

We have obtained ISO 9001, ISO 14001 and OHSAS 18001 certification in recognition of our service quality. The ISO 9000 family of quality management systems standards is designed to help organizations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to a product. ISO 9001 deals with the requirements that organizations wishing to meet the standard must fulfill. ISO 14001 is a family of standards related to environmental management that exists to help organizations (i) minimize how their operations negatively affect the environment; (ii) comply with applicable laws, regulations, and other environmentally oriented requirements, and (iii) continually improve in the above. OHSAS 18001 is an international occupational health and safety management system specification.

EMPLOYEES

As of June 30, 2018, we had a total of approximately 4,603 employees, respectively. The following table sets forth a breakdown of our employees by function as of June 30, 2018.

Security	1,750
Customer service	924
Operation	636
Finance, purchasing and investment	216
General management and administration	309
Others	768
Total	<u>4,603</u>

BUSINESS

The following table sets forth a breakdown of our employees by geographic location as of June 30, 2018.

Guangdong-Hong Kong-Macau Bay Area	2,669
Yangtze River Delta	637
Bohai Economic Rim	676
Western China	390
Central China	231
Total	<u>4,603</u>

We have been outsourcing and expect to continue to outsource certain labor-intensive service tasks and specialized technical service tasks, primarily including security, cleaning, gardening, 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 labor and enhance the overall profitability of our operations.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe that we maintain a good working relationship with our employees, and we did not experience any material labor disputes or shortages during the Track Record Period. Pursuant to applicable PRC laws, we have made contributions for our employees to social security funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident fund, except for instances disclosed in “— Legal Proceedings and Compliance.” During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant labor disputes that had a material adverse effect on our business.

Recruiting

We endeavor to hire the best available employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We source candidates through a variety of channels including local job placement centers, labor agencies, vocational schools, online advertisements and employee referrals. Our review and screening of candidates takes into account a variety of factors, such as an applicant’s age, education credentials, work experience, professional qualifications, personality and potential.

Training

We provide systematic and extensive training programs to our employees. We provide orientation trainings to new hires and assign our experienced managers to serve as mentors for newly hired management-level personnel. For certain selected new hires with potential, we provide them with full-time training camp sessions at our headquarters, during which the new hires receive training modules at more advanced levels. We also provide online and professional certification trainings to our employees. As of June 30, 2018, 138 of our employees have obtained the Certificate for Certified Property Manager (物業管理師證書) issued by the Ministry of Housing and Urban-rural Development in China. Furthermore, to strengthen our commitment to quality, we have established a rotation program under which all candidates, prior to being promoted to the manager of our managed communities, must be rotated to and serve in our quality control team for several months.

Retention

We offer our employees attractive remuneration packages, subject to adjustments based on their job performance and in response to local labor market conditions. We provide our employees with benefits such as physical examinations and sponsorship of selected employees to pursue continued education. We organize periodic team building activities to instill in our employees our corporate culture and increase the engagement level with our employees. In addition, we promote internal upward mobility opportunities by providing career development opportunities to our employees to help improve their managerial and professional skills and advance their careers.

INTELLECTUAL PROPERTY

We regard our trademarks, domain names, trade secrets and other intellectual property rights as key components of our brand equity and an integral part of our business operations. As of the Latest Practicable Date, we were the registered proprietor of two trademarks that we believe are material to our business in China. For more details, see “Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group” in Appendix IV. In addition, we have developed K Life mobile app for both Android and iOS platforms, which serves as an online gateway for our community value-added services.

As of the Latest Practicable Date, we were not aware of (i) any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any of our intellectual property rights, or (ii) any disputes with third parties with respect to intellectual property rights.

AWARDS AND RECOGNITIONS

The table below sets out our major industry and business awards and recognitions up to the Latest Practicable Date:

Year	Honor/Award	Awarding Entity
2018	Outstanding Member with Special Contribution (特殊貢獻優秀會員)	Shenzhen Property Management Association (深圳市物業管理行業協會)
2018	Demonstration Pilot Residential Community (示範住宅小區)	Chongqing Administration of Land, Resources and Building (重慶市國土資源和房屋管理局)
2018	Star Property Management Project (星級物業服務項目)	Hunan Province Real Estate Industry Association (湖南省房地產業協會)
2017	2016 Top 100 Campus Management Companies (2016年全國校園物業服務百強單位)	China Association for Campus Management Property Management Commission (中國教育後勤協會物業管理專業委員會)

BUSINESS

Year	Honor/Award	Awarding Entity
2017	Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength (深圳物業服務企業綜合實力五十強)	Shenzhen Property Management Association (深圳市物業管理行業協會)
2017	Guangdong Credible and Compliant with Contract Enterprises (廣東省守合同重信用企業)	Shenzhen Market Supervision and Management Bureau (深圳市市場監督管理局)
2017	China Property Industry AAA-Credit Grade Enterprises (中國物業行業AAA級信用企業)	China Enterprise Credit-Rating Search Confirmation Platform (中國企業信用等級查詢認證平台) China Enterprise Quality and Credit Assessment Centre (Beijing) (中企國質(北京)信用評估中心)
2017	2016-2017 Best Service Quality Award (2016-2017年度最佳服務質量獎)	Einwin Alliance (一應雲聯盟)
2017	Excellent Organization Award (優秀組織獎)	China Property Management Institute (中國物業管理協會)
2017	Exemplary Innovation Award (創新示範案例獎)	China Property Management Magazine (中國物業管理雜誌社) Zhongfu International Exhibition (Beijing) Co., Ltd. (中孚國際展覽(北京)有限公司)
2017	2017 Specialized Operational Leading Brand of China Property Service Companies (中國物業服務專業化運營領先品牌企業)	China Index Academy (中國指數研究院)
2017	Certificate of China Property Management Brand Value of RMB2.806 billion (品牌估值28.06億證書)	China Index Academy (中國指數研究院)
2017	Enthusiastic Public Welfare Organization (熱心公益社會組織)	Shenzhen Non-Governmental Organization Federation (深圳市社會組織總會)
2017	Top 30 Shenzhen Property Owner Satisfaction Rating Index (by sampling) (業主滿意度深圳指數(抽樣單位)領先30)	Shenzhen Property Management Association (深圳市物業管理行業協會)

BUSINESS

Year	Honor/Award	Awarding Entity
2016	2014-2016 Benchmarking Credible Enterprises (2014-2016年誠信標桿企業)	Guangdong Property Management Industry Institute (廣東省物業管理行業協會)
2016	TOP 100 Property Management Companies of China (中國物業服務百強企業)	China Property Management Institute (中國物業管理協會)
2016	2016 Benchmarking Property Management Company of China (2016中國物業管理標杆企業)	China Property Management Magazine (中國物業管理雜誌社)
2016	Outstanding Enterprise (傑出企業)	China Property Management Magazine (中國物業管理雜誌社)
2016	Top 50 Shenzhen Property Service Enterprises for Comprehensive Strength (深圳物業服務企業綜合實力五十強)	Shenzhen Property Management Association (深圳市物業管理行業協會)
2015	Featuring Companies in Residential Property Management (物業服務特色企業 (住宅物業))	China Property Management Institute (中國物業管理協會)
2015	Top 100 Campus Management Companies (校園物業服務實體 (企業) 百強稱號)	China Association for Campus Management (中國教育後勤協會)
2014	Top 50 Shenzhen Property Management Companies (深圳市物業服務企業綜合實力五十強)	Shenzhen Property Management Association (深圳市物業管理行業協會)
2014	Alliance Quality Service Award (聯盟品位服務獎)	Golden Key International Alliance (金鑰匙國際聯盟)
2014	2014 Golden Key Alliance Featured Property Award (金鑰匙組織2014年聯盟精選物業獎)	Golden Key International Alliance (金鑰匙國際聯盟)
2014	(Weifang Jiazhaoye No.8 project received) Best Golden Key Alliance High-End Residential Community and Alliance Featured Property Award (濰坊佳兆業8號獲得“最佳金鑰匙高檔住宅社區”及“聯盟精選物業”獎)	Golden Key International Alliance (金鑰匙國際聯盟)

BUSINESS

Year	Honor/Award	Awarding Entity
2014	(Qingdao Shui'an Xindu project received) Best Golden Key Alliance High-End Residential Community (青島水岸新都獲得“最佳金鑰匙高檔住宅社區”獎)	Golden Key International Alliance (金鑰匙國際聯盟)
2013	Golden Key International Alliance Top 10 Outstanding Service Enterprises (金鑰匙國際聯盟十大卓越服務企業) Golden Key International Alliance 10th Anniversary Outstanding Service Award (金鑰匙國際聯盟 10週年卓越服務大獎)	Golden Key International Alliance (金鑰匙國際聯盟)
2013	Certificate of China Property Management Leading Brand Enterprises (中國物業服務領先品牌企業)	China Index Academy (中國指數研究院)
2012	Top 10 Companies in terms of Service Quality among the 2013 China Top 100 Property Management Companies (中國物業服務百強企業服務品質Top10)	China Real Estate Top 10 Research (中國房地產TOP10研究組)
2012	Luxurious Apartment Complex Innovative Service (豪華公寓小區創新服務)	Golden Key International Alliance (金鑰匙國際聯盟)

INSURANCE

We believe that our insurance coverage is in line with industry practice in China. We maintain insurance policies against major risks and liabilities arising from our business operations, primarily including (i) public liability insurance to cover liabilities for damages suffered by third parties arising out of our business operations, (ii) insurance to cover losses of cash owned or held by us in the course of our business operations, (iii) property insurance for damages to both movable and immovable property, (iv) machinery insurance to cover losses from damages to machinery and equipment and (v) group accident insurance to cover liabilities associated with accidental injuries to our employees.

SOCIAL HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to PRC laws in relation to labor, safety and environment protection matters. In addition, we have established occupational safety and sanitation systems, implemented the 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, we have been fined nine times with an aggregated amount of approximately RMB0.2 million due to the violation of relevant fire safety regulations. We consider such penalties are not material and do not have a significant impact to our Group as a whole. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws in relation to workplace safety in all material respects and had not had any incidents which have materially and adversely affected our operations.

Given the nature of our operations, we do not believe we are subject to material environmental liability risk or compliance costs. During the Track Record Period and up to the Latest Practicable Date, no material fines or penalties for non-compliance of PRC environmental laws had been imposed on us, and we have not been subject to any material administrative penalties due to violation of environmental laws in the PRC.

LICENSES, PERMITS AND CERTIFICATES

Our PRC legal advisers confirm that, as of the Latest Practicable Date, we had obtained all material licenses, approvals and permits from relevant PRC authorities for our operations in the PRC and all of them are valid and in force. Our material permits and licenses in the PRC primarily include the following:

<u>License, permits or approvals</u>	<u>Granting authority</u>	<u>Issuance date</u>	<u>Expiration date</u>
GB/T 19001-2016/ISO 9001:2015	China Quality Mark Certification Group	January 8, 2018	January 13, 2021

Some of our material permits and licenses have a limited period of validity. We monitor the validity status of our permits and licenses and make timely applications for the renewal of relevant permits and licenses prior to their expiration date. We have not experienced any material difficulty in obtaining or renewing the required permits and licenses for our business operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as our office and staff dormitories for our operations.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all of our interests in land or properties, for the reason that, as of June 30, 2018, none of our properties has a carrying amount of 15% or more of our combined total assets.

Leased Properties

We do not have any self-owned properties. As of the Latest Practicable Date, we leased 71 properties with a total GFA of over 11,706 sq.m. for offices and staff quarters and we leased car parking lots of 66 property management projects for sub-leasing. None of these properties is individually material to our operations.

As of the Latest Practicable Date, 45 properties with a total GFA of approximately 6,683 sq.m. and all lots are leased from lessors who have provided sufficient and valid ownership certificates or other ownership documents. Our PRC legal advisers have 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 occupy and use these leased buildings in accordance with the terms of the lease agreements. The remaining 26 properties with a total GFA of approximately 5,022 sq.m. are leased from lessors who are unable to provide sufficient or valid ownership certificates or other ownership documents. As of the Latest Practicable Date, these leased properties accounted for approximately 42.9% of our leased properties (excluding car parking lots) by GFA. Our PRC legal advisers have advised us that any dispute or claim in relation to the titles of these properties that we occupy, including any litigation involving allegations of illegal, unauthorized use of these properties, may affect our rights to occupy and use the leased buildings in accordance with the terms of the lease agreements.

Pursuant to the applicable PRC laws and regulations, leases must be registered with housing administration authorities. As of the Latest Practicable Date, we, as the lessee, did not register various leases for our offices, staff quarters and car parking lots. See “— Legal Proceedings and Compliance” for further details.

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 leases described above. Our PRC legal advisers have advised us that our failure to register the lease agreements would not affect the validity of the lease agreements. 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.

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. We have engaged an external internal control advisory firm to carry out a review of our internal control in preparation for the Listing, which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, treasury, and general information technology controls; and (ii) a report to us on factual findings and recommendations for improvements of internal controls over the above-mentioned processes and procedures. We have adopted a series of internal control

policies, procedures and programs designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws following the suggestions from the external-internal control advisory firm.

We maintain a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The major features of our risk management policies include the following:

- we have adopted stringent quality control and supervision measures and procedures to prevent risks. See “— Quality Control” for more 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 subcontractors engaged by us, including the selection criteria and the review systems to deal with any complaints or negligence with regards to the subcontractors.

In addition, we have established an audit committee consisting of all of the independent non-executive Directors as part of our measures to improve risk management and corporate governance. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. Neither we nor any of our Directors is currently a party to any material legal, arbitral or administrative proceedings. We are not aware of any threat of, any claims or any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material adverse effect on our business, financial conditions or results of operations.

The following table sets forth our non-compliance incidents under the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date, and the corrective actions we have taken in response to this incident:

Non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>We failed to make contributions to the social security and housing provident funds for some of our employees as required by the PRC government.</p> <p>During the Track Record Period, we understood that we have not made sufficient contributions for all our employees, but we have followed industry practice to decide our contribution percentage and base, passed the social security annual audit and have not received any material penalty. We were aware of the overall condition and degree of such non-compliance in around June 2018 through the process to obtain compliance confirmation letters from local social security and housing provident fund authorities.</p>	<p>These non-compliance incidents occurred primarily because some of our employees chose not to be enrolled in the social security fund and/or housing provident fund as they did not want to bear their portion of the contributions.</p>	<p>Our PRC legal advisers have advised us that, under PRC laws and regulations, we might be subject to late fees and fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payments we made for our employees do not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals 0.05% of the total unpaid amount per day. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging between one to three times of the total unpaid amount of the social security fund contribution.</p>	<p>Our Company and our PRC subsidiaries and branch offices have obtained written and oral confirmations from local social security and housing provident fund authorities, each stating that: (i) no administrative penalty has been imposed; and (ii) the relevant subsidiary/branch office was in compliance with the respective laws and regulations. We are advised by our PRC legal advisers that the relevant written and oral confirmations were issued or made by the competent authorities.</p>
<p>Our Controlling Shareholders have undertaken to indemnify us for any unpaid amount, penalty and other monetary damages incurred as a result of our failure to make contributions to the social security and housing provident funds in full amount.</p>	<p>Our PRC legal advisers have also advised us that, we will be fined RMB10,000 to RMB50,000 for failing to make the housing provident fund registration within the prescribed time limit. In the event that we fail to pay the housing provident fund in full amount, the housing provident fund administrative center will order us to pay the amount 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.</p>	<p>We made provisions in the total amount of RMB0.8 million, RMB1.0 million, RMB1.6 million and nil, respectively, on our financial statements in respect of such potential liabilities in 2015, 2016 and 2017 and for the six months ended June 30, 2018.</p>	<p>Our Controlling Shareholders have undertaken to indemnify us for any unpaid amount, penalty and other monetary damages incurred as a result of our failure to make contributions to the social security and housing provident funds in full amount.</p>
<p>We are in the process of establishing an internal control policy that requires full compliance with the relevant laws and regulations on social security fund and housing provident fund and designating an officer who is familiar with the relevant requirements to enforce the policy and avoid future non-compliance.</p>	<p>For more information relating to risk associated with this non-compliance, please refer to the risk factor headed "We may be required to make additional contributions of social security fund and/or housing provident fund under PRC laws and regulations" in the section headed "Risk Factors."</p>	<p>We made provisions in the total amount of RMB0.8 million, RMB1.0 million, RMB1.6 million and nil, respectively, on our financial statements in respect of such potential liabilities in 2015, 2016 and 2017 and for the six months ended June 30, 2018.</p>	<p>We are in the process of establishing an internal control policy that requires full compliance with the relevant laws and regulations on social security fund and housing provident fund and designating an officer who is familiar with the relevant requirements to enforce the policy and avoid future non-compliance.</p>

Non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
			<p>Our Directors are of the opinion that this incident will not have a material adverse impact on our business or results of operations for the following reasons: (i) the written confirmations obtained from the relevant competent local authorities described above; (ii) we have made provisions in connection with this non-compliance for relevant periods; (iii) we are in the process of establishing an internal control policy to ensure our ongoing compliance with the relevant laws and regulations on social security fund and housing provident fund contributions; (iv) the PRC legal advisers' opinion that such non-compliance incidents will not result in any substantial impediment to the Listing; and (v) our Controlling Shareholders have undertaken to pay any overdue contributions for us if required by the relevant governmental authorities.</p>

Non-compliance Incidents	Reasons for the non-compliance	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
<p>As of the Latest Practicable Date, we have not registered the leases for 12 leased offices and 36 staff quarters and car parking lots of 66 property management projects with housing administration authorities of the PRC as required under PRC law.</p> <p>During the Track Record Period, we have only been asked by the relevant local administration for industry and commerce bureau to register some of our leases when filing company registration. Saved as the aforementioned, we have not been notified of the registration requirements or fined by other authorities. We were aware of such non-compliance in March 2018.</p>	<p>These non-compliance incidents were primarily caused by lack of cooperation from the landlords in registering lease agreements, which was beyond our control. Registration of lease agreements requires the landlords' cooperation, including submitting of their identity documentations and building title certificates to the relevant authorities.</p>	<p>We were advised by our PRC legal advisers that we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration.</p> <p>The estimated total amount of penalty for our failure to register leases for offices, staff quarters and car parking lots is approximately RMB114,000 to RMB1.14 million.</p> <p>We did not receive any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the leases described above. Our PRC legal advisers have advised us that the failure to register the lease agreements would not affect the validity of the lease agreements.</p> <p>For more information relating to risks associated with this non-compliance, please refer to the risk factor headed "Our rights to use our leased properties could be challenged by third parties, or we may be forced to relocate due to title defects, or we may be liable for failure to register our leased agreements, which may result in a disruption of our operations and subject us to penalties," in the section headed "Risk Factors."</p>	<p>In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement, we intend to find alternative locations nearby and relocate without causing any material disturbances. Given the nature of our business, we do not believe relocation of any of these offices, staff quarters or car parking lots would cause any material disruption to our operations. Although we may incur additional relocation costs, our Directors believe that there will not be any material impact on our business, operation or financial condition.</p> <p>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.</p> <p>Our Directors are of the view that no provision is required to be made in respect of our non-compliance with lease registration requirements because (i) we believe the risk we would be penalized as a result of our failure to register leases is remote; and (ii) the competent authorities will first require us to rectify before issuing penalty. In addition, since most of the non-registered lease agreements have a relatively short period of one year, we can gradually rectify such non-compliance or terminate the lease agreements before its expiration, if necessary.</p> <p>We have adopted the following measures: (i) we will send out reminders to the landlords of the relevant leased properties to request them to complete the filing and registration procedures, and will not renew our lease agreements with them if they fail to cooperate; (ii) for new leases, we will communicate with potential landlords beforehand and select the landlords that are willing to cooperate; (iii) since most of the relevant leased properties are used for staff quarters, we plan to distribute housing subsidy directly to our employees instead of leasing staff quarters for them; and (iv) we have provided and plan to continue to provide senior management and legal staff with training regarding the legal and regulatory requirements applicable to our operations from time to time.</p>

Views of our Directors

Having considered the nature and reasons for the historical non-compliance incidents identified above and the advice from our PRC legal advisers, the corrective actions taken and the internal control measures adopted by our Company and our Directors are of the view that (i) our Group's internal control measures are adequate and effective to prevent recurrence of future non-compliance incidents; (ii) our Group has adequate and effective internal control procedures in place for the purpose of Rule 3A.15(5) of the Listing Rules; and (iii) the past non-compliance incident does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules. With respect to the material non-compliance incident as mentioned above, the Joint Sponsors concur with the view of the Directors of our Company.

Our Directors confirm that as of the Latest Practicable Date, except as disclosed in the above table, we had complied with relevant PRC laws in all material respects.

You should read the following discussion and analysis in conjunction with our audited financial information, together with the accompanying notes set forth in the Accountant's Report included as Appendix I to this prospectus. Our audited financial information is prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the whole of the Accountant's Report included as Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results reported in future periods could differ materially from those discussed below. Factors that could cause or contribute to such differences include those discussed in the sections entitled "Risk Factors" and "Business" and elsewhere in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We are one of the leading comprehensive property management service providers in China focusing on mid- to high-end properties, in particular in the Guangdong-Hong Kong-Macau Bay Area and Yangtze River Delta. Our business covers a wide range of properties and provides customers with tailored quality services through our one-stop service platform. We strive to maintain and add value to our managed properties by providing high-quality and sophisticated services to increase our customer satisfaction.

As of June 30, 2018, our property management services covered 37 cities across 12 provinces, municipalities and autonomous regions in China, with a total GFA under management reaching 25.4 million sq.m. We managed 124 properties, comprised of 101 residential communities and 23 non-residential properties, and provided property management services to approximately 0.16 million property units as of June 30, 2018.

Our four main business lines, namely, property management services, pre-delivery and consulting services, community value-added services and smart solution services, form an integrated service spectrum covering the entire value chain of property management.

- *Property management services.* We provide a wide range of property management services, such as security, cleaning and gardening, repair and maintenance and customer service, to residential communities. Our property management portfolio also covers non-residential properties, including commercial properties, office buildings, arenas and stadiums, government buildings, public facilities and industrial parks.
- *Pre-delivery and consulting services.* Pre-delivery property management services refer to any sales-related assistance and services provided to the property developers at the pre-delivery stage of a sale of property. Property consulting services include advising property developers on project planning, design management and construction management.

FINANCIAL INFORMATION

- *Community value-added services.* With the goal of providing diverse products and services to our property owners and residents, our community value-added services include car parking, space leasing and value-added services through both offline and online channels. In 2014, we adopted “Community Butler” mobile app developed by Qijia Technology as an online gateway to a variety of our community products and services. In March 2018, we further launched our K Life mobile app to consolidate our previous platforms and to offer an upgraded one-stop service, which has covered all of the residential communities under our management with approximately 0.6 million registered users as of the Latest Practicable Date. Our K Life mobile app enables our property owners and residents with access to a broad products and services portfolio that addresses the evolving everyday and life-style needs of them.
- *Smart solution services.* To build smart home and smart community, we provide smart solution services, including automation and other hardware equipment installation services, to property developers and property management companies in different aspects, such as hotels, office buildings, shopping malls and public facilities. In 2016, Jiake Intelligent won the “Recommendation Brand for Smart City Development in China” by Smart China Federation, China Public Security Magazine and Shenzhen Smart City Industry Association. In 2017, our smart community solutions for Huizhou Kaisa Centre and smart hotel solutions for Great China CEPA earned us the honor of the “Outstanding Solutions for Smart Community Development” by China Security System Technology Innovation Industry Alliance and Shenzhen Security Industry Association. We believe our smart solution services will enhance our customers’ experience and stickiness to our overall services, thereby creating synergy for the business as a whole.

We have experienced continual business growth during the Track Record Period in terms of revenue and net profit. Our revenue increased from RMB478.0 million in 2015 to RMB539.1 million in 2016 and further to RMB669.2 million in 2017, representing a CAGR of 18.3% from 2015 to 2017. Our revenue increased by 34.0% from RMB307.7 million for the six months ended June 30, 2017 to RMB412.3 million for the six months ended June 30, 2018. Our profit for the year increased from RMB57.7 million in 2015 to RMB58.1 million in 2016 and further to RMB71.4 million in 2017, representing a CAGR of 11.2% from 2015 to 2017. Our profit for the period decreased by 47.7% from RMB44.0 million for the six months ended June 30, 2017 to RMB23.0 million for the six months ended June 30, 2018.

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands with limited liability on October 13, 2017. In preparation for the Global Offering, we underwent the Reorganization, as detailed in the section headed “History, Reorganization and Corporate Structure.” Following the Reorganization, our Company became the holding company of all the subsidiaries currently comprising our Group. For more information on the basis of preparation of our financial information included herein, please refer to the Accountant’s Report in Appendix I.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed “Risk Factors” and those set out below.

Business Mix

Our business and results of operations are affected by our business mix. Our profit margins vary across different business segments as well as different products and services within each business segment. The revenue contribution by each business segment during the Track Record Period is set forth in the table below:

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Property management services	186,074	38.9	209,308	38.8	268,368	40.1	120,208	39.1	177,721	43.1
Pre-delivery and consulting services	246,947	51.7	248,781	46.1	295,788	44.2	137,313	44.6	164,345	39.8
Community value-added services	36,314	7.6	45,127	8.4	57,749	8.6	24,302	7.9	38,221	9.3
Smart solution services	8,693	1.8	35,891	6.7	47,254	7.1	25,859	8.4	32,037	7.8
Total	478,028	100.0	539,107	100.0	669,159	100.0	307,682	100.0	412,324	100.0

The table below sets forth the gross profit margin of each segment during the Track Record Period:

	Year ended December 31,			For the six month ended June 30,	
	2015	2016	2017	2017	2018
	(%)	(%)	(%)	(%)	(%)
	(unaudited)				
Property management services	34.6	29.5	31.9	39.5	37.2
Pre-delivery and consulting services	36.0	31.9	28.8	32.3	33.9
Community value-added services	27.2	27.6	37.2	30.8	27.6
Smart solution services	24.5	23.5	26.0	25.1	26.8
Total	34.6	30.1	30.5	34.4	34.2

For more details regarding the fluctuation in our gross margins during the Track Record Period, see “— Description of Selected Items in Our Combined Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin.”

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 RMB186.1 million, RMB209.3 million, RMB268.4 million and RMB177.7 million, accounting for approximately 38.9%, 38.8%, 40.1% and 43.1% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Accordingly, our continued revenue growth depends on our ability to grow our property management portfolio. Our GFA under management amounted to 18.3 million sq.m., 20.6 million sq.m., 24.0 million sq.m. and 25.4 million sq.m. as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

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

	As of December 31,						As of June 30,	
	2015		2016		2017		2018	
	GFA	%	GFA	%	GFA	%	GFA	%
	('000 sq.m. except for percentages)							
Property management services (lump sum basis)	4,164	22.7	5,597	27.2	8,178	34.1	9,095	35.8
Property management services (commission basis)	14,170	77.3	14,968	72.8	15,830	65.9	16,328	64.2
Total	18,334	100.0	20,565	100.0	24,008	100.0	25,423	100.0

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

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Property management services (lump sum basis)	158,940	85.4	178,360	85.2	233,739	87.1	104,455	86.9	159,874	90.0
Property management services (commission basis)	27,134	14.6	30,948	14.8	34,629	12.9	15,753	13.1	17,847	10.0
Total	186,074	100.0	209,308	100.0	268,368	100.0	120,208	100.0	177,721	100.0

Branding and Pricing

Our financial condition and results of operations are affected by our ability to continuously maintain and enhance our brand recognition and industry leading position. Our brand is an industry-leading brand in China's mid- to high-end property management sector. We intend to further strengthen our brand name to expand our property management service engagements and to leverage our brand to continue charging premium property management fee rates. We believe that further strengthening our brand will allow us to promote our pre-delivery and consulting services to property developers and property management companies, strengthen our business relationships with them, and gain early access and competitive advantages in securing engagements for their newly built property projects.

FINANCIAL INFORMATION

According to Frost & Sullivan, we were ranked 14th among the Property Management Service Companies in China and seventh among the Property Management Service Companies in the Guangdong-Hong Kong-Macau Bay Area in terms of revenue in 2017. Leveraging our brand equity, we were able to charge a higher property management fee rate than the industry average during the Track Record Period. The average property management fee for both residential and non-residential properties has kept increasing in recent years, and the property management fees for newly built properties are generally higher than those for existing properties in China, according to Frost & Sullivan. Our average property management fee for all properties in 2015, 2016 and 2017 and for the six months ended June 30, 2018 amounted to approximately RMB2.55 per sq.m./month, RMB2.61 per sq.m./month, RMB2.67 per sq.m./month and RMB2.68 per sq.m./month, respectively. Our average property management fees for non-residential properties amounted to RMB13.25 per sq.m./month, RMB14.41 per sq.m./month, RMB15.02 per sq.m./month and RMB15.12 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Our average property management fee for residential properties amounted to approximately RMB2.13 per sq.m./month, RMB2.20 per sq.m./month, RMB2.27 per sq.m./month and RMB2.29 per sq.m./month in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. According to Frost & Sullivan, our range of monthly management fee per sq.m. during the Track Record Period fell within the industry range and our average property management fee for residential communities was above industry average in China in 2017.

For illustration purpose only, we set out below a sensitivity analysis of our net profit for the period with reference to the fluctuation of average property management fee during the Track Record Period. The following table demonstrates the impact of the hypothetical decrease in average property management fee on our net profit, while all other factors remain unchanged:

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Total net profit	57,720	58,114	71,441	44,048	23,032
Assuming 5% decrease in our average property management fee					
Impact on revenue from our property management business	(8,516)	(9,511)	(12,344)	(5,565)	(8,261)
Impact on net profit	(6,387)	(7,133)	(9,258)	(4,174)	(6,195)
Assuming 10% decrease in our average property management fee					
Impact on revenue from our property management business	(17,031)	(19,022)	(24,689)	(11,130)	(16,521)
Impact on net profit	(12,773)	(14,266)	(18,517)	(8,348)	(12,391)

Ability to Manage Our Staff Costs and Subcontracting Costs

Our results of operations are affected by our ability to manage our staff costs. Staff costs included in cost of services amounted to RMB174.6 million, RMB199.2 million, RMB252.6 million and RMB141.6 million, representing the single largest component of our cost of services and accounted for approximately 55.8%, 52.8%, 54.3% and 52.2% of our cost of services in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Staff costs included in administrative expenses amounted to RMB66.1 million, RMB55.2 million, RMB79.6 million and RMB44.9 million, representing the single largest component of our administrative expenses and accounted for approximately 87.4%, 79.0%, 77.8% and 62.3%, respectively, of our administrative expenses in 2015, 2016 and 2017 and for the six months ended June 30, 2018. Staff costs included under cost of services consist primarily of salaries and other benefits for our employees who provide property management services, pre-delivery and consulting services and community value-added service. Staff costs included under administrative expenses consists primarily of salaries, other benefits for our administrative staff and directors' emoluments. Staff costs increased during the Track Record Period as a result of the increase in our headcount, which in turn was aligned with the increase in our GFA under management as a result of the expansion of our operations and the increase in staff remuneration, which was aligned with the general trend of wage increases in China. Our average monthly wage increased from RMB4,859.4, RMB5,145.2 and RMB5,511.3 in 2015, 2016 and 2017, respectively, representing a CAGR of approximately 6.5%. Our average monthly wage increased by 7.5% from RMB5,380.8 to RMB5,786.7 from the six months ended June 30, 2017 to 2018. According to Frost & Sullivan, the annual average salary per urban capita in China increased from RMB46,749.0 in 2012 to RMB73,785.4 in 2017, representing a CAGR of approximately 9.6%. The monthly and daily average wages of workers in the property management service industry has increased from RMB3,056.5 in 2012 to RMB4,568.9 in 2017 and from RMB146.7 in 2012 to RMB219.3 in 2017, respectively, representing a CAGR of approximately 8.4%. In particular, with the rapid growth of the property management service industry in the Guangdong-Hong Kong-Macau Bay Area, the monthly and daily average wages of workers in the property management service industry in this region has increased from RMB4,317.8 in 2012 to RMB6,122.9 in 2017 and from RMB207.3 in 2012 to RMB293.9 in 2017, respectively, representing a CAGR of approximately 7.2%. In addition, we also outsource environmental, security and housing and facility maintenance services to subcontractors. In 2015, 2016 and 2017 and for the six months ended June 30, 2018, subcontracting costs amounted to RMB58.2 million, RMB81.3 million, RMB103.8 million and RMB60.8 million, respectively, representing approximately 18.6%, 21.6%, 22.3% and 22.4% of our cost of services, respectively. The increases in subcontracting costs during the Track Record Period were also attributable to the increase in our GFA under management as a result of the expansion of our operations.

As part of our efforts to manage our staff costs and improve our profit margins while ensuring consistent service quality, we utilize various measures to reduce our reliance on labor. These measures include outsourcing certain labor-intensive functions to third parties as well as streamlining and standardizing our property management services. For example, in March 2018, we began to implement our K Service mobile app, aiming to further optimize our headcount structure and increase operational efficiency by allowing the property management staffs to perform various property management functions through K Service. For more details, see “Business — Property Management Services — Centralization, Digitalization, Standardization and Automation.”

FINANCIAL INFORMATION

For illustration purpose only, we set out below a sensitivity analysis of our net profit for the period with reference to the fluctuation of our staff costs and subcontracting costs during the Track Record Period. The following table demonstrates the impact of the hypothetical increase in our staff costs and subcontracting costs on our net profit, while all other factors remain unchanged:

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Total net profit	57,720	58,114	71,441	44,048	23,032
Assuming 5% increase in our staff costs and subcontracting costs					
Impact on cost of services . . .	11,645	14,027	17,817	7,635	10,121
Impact on net profit	(8,734)	(10,520)	(13,363)	(5,726)	(7,591)
Assuming 10% increase in our staff costs and subcontracting costs					
Impact on cost of services . . .	23,290	28,054	35,633	15,269	20,242
Impact on net profit	(17,467)	(21,041)	(26,725)	(11,452)	(15,181)

General Economy, Rate of Urbanization and Timelines of Real Estate Development

Our ability to maintain and grow our property management portfolio is affected by our ability to secure new property management engagements, the timelines of property developers' delivery of new properties and our ability to identify and acquire existing property management companies. The number of new property developments is heavily dependent on the performance of the real estate market in China, which is subject to the general economic conditions, the rate of urbanization, the resulting demand for properties, and the PRC government's macroeconomic policies and measures. We expect our results of operations to continue to be affected by our ability to maintain and grow our property management portfolio.

Developments in the Chinese economy and the rate of urbanization have in the past increased the supply of and demand for residential properties. Specifically, since most of the properties we manage are located in tier one and tier two cities in China, the rate of urbanization in these cities is particularly important to the development of our business. We believe that these factors will continue to significantly affect the real estate industry and the property management industry in China. Any economic downturn, particularly in the regions where we operate, could adversely affect our business, results of operations and financial position.

The regulatory environment in China, policies and measures taken by the PRC government, have also affected the development of the real estate market, which in turn affects our business and results of operations. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict property development in the private property sector through regulating land grants, pre-sale of properties, bank financing and taxation, among other means. In particular, the PRC government has in the past introduced various restrictive measures to discourage speculation in the real estate market. Nevertheless, since 2014, the PRC government reversed its position and policies in order to stimulate the housing market. Still, measures taken by the PRC government to control money supply, credit

availability and fixed assets have a direct impact on the performance of the real estate market in China. The uncertainty in the PRC government policies can have significant effects on the supply of new properties, which is a major source of our new engagements.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The discussion and analysis of our operating results and financial position are based on our audited combined financial statements, which have been prepared in accordance with HKFRS. Our operating results and financial position are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our industry experience and various factors, including our management's expectations of future events, which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the estimates and judgments, and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial statements. Our significant accounting policies, estimates and judgements are summarized in Note 2 and 4 in the Accountant's Report in Appendix I. We believe that the following critical accounting policies involve the most significant estimates and judgments used in preparing the combined financial statements.

For the adoption of HKFRS 9 and HKFRS 15, there would be no significant impact on the financial position and performance compared to the requirements of HKAS 18 and HKAS 39.

Revenue Recognition

Revenue

We provide property management services, pre-delivery and consulting services, community value-added services and smart solution services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

(i) Property Management Services

For property management services, we bill a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which we have a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where we act as a principal and are primary responsible for providing the property management services to the property owners, we recognize the fee received or receivable from property owners as our revenue and all related property management costs as our cost of services. For property management services income from properties managed under commission basis, we recognize the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, or total property management cost incurred or accrual by the property units, as our revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

FINANCIAL INFORMATION

(ii) *Pre-delivery and consulting Services*

Pre-delivery and consulting services to non-property owners mainly include fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognized when such services are provided.

(iii) *Community Value-added Services*

Community value-added services include mainly (i) value-added services, which mainly include our K Life mobile app to consolidate the Group's previous platform to offer an upgraded one-stop service for all of the residential communities, and are recognized when the services are rendered; and (ii) fees generated from our car parking and space leasing, which are recognized over the time when such services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

(iv) *Smart Solution Services*

For smart solution services, our performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus we satisfy a performance obligation and recognizes revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, we present the contract in the combined statements of financial position as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment.

A contract asset is our right to consideration in exchange for services that we have transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer services to the customer, we present the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

FINANCIAL INFORMATION

A receivable is recorded when we have 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.

Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purposes of impairment testing, goodwill is allocated to each of our cash-generating unit (the “CGU”), or groups of CGU, that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade and Other Receivables

Trade receivables are amounts due from customers for services provided 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 if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Allowance on Doubtful Receivables

We make allowances on receivables based on assumptions about risk of default and expected loss rates. We used judgement in making these assumptions and selecting the inputs to

FINANCIAL INFORMATION

the impairment calculation, based on our past history, existing market conditions as well as forward-looking estimates at each reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where we, our subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, 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 recognized for if it arises from 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 the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilized.

Deferred tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, we are unable to control the reversal of the temporary difference for our associate, only where there is an agreement in place that gives us the ability to control the reversal of the temporary difference not recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	478,028	539,107	669,159	307,682	412,324
Cost of services	(312,795)	(377,080)	(464,873)	(201,956)	(271,461)
Gross profit	165,233	162,027	204,286	105,726	140,863
Other gains and (losses), net .	233	(4,208)	1,253	(1,289)	(1,626)
Selling expenses	(793)	(2,379)	(4,763)	(1,790)	(1,785)
Administrative expenses	(75,636)	(69,781)	(102,309)	(43,151)	(72,013)
Operating profit	89,037	85,659	98,467	59,496	65,439
Impairment loss on investment in an associate	(5,102)	(2,141)	(597)	(299)	—
Share of results of an associate	(2,759)	(2,157)	(1,949)	(786)	—
Finance costs	—	(5,081)	(27,061)	(14,811)	(9,007)
Finance income	—	5,081	27,257	14,919	9,072
Finance income, net	—	—	196	108	65
Profit before income tax . . .	81,176	81,361	96,117	58,519	65,504
Income tax expenses	(23,456)	(23,247)	(24,676)	(14,471)	(42,472)
Profit and total comprehensive income for the year	57,720	58,114	71,441	44,048	23,032
Attributable to:					
Owners of the Company	57,720	58,114	71,441	44,048	23,300
Non-controlling interests	—	—	—	—	(268)
	<u>57,720</u>	<u>58,114</u>	<u>71,441</u>	<u>44,048</u>	<u>23,032</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN OUR COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from the following four business segments:

- property management services, which primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, amounted to RMB186.1 million, RMB209.3 million, RMB268.4 million and RMB177.7 million, accounting for approximately 38.9%, 38.8%, 40.1% and 43.1% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively;
- pre-delivery and consulting services, which primarily include fees for construction sites management, display units and property sales venues management and consulting services, amounted to RMB246.9 million, RMB248.8 million, RMB295.8 million and RMB164.3 million, accounting for approximately 51.7%, 46.1%, 44.2% and 39.8% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively;
- community value-added services, which primarily include fees generated from our car parking, space leasing and value-added services through both offline and online channels, amounted to RMB36.3 million, RMB45.1 million, RMB57.7 million and RMB38.2 million, accounting for approximately 7.6%, 8.4%, 8.6% and 9.3% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively; and
- smart solution services, which primarily include fees for installation and maintenance services, amounted to RMB8.7 million, RMB35.9 million, RMB47.3 million and RMB32.0 million, accounting for approximately 1.8%, 6.7%, 7.1% and 7.8% of our total revenue in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively.

The revenue contribution by each business segment during the Track Record Period is set forth in the table below:

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Property management services	186,074	38.9	209,308	38.8	268,368	40.1	120,208	39.1	177,721	43.1
Pre-delivery and consulting services	246,947	51.7	248,781	46.1	295,788	44.2	137,313	44.6	164,345	39.8
Community value-added services	36,314	7.6	45,127	8.4	57,749	8.6	24,302	7.9	38,221	9.3
Smart solution services	8,693	1.8	35,891	6.7	47,254	7.1	25,859	8.4	32,037	7.8
Total	478,028	100.0	539,107	100.0	669,159	100.0	307,682	100.0	412,324	100.0

FINANCIAL INFORMATION

Revenue from our property management services continued to increase during the Track Record Period, primarily due to the increase in the total GFA under management resulting from our business expansion through organic growth as well as increases in our average fee rates.

The following tables set forth a breakdown of our total property management services revenue by geographic region for the periods indicated:

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Guangdong-Hong Kong										
-Macau Bay Area	139,430	74.9	146,248	69.9	177,623	66.2	80,260	66.7	103,923	58.4
Yangtze River Delta	16,037	8.6	22,252	10.6	33,028	12.3	14,403	12.0	26,940	15.2
Bohai Economic Rim	22,688	12.2	28,423	13.6	36,784	13.7	17,063	14.2	20,990	11.8
Western China	5,597	3.0	9,087	4.3	16,922	6.3	6,687	5.6	21,061	11.9
Central China	2,322	1.3	3,298	1.6	4,011	1.5	1,795	1.5	4,807	2.7
Total	<u>186,074</u>	<u>100.0</u>	<u>209,308</u>	<u>100.0</u>	<u>268,368</u>	<u>100.0</u>	<u>120,208</u>	<u>100.0</u>	<u>177,721</u>	<u>100.0</u>

During the Track Record Period, over 80% of our property management services revenue were generated from properties located in the three major economic zones in China, namely, the Guangdong-Hong Kong-Macau Bay Area, Yangtze River Delta and the Bohai Economic Rim. The population density and per capita disposable income are higher in these economic zones than in most other regions in China. We expect that our properties in the three major economic zones will continue to account for a significant portion of our operations in the near future.

Revenue from pre-delivery and consulting services continued to increase during the Track Record Period, primarily attributable to our existing customers' continued rolling out of new property projects and our efforts to engage more with independent third party property developers.

Revenue from community value-added services grew during the Track Record Period, primarily due to the rapid growth in our rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of our managed properties which provided a larger customer base.

Revenue from our smart solution services continued to increase during the Track Record Period, primarily due to an increase in the number of projects, mainly driven by our continued efforts in exploring new customers.

Cost of Services

Our cost of services primarily comprises staff costs, subcontracting costs, construction costs, carpark leasing expenses, utility expenses, office expenses, community cultural and marketing expenses, business and other taxes and others.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our cost of services for the periods indicated, both in terms of actual costs and as a percentage of the total cost of services.

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Cost of services										
Staff costs	174,648	55.8	199,244	52.8	252,570	54.3	114,255	56.6	141,590	52.2
Subcontracting costs	58,247	18.6	81,300	21.6	103,764	22.3	38,435	19.0	60,826	22.4
Construction costs	5,915	1.9	27,160	7.2	34,732	7.5	19,231	9.5	23,285	8.6
Carpark leasing expenses	18,806	6.0	23,885	6.3	26,430	5.7	13,215	6.5	22,000	8.1
Depreciation.	1,992	0.6	2,006	0.5	1,845	0.4	883	0.4	986	0.4
Operating Lease.	4,377	1.4	3,824	1.0	4,379	0.9	2,001	1.0	2,043	0.8
Utility expenses	17,194	5.5	18,605	4.9	19,936	4.3	7,587	3.8	10,836	4.0
Office expenses	2,112	0.7	5,671	1.6	7,556	1.7	1,373	0.7	3,559	1.3
Community cultural and marketing expenses	1,886	0.6	3,890	1.0	7,046	1.5	2,333	1.2	3,279	1.2
Business and other taxes	27,132	8.7	10,028	2.7	3,466	0.7	1,655	0.8	2,320	0.8
Others	486	0.2	1,467	0.4	3,149	0.7	988	0.5	737	0.2
Total	312,795	100.0	377,080	100.0	464,873	100.0	201,956	100.0	271,461	100.0

During the Track Record Period, the main factors affecting our cost of services were our staff costs and subcontracting costs.

The amount of staff costs was mainly affected by the increase in the staff headcount due to the expansion of our operations and an increase in the average amount of compensation. Our average monthly wage increased from RMB4,859.4, RMB5,145.2 and RMB5,511.3 in 2015, 2016 and 2017, respectively, representing a CAGR of approximately 6.5%. Our average monthly wage increased by 7.5% from RMB5,380.8 to RMB5,786.7 from the six months ended June 30, 2017 to 2018. Our staff costs included in cost of services amounted to RMB174.6 million, RMB199.2 million, RMB252.6 million and RMB141.6 million, accounting for approximately 55.8%, 52.8%, 54.3% and 52.2% of our cost of services in 2015, 2016 and 2017 and for the six months ended June 30, 2018, respectively.

Subcontracting costs represent cleaning and gardening expenses, security services and housing and facility maintenance services relating to our property management services and pre-delivery and consulting services. The increases in subcontracting costs during the Track Record Period were primarily due to the increase in our business scale.

Gross Profit and Gross Profit Margin

Year ended December 31,						For the six months ended June 30,			
2015		2016		2017		2017		2018	
Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
						(unaudited)			
64,352	34.6	61,655	29.5	85,488	31.9	47,451	39.5	66,044	37.2
37,218	23.4	30,707	17.2	50,859	21.8	31,698	30.3	48,197	30.1
27,134	100.0	30,948	100.0	34,629	100.0	15,753	100.0	17,847	100.0
88,871	36.0	79,474	31.9	85,063	28.8	44,307	32.3	55,701	33.9
9,876	27.2	12,446	27.6	21,469	37.2	7,479	30.8	10,547	27.6
2,134	24.5	8,452	23.5	12,266	26.0	6,489	25.1	8,571	26.8
165,233	34.6	162,027	30.1	204,286	30.5	105,726	34.4	140,863	34.2

Under PRC law, property management fees may be charged on a lump sum basis or on a commission basis. During the Track Record Period, in line with the market practice, we charged property management fees on a lump sum basis for part of the properties we managed. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we charged property management fees on a lump sum basis for properties representing approximately 22.7%, 27.2%, 34.1% and 35.8% of our total GFA under management, respectively, which generated approximately 85.4%, 85.2%, 87.1% and 90.0% of our total property management fees during the same periods. We expect property management fees charged on a lump sum basis to continue to account for a majority of our total revenue in the foreseeable future.

FINANCIAL INFORMATION

When the property management fees are charged on a lump sum basis, we record all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. When we charge property management fees on a commission basis, we essentially act as the agent of the property owners and therefore record only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. We cover the expenses incurred in connection with providing property management services with the property management fees collected. For the property management services for which we charge fees on a commission basis, our gross profit margin is close to 100% since we do not bear any of the cost associated with providing property management services. Therefore, we would have a much higher gross margin if we charged management fees on a commission basis than on a lump sum basis.

The decrease in gross profit margin for our pre-delivery and consulting services during the Track Record Period was primarily affected by changes in our business mix, the service fees and commissions we charged and the increase in our cost of service relating to pre-delivery and consulting services. Among others, as our construction sites management services is more labor-intensive, the increase in staff costs and the fees we paid to third parties for outsourcing services will have great impact in its gross profit margin.

The gross profit margin for our community value-added services varies depending on the type and scale of products and services sold. We expect to continue expanding the type and scale of our products and services offering, particularly focusing on higher margin products, such as space leasing and community finance services.

The fluctuation in gross profit margin for our smart solution services during the Track Record Period was primarily affected by economies of scale attributable to the increase in our smart solution services projects and the increased business scale in property management services, which provided us with more potential engagement opportunities.

Other Gains and Losses

Other gains and losses primarily consists of forfeited customer deposits, unconditional government subsidy income, government penalty, loss or gain on disposal of plant and equipment, gain on deemed disposal of an associate, impairment loss recognized on trade receivables, impairment loss recognized on payment on behalf of residents under commission basis, net foreign exchange and others. All the government grants that we received during the Track Record Period represented unconditional discretionary subsidies awarded by local governmental authorities.

FINANCIAL INFORMATION

Selling Expenses

Selling expenses primarily consist of media promotion and market expansion expenses. Due to the nature of our business, we did not incur significant amounts of selling expenses during the Track Record Period. The table below sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000	%
	(unaudited)									
Selling Expenses										
Media promotion expenses . . .	353	44.5	1,217	51.1	2,889	60.7	979	54.7	578	32.4
Market expansion expenses . . .	440	55.5	1,162	48.9	1,874	39.3	811	45.3	1,207	67.6
Total	793	100.0	2,379	100.0	4,763	100.0	1,790	100.0	1,785	100.0

Administrative Expenses

Administrative expenses primarily consist of staff costs (including directors' emoluments), office and travel expenses, listing expenses, operating lease, professional service fees, depreciation, other taxes and others. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Administrative Expenses										
Staff costs (including										
directors' emoluments)	66,069	87.4	55,160	79.0	79,553	77.8	36,831	85.4	44,873	62.4
Office and travel expenses . . .	3,384	4.5	7,834	11.2	10,966	10.7	3,889	9.0	4,484	6.2
Listing expenses	—	—	—	—	4,376	4.3	—	—	18,012	25.0
Operating lease	848	1.1	845	1.2	2,240	2.2	707	1.6	2,175	3.0
Professional service fees	566	0.7	2,735	3.9	907	0.9	476	1.1	1,168	1.6
Depreciation	1,859	2.5	1,102	1.6	1,012	1.0	546	1.3	561	0.8
Other taxes	711	0.9	510	0.7	347	0.3	48	0.1	—	—
Others	2,199	2.9	1,595	2.4	2,908	2.8	654	1.5	740	1.0
Total	75,636	100.0	69,781	100.0	102,309	100.0	43,151	100.0	72,013	100.0

Impairment loss on Investment in an Associate

We incurred impairment loss on investment in an associate relating to Qijia Technology.

Share of Results of an Associate

We recorded a loss in share of results of an associate relating to Qijia Technology. During the Track Record Period, our recorded loss from share of results of an associate decreased, primarily due to the improved business operation performance of Qijia Technology.

FINANCIAL INFORMATION

Net Finance Income

Our net finance income equals interest income from amount due from a fellow subsidiary minus interest expenses on other borrowings.

Income Tax

Pursuant to the rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands.

No provision for Hong Kong profits tax has been made because we had no assessable profits arising in Hong Kong during the Track Record Period.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years.

Jiake Intelligent has already obtained its qualification as a “High and New Technology Enterprise” (“HNTe”) in December 2017, and it is subject to a reduced preferential enterprise income tax rate of 15% for 3-year period from 2017 to 2019 according to the applicable tax preference applicable to the HNTe.

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. Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

According to the Implementation Rules of the Enterprise Income Tax Law of PRC, our subsidiaries in the PRC are subject to a 10% withholding tax on dividends declared to their foreign investment holding companies arising from profit earned subsequent to January 1, 2008. In respect of dividends that are subject to the withholding tax, provision for withholding tax is recognized for the dividends that have been declared, and deferred tax liabilities recognized for those to be declared in the foreseeable future. As of June 30, 2018, we recognized a deferred tax of RMB22.0 million in respect of the estimated taxable distribution of the retained profit of our PRC subsidiaries.

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax					
— PRC Enterprise Income Tax	23,568	23,934	25,266	14,979	20,797
Deferred tax					
— PRC Enterprise Income Tax	(112)	(687)	(590)	(508)	21,675
	<u>23,456</u>	<u>23,247</u>	<u>24,676</u>	<u>14,471</u>	<u>42,472</u>

FINANCIAL INFORMATION

Our effective tax rate, calculated as income tax expenses divided by profit before income tax, in 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018 was approximately 28.9%, 28.6%, 25.7%, 24.7% and 64.8%, respectively. Our effective tax rate remained relatively stable in 2015 and 2016 and decreased in 2017, primarily due to (i) the impairment loss on investment in Qijia Technology in 2015 and 2016 and (ii) the foreign exchange loss recognized in 2015 and 2016 was not tax deductible. Our effective tax rate increased from 24.7% for the six months ended June 30, 2017 to 64.8% for the six months ended June 30, 2018, primarily due to (i) the listing expenses of RMB18.0 million being non-deductible from income tax, and (ii) a deferred tax of RMB22.0 million being recognized in respect of the taxable temporary differences as of June 30, 2018.

The actual income tax expenses reported in the combined statements of profit or loss and other comprehensive income differs from the amount calculated by applying the statutory PRC income tax rates. Our income tax for each period can be reconciled to the profit before income tax as follows:

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax	81,176	81,361	96,117	58,519	65,504
Add: Share of results of an associate	2,759	2,157	1,949	786	—
	<u>83,935</u>	<u>83,518</u>	<u>98,066</u>	<u>59,305</u>	<u>65,504</u>
Tax on profit before income tax, calculated at the rate of 25%	20,984	20,880	24,517	14,826	16,376
Tax effects of:					
– Preferential income tax rates of certain companies	(1,290)	(1,119)	(1,934)	(1,086)	(1,286)
– Non-deductible expenses	2,198	1,184	150	101	4,011
– Different income tax rates of certain companies	67	26	1,613	534	1,566
– Tax loss not recognized	1,497	2,276	330	96	823
– utilization of previously unutilized tax losses	—	—	—	—	(1,018)
– temporary difference arising from withholding tax for undistributed profits	—	—	—	—	22,000
Total income tax expense for the period	<u>23,456</u>	<u>23,247</u>	<u>24,676</u>	<u>14,471</u>	<u>42,472</u>

During the Track Record Period and up to the Latest Practicable Date, we had paid all applicable taxes when due and there were no matters in dispute or unresolved with any tax authorities.

RESULT OF OPERATIONS**Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017*****Revenue***

Revenue increased by 34.0% to RMB412.3 million for the six months ended June 30, 2018 from RMB307.7 million for the six months ended June 30, 2017.

- *Property management services.* Revenue from property management services amounted to RMB120.2 million and RMB177.7 million, contributing approximately 39.1% and 43.1% of our total revenue for the six months ended June 30, 2017 and 2018, respectively, representing an increase of approximately 47.8%. The increase was primarily attributable to the increases in our total GFA under management, especially the increased amount of GFA under management charged on a lump sum basis, and, to a lesser extent, our average property management fee. Our total GFA under management for which we charged management fees increased by approximately 10.0% to 25.4 million sq.m. as of June 30, 2018 from 23.1 million sq.m. as of June 30, 2017, primarily due to our rapid business growth, demonstrating in particular by the increase in the number of our projects. In particular, in addition to the Guangdong-Hong Kong-Macau Bay Area, we also expanded our market presence in the Yangtze River Delta and Western China. Our average property management fees slightly increased by approximately 0.8% to RMB2.68 per sq.m./month for the six months ended June 30, 2018 from RMB2.66 per sq.m./month for the six months ended June 30, 2017, primarily due to an upward price trend in the overall market.
- *Pre-delivery and consulting services.* Revenue from pre-delivery and consulting services amounted to RMB137.3 million and RMB164.3 million, contributing approximately 44.6% and 39.8% of our total revenue for the six months ended June 30, 2017 and 2018, respectively. Revenue from pre-delivery and consulting services increased by approximately 19.7% from the six months ended June 30, 2017 to the six months ended June 30, 2018, primarily due to the increase in the number of pre-delivery and consulting projects from 128 for the six months ended June 30, 2017 to 166 for the six months ended June 30, 2018, attributable to our existing customers' continued rolling out of new property projects and our efforts to engage more with independent third party property developers.
- *Community value-added services.* Revenue from community value-added services amounted to RMB24.3 million and RMB38.2 million, contributing approximately 7.9% and 9.3% of our total revenue for the six months ended June 30, 2017 and 2018, respectively. Revenue from community value-added services increased by approximately 57.3% from the six months ended June 30, 2017 to the six months ended June 30, 2018, primarily due to the rapid growth in our rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of our managed properties which provided a larger customer base.

FINANCIAL INFORMATION

- *Smart solution services.* Revenue from smart solution services amounted to RMB25.9 million and RMB32.0 million, contributing approximately 8.4% and 7.8% of our total revenue for the six months ended June 30, 2017 and 2018, respectively. Revenue from smart solution services increased by approximately 23.9% from the six months ended June 30, 2017 to the six months ended June 30, 2018, primarily due to the increase in the number of our smart solution services contracts from 87 for the six months ended June 30, 2017 to 96 for the six months ended June 30, 2018, benefiting from our market expansion efforts and strategic partnerships with industry leading property developers.

Cost of Services

Our cost of services increased by approximately 34.4% to RMB271.5 million for the six months ended June 30, 2018 from RMB202.0 million for the six months ended June 30, 2017. The increase in cost of services was primarily due to our business expansion. Accordingly, we incurred (i) an increase in staff costs relating to the increased headcounts and average salary, (ii) an increase in subcontracting costs relating to environmental services, security services and housing and facility maintenance services, and (iii) an increase in construction costs mainly relating to purchase of equipment and raw materials.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 33.2% to RMB140.9 million for the six months ended June 30, 2018 from RMB105.7 million for the six months ended June 30, 2017. Our gross profit margin remained relatively stable at 34.4% for the six months ended June 30, 2017 and 34.2% for the six months ended June 30, 2018.

- *Property management services.* Gross profit of our property management services increased by approximately 39.2% to RMB66.0 million for the six months ended June 30, 2018 from RMB47.5 million for the six months ended June 30, 2017. The increase was primarily due to (i) economies of scale from our increased business scale and gradually subcontracting more labor-intensive services, such as security cleaning and gardening services, to subcontractors, and (ii) the increase in the average property management fee rates. Gross profit margin of our property management services decreased from 39.5% for the six months ended June 30, 2017 to 37.2% for the six months ended June 30, 2018. The decrease was primarily due to an increase in staff costs and subcontracting costs.
- *Pre-delivery and consulting services.* Gross profit of our pre-delivery and consulting services increased by approximately 25.7% to RMB55.7 million for the six months ended June 30, 2018 from RMB44.3 million for the six months ended June 30, 2017. Gross profit margin of our pre-delivery and consulting services increased to 33.9% for the six months ended June 30, 2018 from 32.3% for the six months ended June 30, 2017. The increases were primarily due to the increase in number of projects from 128 to 166, which carry different gross profit margins.

FINANCIAL INFORMATION

- *Community value-added services.* Gross profit of our community value-added services increased by approximately 41.0% to RMB10.5 million for the six months ended June 30, 2018 from RMB7.5 million for the six months ended June 30, 2017. The increase was primarily due to our business expansion. Gross profit margin of our community value-added services decreased to 27.6% for the six months ended June 30, 2018 from 30.8% for the six months ended June 30, 2017, primarily due to an increase in the portion of our car parking services, which have lower gross profit margin than our other community value-added services.
- *Smart solution services.* Gross profit of our smart solution services increased by approximately 32.3% to RMB8.6 million for the six months ended June 30, 2018 from RMB6.5 million for the six months ended June 30, 2017. Gross profit margin of our smart solution services increased to 26.8% for the six months ended June 30, 2018 from 25.1% for the six months ended June 30, 2017. The increases were primarily due to the increase in number of contracts from 87 to 96, which carry different gross profit margins.

Other Gains and Losses

Our other losses increased by approximately 26.1% to RMB1.6 million for the six months ended June 30, 2018 from RMB1.3 million for the six months ended June 30, 2017, primarily because we incurred foreign exchange loss of RMB0.8 million for the six months ended June 30, 2018 while recognized foreign exchange gain of RMB1.2 million for the six months ended June 30, 2017.

Selling Expenses

Selling expenses remained relatively stable at RMB1.8 million for the six months ended June 30, 2017 and 2018.

Administrative Expenses

Administrative expenses increased by approximately 66.9% to RMB72.0 million for the six months ended June 30, 2018 from RMB43.2 million for the six months ended June 30, 2017, primarily due to (i) an increase in our staff costs to RMB44.9 million for the six months ended June 30, 2018 from RMB36.8 million for the six months ended June 30, 2017 as a result of the increases in our administrative staff headcount and average salary as we continued to expand our operations, (ii) an increase in office and travel expenses to RMB4.5 million for the six months ended June 30, 2018 from RMB3.9 million for the six months ended June 30, 2017, as a result of our business growth, and (iii) an increase in listing expenses to RMB18.0 million for the six months ended June 30, 2018 from nil for the six months ended June 30, 2017.

Operating Profit

As a result of the foregoing, our operating profit increased by approximately 10.0% to RMB65.4 million for the six months ended June 30, 2018 from RMB59.5 million for the six months ended June 30, 2017.

FINANCIAL INFORMATION

Impairment loss on Investment in an Associate

Our impairment loss on investment in an associate decreased from a loss of RMB0.3 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018, primarily because Qijia Technology has become our subsidiary from our associate.

Share of Results of an Associate

Our share of results of an associate decreased from a loss of RMB0.8 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018, primarily because Qijia Technology has become our subsidiary from our associate.

Net Finance Income

Net finance income decreased to RMB65 thousands for the six months ended June 30, 2018 from RMB0.1 million for the six months ended June 30, 2017.

Profit Before Income Tax

As a result of the foregoing, profit before income tax increased to RMB65.5 million for the six months ended June 30, 2018 from RMB58.5 million for the six months ended June 30, 2017.

Income tax

Our income tax increased by approximately 193.1% to RMB42.5 million for the six months ended June 30, 2018 from RMB14.5 million for the six months ended June 30, 2017, primarily as a result of the increase in the profit before income tax. Our effective tax rate, calculated as income tax expenses divided by profit before income tax, increased to 64.8% for the six months ended June 30, 2018 from 24.7% for the six months ended June 30, 2017 as a result of (i) the listing expenses of RMB18.0 million being non-deductible from income tax, and (ii) a deferred tax of RMB22.0 million being recognized in respect of the taxable temporary differences as of June 30, 2018.

Profit and Total Comprehensive Income for the Period

Our profit and total comprehensive income for the period decreased by approximately 47.7% to RMB23.0 million for the six months ended June 30, 2018 from RMB44.0 million for the six months ended June 30, 2017. The decrease was primarily due to the recognition of (i) listing expense of RMB18.0 million and (ii) deferred tax of RMB22.0 million arising from our planning on dividend declaration. The deferred tax of RMB22.0 million arising from planning on dividend declaration is calculated by the PRC withholding tax rate of 10% on the aggregate amounts of RMB220.0 million of the proposed dividend out of distributed profits of certain subsidiaries in the PRC.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**Revenue**

Revenue increased by 24.1% to RMB669.2 million in 2017 from RMB539.1 million in 2016.

- *Property management services.* Revenue from property management services amounted to RMB209.3 million and RMB268.4 million, contributing approximately 38.8% and 40.1% of our total revenue in 2016 and 2017, respectively, representing an increase of approximately 28.2%. The increase was primarily attributable to the increases in our total GFA under management, especially the increased amount of GFA under management charged on a lump sum basis, and, to a lesser extent, our average property management fee. Our total GFA under management for which we charged management fees increased by approximately 16.7% to 24.0 million sq.m. as of December 31, 2017 from 20.6 million sq.m. as of December 31, 2016, primarily due to our rapid business growth, demonstrating in particular by the increase in the number of our projects. In particular, in addition to the Guangdong-Hong Kong-Macau Bay Area, we also expanded our market presence in the Yangtze River Delta and Western China. Our average property management fee increased by approximately 2.3% to RMB2.67 per sq.m./month in 2017 from RMB2.61 per sq.m./month in 2016, primarily due to an upward price trend in the overall market.
- *Pre-delivery and consulting services.* Revenue from pre-delivery and consulting services amounted to RMB248.8 million and RMB295.8 million, contributing approximately 46.1% and 44.2% of our total revenue in 2016 and 2017, respectively. Revenue from pre-delivery and consulting services increased by approximately 18.9% from 2016 to 2017, primarily due to the increase in the number of pre-delivery and consulting projects from 116 in 2016 to 145 in 2017, attributable to our existing customers' continued rolling out of new property projects and our efforts to engage more with independent third party property developers.
- *Community value-added services.* Revenue from community value-added services amounted to RMB45.1 million and RMB57.7 million, contributing approximately 8.4% and 8.6% of our total revenue in 2016 and 2017, respectively. Revenue from community value-added services increased by approximately 28.0% from 2016 to 2017, primarily due to the rapid growth in our rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of our managed properties which provided a larger customer base.
- *Smart solution services.* Revenue from smart solution services amounted to RMB35.9 million and RMB47.3 million, contributing approximately 6.7% and 7.1% of our total revenue in 2016 and 2017, respectively. Revenue from smart solution services increased by approximately 31.7% from 2016 to 2017, primarily due to the increase in the number of our smart solution services contracts from 72 in 2016 to 171 in 2017, benefiting from our market expansion efforts and strategic partnerships with industry leading property developers.

Cost of Services

Our cost of services increased by approximately 23.3% to RMB464.9 million in 2017 from RMB377.1 million in 2016. The increase in cost of services was primarily due to our business expansion. Accordingly, we incurred (i) an increase in staff costs relating to the increased headcounts and average salary, (ii) an increase in subcontracting costs relating to environmental services, security services and housing and facility maintenance services, and (iii) an increase in construction costs mainly relating to purchase of equipment and raw materials. Furthermore, with our rapid business growth, the increase of our cost of services from 2016 to 2017 is lower to the increase of our revenue growth, which demonstrates our continued efforts in cost management.

Gross Profit and Gross Profit Margin

Our gross profit increased by approximately 26.1% to RMB204.3 million in 2017 from RMB162.0 million in 2016. Our gross profit margin remained relatively stable at 30.1% in 2016 and 30.5% in 2017.

- *Property management services.* Gross profit of our property management services increased by approximately 38.8% to RMB85.5 million in 2017 from RMB61.6 million in 2016. Gross profit margin of our property management services increased from 29.5% in 2016 to 31.9% in 2017. The increases were primarily due to (i) economies of scale from our increased business scale and gradually subcontracting more labor-intensive services, such as security, cleaning and gardening services, to subcontractors, (ii) the increase in the average property management fee rates, and (iii) the enhancement of our operational efficiency, especially in our optimization of manpower allocation and planning.
- *Pre-delivery and consulting services.* Gross profit of our pre-delivery and consulting services increased by approximately 7.0% to RMB85.1 million in 2017 from RMB79.5 million in 2016, primarily due to the increase in the number of pre-delivery and consulting projects from 116 in 2016 to 145 in 2017, attributable to our customers' continued rolling out of new property projects. Gross profit margin of our pre-delivery and consulting services decreased to 28.8% in 2017 from 31.9% in 2016, primarily due to an increase in the employees' average salaries and, to a lesser extent, our subcontracting costs.
- *Community value-added services.* Gross profit of our community value-added services increased by approximately 73.4% to RMB21.5 million in 2017 from RMB12.4 million in 2016. Gross profit margin of our community value-added services increased to 37.2% in 2017 from 27.6% in 2016, primarily due to our business expansion, resulting from our optimization of products and services offering with an increased portion of higher margin products and services, such as space leasing and community finance services.
- *Smart solution services.* Gross profit of our smart solution services increased by approximately 44.7% to RMB12.3 million in 2017 from RMB8.5 million in 2016. Gross profit margin of our smart solution services increased to 26.0% in 2017 from 23.5% in 2016. The increases were primarily due to economies of scale

FINANCIAL INFORMATION

resulting from the increase in our business scale as we were able to lower our materials and equipments' purchasing cost through strategic cooperations and centralized procurement.

Other Gains and Losses

Our other gains amounted to RMB1.3 million in 2017, while we incurred other losses of RMB4.2 million in 2016, primarily because we recognized foreign exchange gain of RMB2.9 million in 2017 while incurred foreign exchange loss of RMB3.2 million in 2016.

Selling Expenses

Selling expenses increased by approximately 100.2% to RMB4.8 million in 2017 from RMB2.4 million in 2016, primarily due to the increase in our marketing activities, such as promotions in large exhibitions, medias and industry associations.

Administrative Expenses

Administrative expenses increased by approximately 46.6% to RMB102.3 million in 2017 from RMB69.8 million in 2016, primarily due to (i) an increase in our staff costs to RMB79.6 million in 2017 from RMB55.2 million in 2016 as a result of the increases in our administrative staff headcount and average salary as we continued to expand our operations, (ii) an increase in office and travel expenses to RMB11.0 million in 2017 from RMB7.8 million in 2016, as a result of our business growth, and (iii) we incurred listing expense of RMB4.4 million in 2017.

Operating Profit

As a result of the foregoing, our operating profit increased by approximately 15.0% to RMB98.5 million in 2017 from RMB85.7 million in 2016.

Impairment loss on Investment in an Associate

Our impairment loss on investment in an associate decreased from a loss of RMB2.1 million in 2016 to a loss of RMB0.6 million in 2017, primarily due to the improved business operation performance of Qijia Technology.

Share of Results of an Associate

Our share of results of an associate decreased from a loss of RMB2.2 million in 2016 to a loss of RMB1.9 million in 2017, primarily due to the improved business operation performance of Qijia Technology.

Net Finance Income

Net finance income increased to RMB0.2 million in 2017 from nil in 2016.

FINANCIAL INFORMATION

Profit Before Income Tax

As a result of the foregoing, profit before income tax increased by approximately 18.1% to RMB96.1 million in 2017 from RMB81.4 million in 2016.

Income tax

Our income tax increased by approximately 6.1% to RMB24.7 million in 2017 from RMB23.2 million in 2016, primarily as a result of the increase in the profit before income tax. Our effective tax rate, calculated as income tax expenses divided by profit before income tax, decreased to 25.7% in 2017 from 28.6% in 2016 as a result of (i) the impairment loss of Qijia Technology in 2016 and (ii) the foreign exchange loss recognized in 2016 was not tax deductible.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately 22.9% to RMB71.4 million in 2017 from RMB58.1 million in 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Revenue increased by 12.8% to RMB539.1 million in 2016 from RMB478.0 million in 2015.

- *Property management services.* Revenue from property management services amounted to RMB186.1 million and RMB209.3 million, contributing approximately 38.9% and 38.8% of our total revenue in 2015 and 2016, respectively. The increase was primarily attributable to the increases in our total GFA under management and, to a lesser extent, the average property management fee. Our total GFA under management for which we charged management fees increased by approximately 12.2% to 20.6 million sq.m. as of December 31, 2016 from 18.3 million sq.m. as of December 31, 2015, primarily due to our rapid business growth, demonstrating in particular by the increase in the number of our projects in the Guangdong–Hong Kong–Macau Area and Yangtze River Delta. Our average property management fee increased by approximately 2.4% to RMB2.61 per sq.m./month in 2016 from RMB2.55 per sq.m./month in 2015, primarily due to an upward price trend in the overall market.
- *Pre-delivery and consulting services.* Revenue from pre-delivery and consulting services amounted to RMB246.9 million and RMB248.8 million, contributing approximately 51.7% and 46.1% of our total revenue in 2015 and 2016, respectively. Revenue from pre-delivery and consulting services increased by approximately 0.7% from 2015 to 2016, primarily due to a slight increase in the number of pre-delivery and consulting projects from 114 in 2015 to 116 in 2016.
- *Community value-added services.* Revenue from community value-added services amounted to RMB36.3 million and RMB45.1 million, contributing approximately 7.6% and 8.4% of our total revenue in 2015 and 2016,

FINANCIAL INFORMATION

respectively. Revenue from community value-added services increased by approximately 24.3% from 2015 to 2016, primarily due to the rapid growth in our rental of parking spaces, space leasing and property rental services, resulting from the increase in the number of our managed properties which provided a larger customer base.

- *Smart solution services.* Revenue from smart solution services amounted to RMB8.7 million and RMB35.9 million, contributing approximately 1.8% and 6.7% of our total revenue in 2015 and 2016, respectively. Revenue from smart solution services increased by approximately 312.6% from 2015 to 2016, primarily due to the increase in the number of our smart solution services contracts from 48 in 2015 to 72 in 2016, benefiting from our market expansion efforts and customer recognition for our service quality.

Cost of Services

Our cost of services increased by approximately 20.6% to RMB377.1 million in 2016 from RMB312.8 million in 2015. The increase in cost of services was primarily due to our business expansion. Accordingly, we incurred (i) an increase in staff costs relating to the increased headcounts and average salary, (ii) an increase in subcontracting costs relating to environmental services, security services and housing and facility maintenance services, and (iii) an increase in construction costs mainly relating to purchase of equipment and raw materials.

Gross Profit and Gross Profit Margin

Our gross profit decreased by approximately 1.9% to RMB162.0 million in 2016 from RMB165.2 million in 2015. Our gross profit margin decreased to 30.1% in 2016 from 34.6% in 2015.

- *Property management services.* Gross profit of our property management services decreased by approximately 4.4% to RMB61.7 million in 2016 from RMB64.4 million in 2015. Gross profit margin of our property management services decreased from 34.6% in 2015 to 29.5% in 2016. The decreases were primarily due to an increase in expenses relating to further enhancing our services quality to our customers.
- *Pre-delivery and consulting services.* Gross profit of our pre-delivery and consulting services decreased by approximately 10.6% to RMB79.5 million in 2016 from RMB88.9 million in 2015. Gross profit margin of our pre-delivery and consulting services decreased to 31.9% in 2016 from 36.0% in 2015. The decreases were primarily due to an increase in our operating cost as we proactively increased service standards and requirements to further build our brand recognition and expand our market shares.
- *Community value-added services.* Gross profit of our community value-added services increased by approximately 26.0% to RMB12.4 million in 2016 from RMB9.9 million in 2015. The increases were primarily due to our business expansion, resulting from our expansion of product and service offering as well as the increase in the number of our managed properties. Gross profit margin of our community value-added remained stable, slightly increased to 27.6% in 2016 from 27.2% in 2015.

FINANCIAL INFORMATION

- *Smart solution services.* Gross profit of our smart solution services increased by approximately 304.8% to RMB8.5 million in 2016 from RMB2.1 million in 2015, resulting from the increase in our business scale. Gross profit margin of our smart solution services decreased to 23.5% in 2016 from 24.5% in 2015, primarily due to the increase in our overhead cost in 2016 as we expanded to new cities and provinces to develop our smart solution services.

Other Gains and Losses

We incurred other losses of RMB4.2 million in 2016, while our other gains amounted to RMB0.2 million in 2015, primarily due to (i) a decrease in unconditional government subsidy income of RMB1.9 million, (ii) an increase in recognition of provision for loss allowance of RMB2.0 million, and (iii) an increase in loss in foreign exchange of RMB0.5 million.

Selling Expenses

Selling expenses increased by approximately 200.0% to RMB2.4 million in 2016 from RMB0.8 million in 2015, primarily due to the increases in our marketing activities, such as promotions in large exhibitions, medias and industry associations.

Administrative Expenses

Administrative expenses decreased by approximately 7.7% to RMB69.8 million in 2016 from RMB75.6 million in 2015, primarily due to a decrease in our staff costs to RMB55.2 million in 2016 from RMB66.1 million in 2015 as a result of a decrease in our administrative staff headcount to optimize our headcount structure and increase operational efficiency.

Operating Profit

As a result of the foregoing, our operating profit decreased by approximately 3.7% to RMB85.7 million in 2016 from RMB89.0 million in 2015.

Impairment loss on Investment in an Associate

Our impairment loss on investment in an associate decreased from a loss of RMB5.1 million in 2015 to a loss of RMB2.1 million in 2016, primarily due to the improved business operation performance of Qijia Technology.

Share of Results of an Associate

Our share of results of an associate decreased from a loss of RMB2.8 million in 2015 to a loss of RMB2.2 million in 2016, which was primarily due to the improved business operation performance of Qijia Technology.

Net Finance Income

Our net finance income was nil in both 2015 and 2016.

FINANCIAL INFORMATION

Profit Before Income Tax

As a result of the foregoing, profit before income tax increased by approximately 0.2% to RMB81.4 million in 2016 from RMB81.2 million in 2015.

Income tax

Our income tax remained relatively stable at RMB23.5 million in 2015 and RMB23.2 million in 2016. Our effective tax rate, calculated as income tax expenses divided by profit before income tax, also remained relatively stable at 28.9% in 2015 and 28.6% in 2016.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately 0.7% to RMB58.1 million in 2016 from RMB57.7 million in 2015.

DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our combined statements of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	8,049	6,863	6,933	6,711
Intangible asset	—	—	7,895	7,237
Goodwill	—	—	5,534	5,534
Investment in an associate	6,851	2,553	—	—
Other receivables	—	—	887	623
Deferred tax assets.	996	1,683	2,273	2,433
Total non-current assets	15,896	11,099	23,522	22,538
Current assets				
Trade and other receivables	28,697	37,671	44,107	65,919
Payments on behalf of residents	27,610	48,305	53,320	48,178
Contract assets ⁽¹⁾	3,260	13,219	24,491	29,892
Amounts due from related parties . . .	438,554	1,034,834	930,962	733,082
Restricted cash	11,049	11,526	1,074	934
Cash and bank balances	15,674	33,921	114,098	172,138
Total current assets	524,844	1,179,476	1,168,052	1,050,143
Total assets	540,740	1,190,575	1,191,574	1,072,681

FINANCIAL INFORMATION

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
EQUITY				
Share capital	—*	—*	—*	—*
Reserves	174,635	232,820	305,479	335,629
Equity attributable to owners of the Company	174,635	232,820	305,479	335,629
Non-controlling interests	—	—	(18)	(286)
Total equity	174,635	232,820	305,461	335,343
LIABILITIES				
Non-current liabilities				
Other payables	3,178	4,438	5,938	5,035
Other borrowing	—	325,000	—	—
Deferred tax liabilities	—	—	1,974	23,809
Total non-current liabilities	3,178	329,438	7,912	28,844
Current liabilities				
Trade and other payables	149,510	196,838	263,585	246,744
Contract liabilities	13,041	17,897	36,031	34,560
Amounts due to fellow subsidiaries . .	159,492	217,638	227,736	232,900
Other borrowing	—	155,000	325,000	165,000
Income tax payable	40,884	40,944	25,849	29,290
Total current liabilities	362,927	628,317	878,201	708,494
Total liabilities	366,105	957,755	886,113	737,338
Total equity and liabilities	540,740	1,190,575	1,191,574	1,072,681
Net current assets	161,917	551,159	289,851	341,649
Total assets less current liabilities . .	177,813	562,258	313,373	364,187
Net assets	174,635	232,820	305,461	335,343

* Amount less than RMB1,000

Note:

- (1) Among the RMB29.9 million of the contract assets as of June 30, 2018, RMB6.7 million, approximately 22.6% of our contract assets as of June 30, 2018, has been certified by customers as of September 30, 2018.

Property, Plant and Equipment

Our property, plant and equipment mainly consists of leasehold improvement, furniture, fittings and office equipment and motor vehicles. Our property, plant and equipment amounted to RMB8.0 million, RMB6.9 million, RMB6.9 million and RMB6.7 million, respectively, as of December 31, 2015, 2016 and 2017 and June 30, 2018.

FINANCIAL INFORMATION

Intangible Asset

We recorded intangible asset of RMB7.9 million and RMB7.2 million as of December 31, 2017 and June 30, 2018, respectively, primarily due to the value of “Community Butler” mobile app through our acquisition of a subsidiary, Qijia Technology, on December 28, 2017.

Goodwill

We recorded goodwill of RMB5.5 million as of December 31, 2017 and June 30, 2018, as a result of our acquisition of a subsidiary, Qijia Technology, on December 28, 2017.

Trade and Other Receivables

Trade receivables

The table below sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– from third parties	20,873	22,775	32,077	48,615
Less: provision for impairment	(1,381)	(2,324)	(4,455)	(5,625)
	<u>19,492</u>	<u>20,451</u>	<u>27,622</u>	<u>42,990</u>

Our trade receivables mainly arise from property management fees, pre-delivery and consulting service fees and smart solution service fees. As of December 31, 2015, 2016 and 2017 and June 30, 2018, trade receivables amounted to RMB19.5 million, RMB20.5 million, RMB27.6 million and RMB43.0 million, accounting for approximately 3.7%, 1.7%, 2.4% and 4.1% of our total current assets.

Our trade receivables from property management services increased during the Track Record Period primarily due to the increase in our total GFA under management. Our total GFA under management amounted to 18.3 million sq.m., 20.6 million sq.m., 24.0 million sq.m. and 25.4 million sq.m. as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. The first property management fee payment is due and payable once the property is delivered. However, some owners do not pay property management fees until they move in or the units have been rented out and those accrued property management fees are, therefore, recorded as receivables and accounted for a majority of the trade receivables. During the Track Record Period, we did not incur any trade receivables with respect to the preliminary property management service contracts and the property management service contracts that were terminated or expired.

FINANCIAL INFORMATION

The table below sets forth our trade receivables turnover days as of the dates indicated:

	Year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Trade receivables turnover days ⁽¹⁾ . . .	310.7	330.9	316.2	213.1
Adjusted trade receivable turnover days ⁽²⁾	33.0	30.3	32.1	38.2

Note:

- (1) Calculated as the sum of trade receivables and trade-nature amounts due from related parties, as of the end of the relevant period divided by revenue for the period, then multiplied by the number of days in the period.
- (2) Calculated as the trade receivables as of the end of the relevant period divided by revenue from services provided to independent third parties for the period, then multiplied by the number of days in the period.

Our adjusted trade receivable turnover days for services provided to independent third parties remained relatively stable from 2015 to 2017, and later increased to 38.2 for the six months ended June 30, 2018, primarily because our trade receivables increased faster than our revenue from services provided to independent third parties due to the decreased management fee collection rates for the six month ended June 30, 2018. Our trade receivable turnover days, including services provided to our related parties, are notably longer due to the long aging of the trade-nature amounts due from our related parties. See “— Amounts due from related parties” for details.

The table below sets forth our aging analysis of the trade receivables based on the due date:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	5,032	3,914	2,085	719
Overdue within 180 days	10,261	7,981	14,285	30,612
Overdue 181 to 365 days	2,855	5,502	5,569	5,493
Overdue one to two years	2,308	3,195	5,704	6,808
Overdue over two years	417	2,183	4,434	4,983
Total	20,873	22,775	32,077	48,615

Trade receivables that were past due but not impaired relate to customers that have a good track record of credit with us. Based on past credit history, our management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

Provision for impairment of trade receivables amounted to RMB1.4 million, RMB2.3 million, RMB4.5 million and RMB5.6 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables were not recoverable. We do not hold any collateral over these balances. In determining the recoverability of trade receivables, we consider changes in the credit quality of the trade receivables from the date when the credit was granted to the reporting date. In determining the recoverability of trade receivables from our property management services segment, we

FINANCIAL INFORMATION

estimate the recoverable amount of property management fees for each property we manage and take into account occupancy rates and collection history and subsequent settlement status of trade receivables. We generally record an impairment allowance of 5%, 25%, 35% and 60%, respectively, of the receivables that are overdue within one year, one to two years, two to three years and over three years.

We did not experience any significant difficulty in collecting management fees during the Track Record Period as evidenced by the high collection rates we maintained throughout the Track Record Period. In 2015, 2016 and 2017 and the six months ended June 30, 2018, our collection rates with respect to property management fees, calculated by dividing the property management fees we actually received by the total property management fees payable to us for the same periods, were approximately 97.7%, 95.8%, 95.1% and 92.6%, respectively.

Among the RMB48.6 million of the trade receivables as of June 30, 2018, RMB21.6 million, approximately 44.4% of our trade receivables as of June 30, 2018, has been repaid as of October 31, 2018.

Other receivables

The table below sets forth a breakdown of our other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables				
Deposits	1,385	3,511	4,403	4,307
Prepayments	490	1,605	2,623	1,799
Prepaid listing expense	—	—	1,623	7,444
Payments on behalf of staff	5,239	7,665	5,059	4,197
Payments on behalf of residents under lump-sum basis	2,594	4,948	4,405	6,759
Others	235	791	372	618
Less: allowance for impairment of other receivables	(738)	(1,300)	(1,113)	(1,572)
Total other receivables	<u>9,205</u>	<u>17,220</u>	<u>17,372</u>	<u>23,552</u>
Less: other receivables under non-current portion	—	—	(887)	(623)
Current portion	<u>9,205</u>	<u>17,220</u>	<u>16,485</u>	<u>22,929</u>

Our other receivables mainly consist of deposits, payment on behalf of staff and payment on behalf of residents under lump sum basis. Our total other receivables increased from RMB9.2 million as of December 31, 2015 to RMB17.2 million as of December 31, 2016, to RMB17.4 million as of December 31, 2017 and further to RMB23.6 million as of June 30, 2018, primarily due to our business expansion and an increase in the relevant expenses relating to Listing.

FINANCIAL INFORMATION

Payments on Behalf of Residents

We made payments on behalf of residents of our managed residential communities under commission basis. Payments on behalf of residents represents working capital expenditures paid by us on behalf of the residential community. Payments on behalf of residents amounted to RMB27.6 million, RMB48.3 million and RMB53.3 million as of December 31, 2015, 2016 and 2017, respectively. The increases were primarily due to the increased business scale of property management services under commission basis. Payments on behalf of residents decreased from RMB53.3 million as of December 31, 2017 to RMB48.2 million as of June 30, 2018, primarily due to (i) our limitation of new payment to the residential communities under commission basis; and (ii) acceleration of collection of such payments. Collection of payments that we made on behalf of residents generally follows the same procedures that apply to the collection of management fees. For more details, see “Business — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.”

The following is an aging analysis of payments on behalf of residents as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	<u>27,610</u>	<u>48,305</u>	<u>53,320</u>	<u>48,178</u>

Provision for impairment of payments on behalf of residents amounted to RMB1.5 million, RMB2.5 million, RMB2.8 million and RMB2.5 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. In determining the recoverability of the payments on behalf of residents under commission basis, our management reviews the cash receipts from residents of respective property management office during each period in order to assess the collectability of payments on behalf of residents under commission basis. In addition, at the end of each reporting period, we made allowance for payments on behalf of residents of communities with poor financial performance based on an evaluation of the collectability of the receivables from these management offices. With reference to the historical experience of these receivables, the collection of these receivables may not be fully recoverable. Accordingly, we made allowance on these poor financial performance management offices on a collective basis.

Amounts due from Related Parties

The table below sets forth a breakdown of our amounts due from related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties				
– Trade nature	387,443	468,329	552,016	445,105
– Non-trade nature	<u>51,111</u>	<u>566,505</u>	<u>378,946</u>	<u>287,977</u>
Total	<u>438,554</u>	<u>1,034,834</u>	<u>930,962</u>	<u>733,082</u>

FINANCIAL INFORMATION

The table below sets forth our aging analysis of amounts due from related parties (trade nature) based on the due date:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	25,227	21,703	28,769	26,483
Overdue within 180 days	135,986	140,958	130,653	115,474
Overdue 181-365 days	103,440	67,900	69,809	75,296
Overdue one to two years	122,790	138,975	123,019	89,828
Overdue over two years	—	98,793	199,766	138,024
Total	387,443	468,329	552,016	445,105

The trade nature amounts due from related parties increased from RMB387.4 million as of December 31, 2015 to RMB468.3 million as of December 31, 2016, to RMB552.0 million as of December 31, 2017, primarily due to our increased number of property management and pre-delivery and consulting projects with our related parties. The trade nature amounts due from related parties decreased from RMB552.0 million as of December 31, 2017 to RMB445.1 million as of June 30, 2018, primarily due to our collection of the trade nature amounts due from related parties. Among the RMB445.1 million of the trade nature amounts due from related parties as of June 30, 2018, RMB433.2 million, approximately 97.3% of our trade nature amounts due from related parties as of June 30, 2018, has been settled as of October 31, 2018. We expect the trade nature amounts due from fellow subsidiaries which were overdue as of June 30, 2018 will be fully settled before Listing.

Our non-trade nature amounts due from related parties consisted of a borrowing to our related party, interest receivable subject to such borrowing and fund advanced to related parties. The interest rate for such borrowing was nil, 6.175%, 6.175%, 6.175% and 6.175% per annum and repayable on demand as of December 31, 2015, 2016 and 2017, June 30, 2018 and September 30, 2018, respectively. Our related party is responsible for the actual interest cost incurred in relation to such borrowing. See “— Other Borrowing” and “— Indebtedness” and Note 21 to the Accountant’s Report in Appendix I for more details. The non-trade nature amounts due from related parties increased from RMB51.1 million as of December 31, 2015 to RMB566.5 million as of December 31, 2016, mainly because we have drawn down a borrowing in the amount of RMB480.0 million then provided to our related party. The non-trade nature amounts due from related parties decreased from RMB566.5 million as of December 31, 2016 to RMB378.9 million as of December 31, 2017, mainly because we received RMB155.0 million for partial repayment of the borrowing. The non-trade nature amounts due from related parties further decreased from RMB378.9 million as of December 31, 2017 to RMB288.0 million as of June 30, 2018, primarily due to our collection of the non-trade nature amounts due from related parties. Among the RMB288.0 million of the non-trade nature amounts due from related parties as of June 30, 2018, RMB145.0 million, approximately 50.3% of our non-trade nature amounts due from related parties as of June 30, 2018, has been settled as of September 30, 2018. The remaining balances due from our related parties are unsecured, interest free and payable on demand. We have entered into an assignment and assumption agreement with the Remaining Kaisa Group and deducted part of the non-trade nature amounts due from related parties. Since the remaining balances involved many of our and the Remaining Kaisa Group’s subsidiaries, instead of having each subsidiary settle the amount individually, we believe it is more cost-efficient and time-saving to streamline the process by having all the amounts transferred to one subsidiary within our Group and the Remaining Kaisa Group and then having these two subsidiaries enter into the assignment and assumption agreement to settle all the amounts. We did not incur any gain or loss arising thereon. The remaining amounts after deduction was fully paid off by cash on November 1, 2018.

FINANCIAL INFORMATION

Restricted Cash

Restricted cash represents cash deposited as loan guarantee and special fund for property maintenance. Restricted cash remained relatively stable at RMB11.0 million and RMB11.5 million as of December 31, 2015 and 2016, respectively. Restricted cash decreased from RMB11.5 million as of December 31, 2016 to RMB1.1 million as of December 31, 2017, primarily due to a decrease in cash deposited as loan guarantee resulting from the repayment of a loan facility in 2017. Restricted cash remained relatively stable at RMB1.1 million and RMB0.9 million, respectively, as of December 31, 2017 and June 30, 2018.

Cash and Bank Balances

Our cash and bank balances amounted to RMB15.7 million, RMB33.9 million, RMB114.1 million and RMB172.1 million as of December 31, 2015, 2016 and 2017 and June 30, 2018. The increases during the Track Record Period were mainly attributable to our expansion of operations. In particular, the significant increase from RMB33.9 million as of December 31, 2016 to RMB114.1 million as of December 31, 2017 was also due to an increase in trade receivables repayment.

Trade and Other Payables

Trade payables

Our trade payables mainly represent our obligations to pay our suppliers for procurements in the ordinary course of our business. Our trade payables increased from RMB18.0 million as of December 31, 2015 to RMB40.5 million as of December 31, 2016, to RMB61.3 million as of December 31, 2017, primarily attributable to an increase in purchase of subcontracting services, materials and utilities for our expanding business. Our trade payables decreased from RMB61.3 million as of December 31, 2017 to RMB49.9 million as of June 30, 2018, primarily attributable to our repayment to the due trade payables.

The table below sets forth our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– from third parties	<u>17,989</u>	<u>40,539</u>	<u>61,347</u>	<u>49,901</u>

The table below sets forth our trade payables turnover days as of the dates indicated:

	Year ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
Trade payables turnover day ⁽¹⁾	34.8	59.5	76.7	79.2

(1) Calculated as the sum of trade payables and trade nature amounts due to fellow subsidiaries as of the end of the relevant period divided by cost of services in the period, then multiplied by the number of days in the period.

FINANCIAL INFORMATION

Our trade payable turnover days increased from 2015 to 2017, mainly attributable to (i) our increasing bargaining power in terms of payment schedule benefited from our continuous business expansion, and (ii) our more engagements of smart solution contracts, the procurement relating to which in general has longer credit terms. Our trade payable turnover days further increased to 79.2 for the six months ended June 30, 2018, primarily due to an increase in our trade payable relating to our car parking services.

The table below sets forth an aging analysis of our trade payables (excluding amounts due to related parties of trading in nature) as of the dates indicated, based on invoice dates:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	16,556	32,503	52,573	35,874
91-180 days	245	7,400	6,393	7,960
181-270 days	68	26	570	4,304
271-365 days	55	24	220	1,027
Over 365 days	1,065	586	1,591	736
Total	17,989	40,539	61,347	49,901

Among the RMB49.9 million of the trade payables as of June 30, 2018, RMB36.8 million, approximately 73.7% of our trade payables as of June 30, 2018, has been settled as of October 31, 2018.

Other payables

The table below sets forth a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables				
Accrued listing expenses.	—	—	5,231	18,551
Accrued staff costs	35,797	40,507	55,578	46,461
Business and other tax payables	7,745	6,247	10,071	9,327
Deposits received	26,039	34,356	41,967	41,444
Receipt on behalf of residents	58,496	69,595	80,474	66,747
Others	6,622	10,032	14,855	19,348
Total other payables	134,699	160,737	208,176	201,878
Less: other payables under non-current portion	(3,178)	(4,438)	(5,938)	(5,035)
Current portion	131,521	156,299	202,238	196,843

Our other payables mainly consist of accrued staff costs, deposits received and receipt on behalf of residents. Our accrued staff costs relate to our employees' salary and related expenditure. Our deposits received primarily relate to the deposits we receive from property owners in our managed properties charged on a lump sum basis for any additional repairs and maintenance expense we might incur due to their property decoration. Our receipt on behalf of

FINANCIAL INFORMATION

residents relate to the remaining property management fees we receive in our managed properties charged on a commission basis and we manage such fund collectively in our headquarters. Our total other payables increased from RMB134.7 million as of December 31, 2015 to RMB160.7 million as of December 31, 2016, and further to RMB208.2 million as of December 31, 2017, primarily due to our business expansion. Our total other payables decreased from RMB208.2 million as of December 31, 2017 to RMB201.9 million as of June 30, 2018, primarily due to (i) a decrease in our accrued staff costs resulting from the lower half-year employee bonus compared with full year, and (ii) a decrease in receipt on behalf of residents resulting from our repayment to commission-basis communities in time.

Amounts due to Fellow Subsidiaries

The table below sets forth a breakdown of our amounts due to fellow subsidiaries as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to fellow subsidiaries				
– Trade nature	11,856	20,944	36,354	69,554
– Non-trade nature	147,636	196,694	191,382	163,346
Total	159,492	217,638	227,736	232,900

The table below sets forth our aging analysis of amounts due to fellow subsidiaries (trade nature) based on the invoice date:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	2,753	3,104	5,639	24,178
91-180 days	2,376	2,405	3,125	1,025
181-270 days	2,235	2,401	3,328	5,692
271-365 days	1,800	2,420	3,447	933
Over 365 days	2,692	10,614	20,815	37,726
Total	11,856	20,944	36,354	69,554

Trade nature amounts due to fellow subsidiaries mainly represents rent payable relating to carpark leasing for our community value-added services and office leasing. The upward trend was in line with our business expansion. Non-trade nature amounts due to fellow subsidiaries increased from RMB147.6 million as of December 31, 2015 to RMB196.7 million as of December 31, 2016 due to receipt from the non-trade nature amounts due to fellow subsidiaries. The amount remained stable from RMB196.7 million as of December 31, 2016 to RMB191.4 million as of December 31, 2017. Non-trade nature amounts due to fellow subsidiaries decreased from RMB191.4 million as of December 31, 2017 to RMB163.3 million as of June 30, 2018, primarily due to our repayment of the non-trade nature amounts due to fellow subsidiaries. The balances of amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand. The amounts due to fellow subsidiaries that are non-trade in nature will be fully paid off before Listing. We also expect the trade-nature amounts due to fellow subsidiaries which were overdue as of June 30, 2018 will be fully settled before Listing.

FINANCIAL INFORMATION

Other Borrowing

Our other borrowing mainly represents a trust borrowing we drawn down in 2016 in the amount of RMB480.0 million which we provided to our related party, Guangdong Kaisa Property Development Co., Ltd. The commercial rationale for such arrangement was because, at the time of obtaining borrowing, we were part of the Kaisa Group and no spin-off plan was formulated yet. Based on the then overall capital management within the Kaisa Group, it would be more suitable for us to obtain such borrowing considering the financial resources available to us. We partially repaid the borrowing in 2017 and 2018 according to the repayment schedule and our other borrowing balance decreased to RMB325.0 million as of December 31, 2017, which further decreased to RMB165.0 million as of June 30, 2018 and to RMB85.0 million as of September 30, 2018. The remaining balance will be fully paid off before Listing. Our other borrowing is denominated in RMB and is secured by corporate guarantee by the Remaining Kaisa Group, which will be released before the Listing.

The table below sets forth a breakdown of our other borrowing as of the dates indicated:

	As of December 31,			As of	
	2015	2016	2017	June 30, 2018	September 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowing included in current liabilities					
Other borrowing – secured	—	155,000	325,000	165,000	85,000
Borrowing included in non-current liabilities					
Other borrowing – secured	—	325,000	—	—	—
Total	—	480,000	325,000	165,000	85,000

CURRENT ASSETS AND CURRENT LIABILITIES

Composition of our net current assets

The following table sets out our current assets and current liabilities of the dates indicated.

	As of December 31,			As of	
	2015	2016	2017	June 30, 2018	September 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Trade and other receivables	28,697	37,671	44,107	65,919	79,358
Payments on behalf of residents	27,610	48,305	53,320	48,178	48,407
Contract assets	3,260	13,219	24,491	29,892	30,264
Amounts due from related parties	438,554	1,034,834	930,962	733,082	234,923
Restricted cash	11,049	11,526	1,074	934	952
Cash and bank balances	15,674	33,921	114,098	172,138	533,874
	<u>524,844</u>	<u>1,179,476</u>	<u>1,168,052</u>	<u>1,050,143</u>	<u>927,778</u>
Current liabilities					
Trade and other payables	149,510	196,838	263,585	246,744	243,193
Contract liabilities	13,041	17,897	36,031	34,560	33,510
Amounts due to fellow subsidiaries	159,492	217,638	227,736	232,900	177,902
Other borrowing	—	155,000	325,000	165,000	85,000
Income tax payable	40,884	40,944	25,849	29,290	27,624
	<u>362,927</u>	<u>628,317</u>	<u>878,201</u>	<u>708,494</u>	<u>567,229</u>
Net current assets	161,917	551,159	289,851	341,649	360,549

FINANCIAL INFORMATION

Our net current assets increased by RMB18.9 million from RMB341.6 million as of June 30, 2018 to RMB360.5 million as of September 30, 2018, primarily due to (i) an increase in cash and bank balances, (ii) a decrease in other borrowing, (iii) a decrease in amounts due to fellow subsidiaries primarily due to our repayment of the rent payables owed to fellow subsidiaries, and (iv) an increase in trade and other receivables which is in line with the growth of our business, partially offset by a decrease in amounts due from related parties mainly as a result of our effort in collecting the amounts due from related parties during this period.

Our net current assets increased by RMB51.8 million from RMB289.9 million as of December 31, 2017 to RMB341.7 million as of June 30, 2018, primarily due to (i) an increase in cash and bank balances, (ii) an increase in trade and other receivables as our GFA under management continued to grow, and (iii) a decrease in other borrowing, partially offset by a decrease in amounts due from related parties mainly resulting from the cash advance we received to repay the principal of our other borrowing.

Our net current assets decreased by RMB261.3 million from RMB551.2 million as of December 31, 2016 to RMB289.9 million as of December 31, 2017, primarily due to (i) a decrease in amounts due from related parties, (ii) an increase in amounts due to fellow subsidiaries, (iii) an increase in other borrowing, and (iv) an increase in trade and other payables, partially offset by an increase in cash and bank balances resulting from our business expansion.

Our net current assets increased by RMB389.3 million from RMB161.9 million as of December 31, 2015 to RMB551.2 million as of December 31, 2016, primarily due to an increase in amounts due from related parties, partially offset by (i) an increase in amounts due to fellow subsidiaries, (ii) an increase in other borrowing, and (iii) an increase in trade and other payables.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our liquidity requirements arose principally from meeting our working capital requirements. During the Track Record Period and as of the date of this prospectus, our principal source of funds to finance our working capital, capital expenditure and other capital requirements was internally generated cash flows. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

FINANCIAL INFORMATION

Cash Flow

The table below summarizes our combined cash flow statement for the periods indicated:

	Year ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (used in)/from operating activities . . .	(56,747)	1,671	23,459	(42,339)	141,770
Net cash (used in)/from investing activities . . .	(46,392)	(512,191)	51,799	4,161	18,697
Net cash from/(used in) financing activities . . .	80,363	528,767	4,919	44,088	(102,427)
Net (decrease)/increase					
in cash and cash equivalents	(22,776)	18,247	80,177	5,910	58,040
Cash and cash equivalents					
at the beginning of the year/period	38,450	15,674	33,921	33,921	114,098
Cash and cash equivalents					
at the end of the year/period	15,674	33,921	114,098	39,831	172,138

Net cash (used in)/from operating activities

For the six months ended June 30, 2018, net cash from operating activities was RMB141.8 million. Operating cash inflow before changes in working capital was RMB70.5 million, attributable to profit before income tax for the period of RMB65.5 million, as adjusted by depreciation and amortization, loss on disposal of property, plant and equipment, loss on deemed disposal of an associate, interest expense, interest income, share of results from an associate, amounts written off as uncollectible, provision for loss allowance, reversal of provision for loss allowance and share-based payment. Changes in working capital contributed a cash inflow of RMB97.6 million consisting primarily of decrease in amounts due from related parties of RMB106.9 million, partially offset by increase in trade and other receivables of RMB23.4 million.

In 2017, net cash from operating activities was RMB23.5 million. Operating cash inflow before changes in working capital was RMB105.0 million, attributable to profit before income tax for the year of RMB96.1 million, as adjusted by depreciation, loss on disposal of property, plant and equipment, loss on deemed disposal of an associate, interest expense, interest income, share of results from an associate, amounts written off as uncollectible, provision for loss allowance, reversal of provision for loss allowance and share-based payment. Changes in working capital contributed a cash outflow of RMB14.1 million consisting primarily of (i) increase in amounts due from related parties of RMB83.7 million, and (ii) increase in contract assets of RMB11.3 million resulting from the increases in smart solution service contracts, partially offset by (i) increase in trade and other payables of RMB61.2 million, and (ii) increase in amounts due to fellow subsidiaries of RMB15.4 million.

In 2016, net cash from operating activities was RMB1.7 million. Operating cash inflow before changes in working capital was RMB91.5 million, attributable to profit before income tax for the year of RMB81.4 million, as adjusted by depreciation, loss on disposal of property, plant and equipment, interest expense, interest income, share of results from an associate, impairment loss on investment in an associate, amounts written off as uncollectible and

FINANCIAL INFORMATION

provision for loss allowance. Changes in working capital contributed a cash outflow of RMB60.9 million consisting primarily of (i) increase in amount due from related parties of RMB80.9 million, and (ii) increase in payments on behalf of residents primarily under commission basis of RMB21.8 million, partially offset by increase in trade and other payables of RMB48.6 million.

In 2015, net cash used in operating activities was RMB56.7 million. Operating cash inflow before changes in working capital was RMB93.6 million, attributable to profit before income tax for the year of RMB81.2 million, as adjusted by depreciation, loss on disposal of property, plant and equipment, share of results from an associate, impairment loss on investment in an associate, amounts written off as uncollectible, provision for loss allowance, reversal of provision for loss allowance and share-based payment. Changes in working capital contributed a cash outflow of RMB142.8 million consisting primarily of increase in amounts due from related parties of RMB202.3 million, partially offset by increase in trade and other payables of RMB37.7 million.

Net cash (used in)/from investing activities

For the six months ended June 30, 2018, net cash from investing activities was RMB18.7 million, primarily reflecting decrease in amounts due from related parties of RMB20.1 million, partially offset by purchase of property, plant and equipment of RMB1.4 million.

In 2017, net cash from investing activities was RMB51.8 million, primarily reflecting decrease in amounts due from related parties of RMB59.8 million, partially offset by (i) acquisition of a subsidiary, namely Qijia Technology, of RMB5.3 million, and (ii) purchase of property, plant and equipment of RMB2.8 million.

In 2016, net cash used in investing activities was RMB512.2 million, primarily reflecting (i) loan to a fellow subsidiary, namely Guangdong Kaisa Property Development Co., Ltd., of RMB480.0 million, (ii) increase in amounts due from related parties of RMB30.3 million, and (iii) purchase of property, plant and equipment of RMB2.1 million, partially offset by proceeds from disposal of property, plant and equipment of RMB0.2 million.

In 2015, net cash used in investing activities was RMB46.4 million, primarily reflecting (i) purchase of property, plant and equipment of RMB1.3 million, and (ii) increase in amounts due from related parties of RMB45.6 million, partially offset by proceeds from disposal of property, plant and equipment of RMB0.5 million.

Net cash from/(used in) financing activities

For the six months ended June 30, 2018, net cash used in financing activities was RMB102.4 million, primarily reflecting (i) repayment from other borrowing of RMB80.0 million, and (ii) decrease in amounts due to fellow subsidiaries of RMB28.0 million, offset by proceeds from issuance of shares of RMB5.6 million.

In 2017, net cash from financing activities was RMB4.9 million, primarily reflecting decrease in restricted cash of RMB10.2 million, offset by decrease in amounts due to fellow subsidiaries of RMB5.3 million.

FINANCIAL INFORMATION

In 2016, net cash from financing activities was RMB528.8 million, primarily reflecting (i) proceeds from other borrowing of RMB480.0 million, and (ii) increase in amounts due to fellow subsidiaries of RMB49.1 million.

In 2015, net cash from financing activities was RMB80.4 million, primarily reflecting increase in amounts due to fellow subsidiaries of RMB90.3 million.

KEY FINANCIAL METRICS

The table below sets forth a summary of our key financial metrics during the Track Record Period:

Financial metric	Formula	As of and for the year ended December 31,			As of and for the six months ended June 30,
		2015	2016	2017	2018
Rates of return:					
Return on equity	Net profit attributable to owners of our Company for the period divided by the total equity attributable to owners of our Company as of the end of the period	33.1%	25.0%	23.4%	N/A ⁽¹⁾
Return on total assets . . .	Net profit attributable to owners of our Company for the period divided by the total assets as of the end of the period	10.7%	4.9%	6.0%	N/A ⁽¹⁾
Liquidity:					
Current ratio	Current assets divided by current liabilities	1.45x	1.88x	1.33x	1.48x
Capital adequacy:					
Gearing ratio	Total interest-bearing borrowings divided by total equity at the end of the respective period	0%	206%	106%	49.2%

Note:

(1) The ratios are not meaningful because the net profit for the period only represented six-month of profit.

Return on Equity

Our return on equity decreased from 33.1% in 2015 to 25.0% in 2016, and further to 23.4% in 2017, primarily due to the significant increase in total equity mainly attributable to an increase in retained earnings from increase in profit for the year.

FINANCIAL INFORMATION

Return on Total Assets

Our return on total assets decreased from 10.7% in 2015 to 4.9% in 2016, primarily due to an increase in amounts due from related parties mainly resulting from the RMB480.0 million other borrowing from a trust company we provided to our related party in 2016. Our return on total assets increased from 4.9% in 2016 to 6.0% in 2017, primarily due to our increased profitability.

Current Ratio

Our current ratio increased from 1.45 times as of December 31, 2015 to 1.88 times as of December 31, 2016, primarily due to (i) an increase in amounts due from related parties for the other borrowing from a trust company we provided to our related party in 2016. Our current ratio further increased to 1.33 times and 1.48 times as of December 31, 2017 and June 30, 2018, mainly due to (i) increase in our trade receivable and cash and bank balances as a result of our business expansion, and (ii) our repayment of other borrowing in the amount of RMB160.0 million.

Gearing Ratio

Our gearing ratio increased from nil in 2015 to 206% in 2016, primarily due to an increase in other borrowing from a trust company of RMB480.0 million in 2016. Our gearing ratio decreased from 206% in 2016 to 106% in 2017, and further to 49.2% for the six months ended June 30, 2018, primarily due to our repayment of the aforementioned other borrowing of RMB155.0 million in 2017 and RMB160.0 million in 2018.

INDEBTEDNESS

The table below sets forth our outstanding indebtedness as of December 31, 2015, 2016 and 2017, June 30, 2018 and September 30, 2018:

	As of December 31,			As of	
	2015	2016	2017	June 30, 2018	September 30, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing borrowing					
– secured					
Within one year	—	155,000	325,000	165,000	85,000
Over one year but within two years . .	—	325,000	—	—	—
	—	480,000	325,000	165,000	85,000
	==	==	==	==	==

The table below sets forth the ranges of interest rates on our bank loans:

	As of December 31,			As of	
	2015	2016	2017	June 30, 2018	September 30, 2018
Other borrowing	N/A	6.175%	6.175%	6.175%	6.175%

All of our other borrowing were denominated in RMB. Please refer to Note 24 in the Accountant's Report in Appendix I for details.

FINANCIAL INFORMATION

We had no material covenants, including financial covenants, relating to any of our outstanding debts. Our Directors confirm that we did not have any material defaults in the payment of trade and non-trade payables, or bank borrowings, or any breaches of finance covenants during the Track Record Period.

Latest Indebtedness

As of the close of business on September 30, 2018, being the latest practicable date for the purpose of determining our indebtedness, we had outstanding other borrowing in the amount of RMB85.0 million. As of September 30, 2018, we did not have any unutilized facility.

Save as otherwise disclosed herein, and apart from intra-group liabilities, as of the close of business on September 30, 2018, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has been no material change in our indebtedness since September 30, 2018.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operations. During the Track Record Period and as of September 30, 2018, we had generated sufficient cash and cash equivalents to meet our working capital requirements. Although our preliminary property management service contracts and property management service contracts require customers to pay the management fees upfront at the beginning of a billing cycle, we generally allow customers to pay the fees at any time during the billing cycle. In line with the market practice, we typically increase our efforts to collect overdue management fees at the end of each calendar year for management fees payable annually and at the end of each half year or quarter for management fees payable semi-annually or quarterly. For more details regarding our management fee collection, see “Business — Property Management Services — Property Management Fees — Collection and Payment of Property Management Fees.” Our cash receipts are not evenly distributed throughout the year as a result of our collection practice. The fluctuation in the timing of cash payments by our customers could result in additional capital being required to fund our operating needs. Taking into account our cash generated from our operations, presently available bank loans, our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next twelve months from the date of this prospectus. Based on the foregoing, the Joint Sponsors concur with the view of the Directors that we have sufficient available working capital for our present requirements for at least the next twelve months from the date of this prospectus.

FINANCIAL INFORMATION

COMMITMENTS

Lease Commitments

During the Track Record Period, our lease commitments mainly related to lease payments for our office buildings and staff dormitory. The table below sets forth the total future minimum lease payments payable by us under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings:				
Within one year	3,288	4,064	4,918	23,215
In the second to fifth years	828	3,320	2,283	2,673
Over five years	—	—	250	—
	<u>4,116</u>	<u>7,384</u>	<u>7,451</u>	<u>25,888</u>

LISTING EXPENSES

The total listing expenses (including underwriting commissions) in relation to this Global Offering are estimated to be approximately RMB61.8 million (assuming an Offer Price of HK\$9.98 per Share, being the mid-point of the indicative Offer Price range of HK\$9.08 to HK\$10.88 per Share in this prospectus and the over-allotment option is not exercised). During the Track Record Period, we incurred RMB29.8 million listing expenses, of which RMB22.4 million was recognized in our combined statements of profit or loss and other comprehensive income and RMB7.4 million is expected to be charged against equity upon the Listing. We estimate that we will incur additional RMB32.0 million during the year ending December 31, 2018, of which (i) RMB17.3 million is expected to be charged against equity upon the Listing and (ii) RMB14.7 million is expected to be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2018. These listing expenses mainly comprise professional fees paid to our legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering and also the sponsor fees for the Joint Sponsors for their services rendered in relation to the Listing and the Global Offering.

RELATED PARTY TRANSACTIONS

Our Directors confirm that the transactions with respect to the amounts due from and due to related parties were conducted on an arm's length basis, and would not distort our track record results or make the historical results not reflective of our future performance. Our Directors also confirm that all related party balances which are non-trade in nature or trade nature which were overdue as of June 30, 2018 will be fully settled prior to Listing. See “— Description of Selected Items in Combined Statements of Financial Position — Amounts due from Related Parties” and “— Description of Selected Items in Combined Statements of Financial Position — Amounts due to Fellow Subsidiaries” for details. Our Directors are of the view that our Company is financially independent of our Controlling Shareholders and their associates even if the non-trade related party balance is not settled before Listing. For further details on related party balances and transactions, please refer to Note 32 in the Accountant's Report in Appendix I.

CONTINGENT LIABILITIES

As of December 31, 2015 and 2016, we have provided jointly and severally guarantee to the debt and bank facilities granted to Kaisa Holdings's offshore borrowings with an aggregate amount of RMB17,724.4 million and RMB20,252.8 million, respectively. The guarantee was released as of December 31, 2017, following the application of unrestricted subsidiary guarantor for us by Kaisa Holdings. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we and our fellow subsidiaries have provided corporate guarantees of RMB643.0 million, RMB643.0 million, RMB977.3 million and nil, respectively, to secure banking facilities granted to a fellow subsidiary. We will release such corporate guarantee upon Listing. The fair value of financial guarantees are determined by the Directors' best estimation. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we have not recognized liabilities in respect of the above guarantees issued because the fair value of these guarantees were insignificant. See Note 29 to the Accountant's Report in Appendix I for more information.

Except as disclosed above, we did not have significant contingent liabilities as of June 30, 2018.

OFF-BALANCE SHEET ARRANGEMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, we have not entered into any off-balance sheet transactions or arrangements that we believe have, or are reasonably likely to have, a current or future material effect on our financial position, revenue or expenses, results of operations, liquidity, capital expenditure, or capital resources.

MARKET RISKS

Market risk is the risk of loss related to adverse changes in the market prices of financial instruments, including interest rates and foreign exchange rates. We are exposed to various types of market risk in the ordinary course of business, including changes in interest rates and foreign exchange rates. We maintain our accounting records and prepare our financial statements in RMB.

Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties and financial guarantee provided by us is arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

The amount of contingent liabilities in relation to financial guarantee issued by our Group is disclosed in Note 29 in the Accountant's Report in Appendix I.

Liquidity Risk

Our management reviews our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from

FINANCIAL INFORMATION

major financial institutions and/or from other Group companies to meet our liquidity requirements in the short and long terms.

The following tables show the remaining contractual maturities of our financial liabilities at the end of each reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date we can be required to pay.

	Within one year or on demand	Between one and two years	Between two and five years	Over five years	Total undiscounted amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2015						
Trade and other payables	141,765	1,224	1,560	394	144,943	144,943
Amounts due to fellow subsidiaries	159,492	—	—	—	159,492	159,492
Financial guarantee contract	18,494,367	—	—	—	18,494,367	—
	<u>18,795,624</u>	<u>1,224</u>	<u>1,560</u>	<u>394</u>	<u>18,798,802</u>	<u>304,435</u>
As of December 31, 2016						
Trade and other payables	190,591	1,395	2,085	958	195,029	195,029
Amounts due to fellow subsidiaries	217,638	—	—	—	217,638	217,638
Other borrowing	181,523	337,166	—	—	518,689	480,000
Financial guarantee contract	21,022,803	—	—	—	21,022,803	—
	<u>21,612,555</u>	<u>338,561</u>	<u>2,085</u>	<u>958</u>	<u>21,954,159</u>	<u>892,667</u>
As of December 31, 2017						
Trade and other payables	253,514	1,163	3,465	1,310	259,452	259,452
Amounts due to fellow subsidiaries	227,736	—	—	—	227,736	227,736
Other borrowing	337,166	—	—	—	337,166	325,000
Financial guarantee contract	1,000,000	—	—	—	1,000,000	—
	<u>1,818,416</u>	<u>1,163</u>	<u>3,465</u>	<u>1,310</u>	<u>1,824,354</u>	<u>812,188</u>
As of June 30, 2018						
Trade and other payables	237,417	1,835	2,772	428	242,452	242,452
Amounts due to fellow subsidiaries	232,900	—	—	—	232,900	232,900
Other borrowing	168,445	—	—	—	168,445	165,000
	<u>638,762</u>	<u>1,835</u>	<u>2,772</u>	<u>428</u>	<u>643,797</u>	<u>640,352</u>

Interest Rate Risk

Our interest rate risk arises primarily from other borrowing. Other borrowing at variable rates expose us to cash flow interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

FINANCIAL INFORMATION

The following table details the interest rate profile of our total borrowings:

	As of December 31,						As of			
	2015		2016		2017		June 30, 2018		September 30, 2018	
	Interest rate	RMB'000	Interest rate	RMB'000	Interest rate	RMB'000	Interest rate	RMB'000	Interest rate	RMB'000
Variable rate borrowing										
Other borrowing	N/A	—	6.175%	480,000	6.175%	325,000	6.175%	165,000	6.175%	85,000
Total borrowings		—		480,000		325,000		165,000		85,000
Variable rate borrowings as a percentage of total borrowings		N/A		100%		100%		100%		100%

DIVIDENDS AND DISTRIBUTABLE RESERVES

Dividends

We expect to declare accumulated undistributed profit as of December 31, 2017 amounted to approximately RMB130 million as dividends before Listing. We currently intend to pay dividends in the amount of 25% of our distributable profit for each year after the Listing. The payment and the amount of dividends (if any) will depend on our results of operation, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects, and other factors that we may consider relevant.

Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to our discretion. The recommendation of the payment is also subject to the absolute discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. The Board will review the dividend policy on an annual basis.

Further, the payment of any dividends will also be subject to the Companies Law of the Cayman Islands and our constitutional documents, which indicate that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant law.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of their after-tax profit, calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. Our PRC operating subsidiaries may only distribute their after-tax profits to us subsequent to setting aside relevant statutory reserve funds at a rate of at least 10% of their annual net profit until such fund reaches 50% of its registered capital. Such transfer to the statutory reserve and distributions to shareholders of funds are conducted through resolution of

FINANCIAL INFORMATION

the board of directors or board of shareholders of the relevant PRC subsidiaries in accordance with their articles of association prepared in accordance with PRC laws. The statutory reserve is not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities, convertible bond instruments, or other agreements that we or our subsidiaries may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

During the Track Record Period, we did not declare any dividends.

Distributable Reserves

As of June 30, 2018, the distributable reserves of our Group amounted to RMB203.2 million.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of our Group attributable to owners of our Company as of June 30, 2018, as if the Global Offering had taken place on June 30, 2018.

The statement of 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 financial position of our Group had the Global Offering been completed as of June 30, 2018 or at any future date.

	Combined net tangible assets attributable to owners of our Company as of June 30, 2018 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per share	
	RMB'000	RMB'000	RMB'000	RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on an offer price of HK\$9.08 (RMB8.04) per share	322,858	220,827	543,685	3.88	4.38
Based on an offer price of HK\$10.88 (RMB9.64) per share	322,858	274,395	597,253	4.27	4.82

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as of June 30, 2018 of approximately RMB335,629,000, with adjustments for intangible asset and goodwill as of June 30, 2018 of RMB7,237,000 and RMB5,534,000, respectively.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on the Global Offering of 35,000,000 Shares of HK\$9.08 and HK\$10.88 per Offer Share, being low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other listing expenses expected to be incurred by the Group subsequent to June 30, 2018 (excluding listing expenses of RMB22.4 million which has been recognized to the profit or loss up to June 30, 2018).
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2018 per Share is calculated based on 140,000,000 Shares, being the number of Shares expected to be in issue immediately following the Capitalization Issue and the Global Offering had it been completed on June 30, 2018. It does not take into account of any Shares that may be issued upon the Over-allotment Option.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as of June 30, 2018 to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2018.
- (5) In connection with the preparation of this unaudited pro forma statement of adjusted combined net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of HK\$1 to RMB0.8858.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since June 30, 2018, the date of the latest audited financial information of our Group, and up to the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately upon completion of the Global Offering and the Capitalization Issue, Ye Chang Investment, which is wholly-owned by Rui Jing Investment which in turn is wholly-owned by Kaisa Holdings, will directly hold approximately 73.95% of the issued share capital of our Company (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option). As a result, Kaisa Holdings, Rui Jing Investment and Ye Chang Investment constitute a group of controlling shareholders of our Company.

Each of Rui Jing Investment and Ye Chang Investment is an investment holding company. Kaisa Holdings and its subsidiaries engages principally in the businesses of property development, property investment, hotel and catering operation and cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business (the “**Retained Business**”).

DELINEATION OF BUSINESS

Our Directors are of the view that there is clear delineation between the Retained Business and our business which, as a result, none of the Retained Business would compete, or is expected to compete, directly or indirectly, with our business.

The table below sets forth the principal businesses of our Group and the Remaining Kaisa Group as of the Latest Practicable Date:

	Principal business operations
Our Group	property management services, pre-delivery and consulting services, community value-added services and smart solution services
The Remaining Kaisa Group	property development, property investment, hotel and catering operation and cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business

Given there is no overlap between the business operations of our Group and the Remaining Kaisa Group, there is clear delineation between the businesses of our Group and those of the Remaining Kaisa Group, our Directors are of the view that there is no competition between the businesses of the our Group and those of the Remaining Kaisa Group.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business, further details of which are set out in the paragraph entitled “— Deed of Non-Competition” below.

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

OUR BUSINESS RELATIONSHIP WITH THE REMAINING KAISA GROUP

Mutual and complementary relationship

Our Group has a well-established and ongoing business relationship with the Remaining Kaisa Group. We have provided various services to the Remaining Kaisa Group, including property management services, equipment installation services and sales assistance services since 1999 upon the establishment of Kaisa Property (Shenzhen), our major operating subsidiary. As such we consider such close business relationship between our Group and the remaining Kaisa Group to be mutual and complementary. Although approximately 69.4% of the total projects under management by our Group as of June 30, 2018 were properties developed by the Remaining Kaisa Group and approximately 50.9% of the total revenue of our Group for the six months ended June 30, 2018 was generated from the services provided to the Remaining Kaisa Group and its associates, such business relationship between our Group and the Remaining Kaisa Group is common among PRC property management companies and their parent companies, which are property developers according to Frost & Sullivan, the industry consultant of our Company. The Remaining Kaisa Group and its associates are principally engaged in property development, property investment, hotel and catering operation and cinema, department store and cultural centre operations, water-way passenger and cargo transportation and healthcare business, which require property management services in its business development and daily operations. Based on our understanding, substantially all of the properties developed and owned by the Remaining Kaisa Group are under our Group's management. Given the long history of business relationship, we and the Remaining Kaisa Group have developed a well-established mutual understanding in our business collaborations. Benefiting from such long standing relationship, we are able to provide tailored services to the Remaining Kaisa Group to meet their specific needs and our management is familiar with the standards and requirements of the Remaining Kaisa Group.

According to Frost & Sullivan, there are over 100 thousand property management service providers in the PRC market, and some of them have larger business scale than our Group. However, based on our understanding, the Remaining Kaisa Group would consider several criteria in its selection of property management service providers, including quality of service, level of cooperation, understanding of service instructions and speed of response. Therefore, despite the vast choices of similar providers in the market, we believe it might not be in the best interest of the Remaining Kaisa Group to select and engage another new service provider considering the amount of time and relevant experience required for such new service provider to provide equally satisfying services that are comparable to ours.

As disclosed above, given there is a certain degree of mutuality and complementarity of ongoing business between the Remaining Kaisa Group and our Group, as well as our proven track record in securing property management engagements from the Remaining Kaisa Group, we consider we will continue to be able to secure future engagements from it and be able to maintain our revenue from the Remaining Kaisa Group upon listing.

Transactions based on normal commercial terms

Our Group has been strictly following the relevant rules and regulations as well as market practice for our business in order to maintain sustainable and effective business development. In determining the fees for services between our Group and the Remaining Kaisa

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Group, factors such as the size, location and positioning of the projects, budgeted operational cost (such as labor costs, materials cost and administrative costs), scope and quality of the services are taken into consideration where applicable. The fees are then determined with reference to prevailing market rates. In addition, the fees and terms between our Group and the Remaining Kaisa Group and respective third parties for the same types of transactions are similar. Therefore, we consider our transactions with the Remaining Kaisa Group to be on normal commercial terms.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Despite our mutual and complementary business relationship with the Remaining Kaisa Group, we believe we are capable of carrying on our business independently of our Controlling Shareholders and their respective associates (other than our Group) after the Listing for the following reasons:

Management Independence

Our Board comprises two executive Directors and three independent non-executive Directors. None of our Directors has any role in the Remaining Kaisa Group. Each of the Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meeting of our Company in respect of such transactions and his/her attendance shall not be counted toward the quorum for such meeting. In addition, we have an independent senior management team to carry out the business operation of our Group independently from our Controlling Shareholders.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates following the completion of the Spin-off.

Operational Independence

We have full rights over, hold and enjoy the benefit of all relevant licenses, 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 associates and will continue to do so after the Listing.

Although a total of 85 and 86 projects, representing approximately 71.4% and 69.4% of the total projects under management by our Group as of December 31, 2017 and June 30, 2018 were properties developed by the Remaining Kaisa Group, the majority, being a total of over 160,000 customers of our Group are independent property owners other than the Remaining Kaisa Group and its associates. For the six months ended June 30, 2018, approximately 49.1% of the revenue of our Group was generated from independent customers and the remaining portion, being approximately 50.9%, was generated from the Remaining Kaisa Group and its associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Group secures a majority of preliminary property management service engagements through a standard tender process regulated by applicable PRC laws and regulations. Pursuant to the Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management (《前期物業管理招標投標管理暫行辦法》), a bid evaluation committee shall be established to consider and make decisions on the bids. The committee shall be composed of no less than five members, of which the number of independent property management experts other than representatives from the bid inviter shall not be less than two-thirds of the total number of the committee members.

In addition, in the post-delivery stage of the property development projects where the property units have been wholly or partially sold and the owners' associations have been established, the owners' associations have the right to select (or replace) the preliminary property management service provider. The Remaining Kaisa Group does not have any decisive influence over the selection (or replacement) of the property management service provider by the owners' associations. During the Track Record Period, all of the owners' associations had engaged us to continue to provide property management services upon their establishment through renewing the existing contracts or continuing to execute the original contracts.

Since 2014, our Group has started to manage properties developed by independent third party customers. From 2015 to 2017, leveraging on our Group's increasing market penetration in existing geographic markets and its brand recognition, our Group's GFA under management of properties developed by independent third party customers recorded significant growth. In particular, for the six months ended June 30, 2018, our Group's GFA under management of properties was approximately 3.8 million sq.m., representing an increase of approximately 13.1% as compared to approximately 3.3 million sq.m. for the year ended December 31, 2017. As of July 31, 2018, our Group had tendered for and been awarded 17 new projects developed by independent third party customers with a total contracted GFA of approximately 1.3 million sq.m.. In addition, our group has identified certain potential new projects of the same nature and will focus on the tender preparation of 11 of such projects (with a total GFA of approximately 1.4 million sq.m.). Meanwhile, our Group has also been actively exploring potential opportunities for acquiring third party property management companies at reasonable prices. We believe acquisition is an efficient manner to grow our property management portfolio and reduce management of properties developed by the Remaining Kaisa Group.

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Access to customers

Our Group has access to a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates.

Operational facilities

As of the Latest Practicable Date and save as disclosed in the section entitled "Connected Transactions — (C) Continuing connected transactions subject to the reporting,

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

annual review, announcement and independent Shareholders' approval requirements" in this prospectus, all the properties and facilities necessary for our business operations are separate from our Controlling Shareholders and their respective associates.

Employees

As of the Latest Practicable Date, all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers, and recruiting firms.

Connected transactions with our Controlling Shareholders

The section entitled "Connected Transactions" in this prospectus sets out the continuing connected transactions between our Group and our Controlling Shareholders or their associates which will continue after the completion of the Global Offering. All such transactions have been or will be determined after arm's-length negotiations and on normal commercial terms. Save for the continuing connected transactions set out in the section entitled "Connected Transactions" in this prospectus, our Directors currently do not expect that there will be any other connected transactions between our Group and our Controlling Shareholders or their respective associates upon or shortly after the completion of the Global Offering.

As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders at a reasonable percentage with respect to our total revenues after the Listing. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Financial Independence

As of June 30, 2018, our Group has been granted a borrowing with an outstanding principal amount of RMB165 million, which is guaranteed by (i) certain assets of the Remaining Kaisa Group; and (ii) an unconditional and irrevocable guarantee provided by the Remaining Kaisa Group on a joint and several liability basis. It is expected that such guarantees will be released before the Listing.

As of June 30, 2018, the Remaining Kaisa Group has been granted a bank loan with an outstanding principal amount of RMB954 million. In accordance with such loan, our Group has set up and maintained a bank account with the lending bank for the purpose of receiving management fees for a certain property. The related deposits for such account could be taken by the bank for the repayment of the principal and interests of the loan. Such arrangement has been terminated in September 2018.

Save as disclosed above, we confirm that there is no financial guarantee/assistance provided by the Remaining Kaisa Group to our Group and vice versa as of the Latest Practicable Date, nor do we have any share pledges or guarantees provided by our Controlling Shareholders and their respective close associates on our borrowings.

All loans, advances and balances due from or due to our Controlling Shareholders and their respective close associates which are not arising out of the ordinary course of business between the two groups on normal commercial terms will be fully settled before the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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 associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has unconditionally and irrevocably undertaken to us in the Deed of Non-Competition that it will not, and will procure its close associates (other than members of our Group) not to directly or indirectly (including through nominees) be involved in, interested in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes providing property management services, pre-delivery and consulting services, smart solution services and community value-added services (collectively referred to as the “**Restricted Activities**”), or hold shares or interest in any companies or business that competes or may compete directly or indirectly with the business engaged by our Group from time to time, except where our Controlling Shareholders and their respective close associates collectively hold less than 5% of the total issued share capital of any 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 control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activities (the “**Competing Business Opportunity**”) is identified by or made available to it or any of its close associates, it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant), which includes 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 which consists of directors (including 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 toward the quorum for, any meeting convened to consider such Competing Business Opportunity;
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- the Independent Board shall, within 30 business days of receipt of the Offer Notice, inform the relevant Controlling Shareholder in writing, on behalf of our Company, its decision whether to pursue or decline the Competing Business Opportunity;
- the relevant Controlling Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if 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; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholder, 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, 50% or above of our Shares with voting rights or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that it will provide and procure its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- our Controlling Shareholders 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; 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/she 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 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 its obligations to act in our Shareholders' best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the 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 interest 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 and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section entitled "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus;
- (d) we have appointed UOB Kay Hian (Hong Kong) 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;
- (e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and
- (f) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by Kaisa Holdings and its compliance with such undertakings.

CONNECTED TRANSACTIONS

We have entered into a number of agreements with our connected persons the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

(A) CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. The Deed of HK Trademark Licensing

On November 20, 2018, a deed of trademark licensing was entered into between our Company and Kaisa Holdings (the “**Deed of HK Trademark Licensing**”), pursuant to which Kaisa Holdings agreed to irrevocably and unconditionally grant to our Company and other members of our Group the right to (i) use or (ii) sub-license to a third party due to necessary needs arising from its usual and ordinary course of business and other activities (the “**Licensed Scope**”) certain trademarks (the “**Kaisa HK Trademarks**”) registered in Hong Kong for a perpetual term commencing from the date of the Deed of HK Trademark Licensing on a royalty-free basis. Details of the Kaisa HK Trademarks are set forth in the section entitled “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Kaisa Holdings has undertaken to our Group that all trademarks to be registered in all territories by itself and its subsidiaries in respect of classes applicable to the Licensed Scope will be granted, upon our request, to our Group to use on a royalty-free basis once they are registered. Kaisa Holdings will procure the relevant legal owner of the registered trademarks to enter into a licensing agreement with our Group on terms identical with the Deed of HK Trademark Licensing.

Our Directors believe that entering into a trademark licensing deed with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for deeds of this type to be of such duration.

Kaisa Holdings is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Deed of HK Trademark Licensing will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the Kaisa HK Trademark is granted to our Group on a royalty-free basis, the transactions under the Deed of HK Trademark Licensing will be within the de minimus threshold provided under Rules 14A.76 of the Listing Rules upon Listing, and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. The PRC Trademark Licensing Agreement

On November 20, 2018, a trademark licensing agreement was entered into between our Company and Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司 (formerly known as Kaisa Real Estate (Shenzhen) Company Limited (佳兆業地產(深圳)有限公司)), an indirect wholly-owned subsidiary of Kaisa Holdings, (the “**PRC Trademark Licensing Agreement**”), pursuant to which Kaisa Group (Shenzhen) Co., Ltd. agreed to irrevocably and unconditionally grant to our Company and other members of our Group the right to (i) use or (ii) sub-license to a third party due to necessary needs arising from the Licensed Scope certain trademarks (the “**Kaisa PRC Trademarks**”) registered in the PRC for a perpetual term commencing from the date of the PRC Trademark Licensing Agreement on a royalty-free basis. Details of the Kaisa PRC Trademarks are set forth in the section entitled “Statutory and General Information — B. Further information about our business — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Kaisa Group (Shenzhen) Co., Ltd. has undertaken to our Group that all trademarks to be registered in all territories by itself, its controlling shareholders and its subsidiaries in respect of classes applicable to the Licensed Scope will be granted, upon our request, to our Group to use on a royalty-free basis once they are registered. Kaisa Group (Shenzhen) Co., Ltd. will procure the relevant legal owner of the registered trademarks to enter into a licensing agreement with our Group on terms identical with the PRC Trademark Licensing Agreement.

Our Directors believe that entering into a trademark licensing agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to the interests of our Shareholders as a whole. The Joint Sponsors are of the view that it is normal business practice for agreements of this type to be of such duration.

Kaisa Group (Shenzhen) Co., Ltd. is a subsidiary of Kaisa Holdings, which is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the PRC Trademark Licensing Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the Kaisa PRC Trademark is granted to our Group on a royalty-free basis, the transactions under the PRC Trademark Licensing Agreement will be within the de minimus threshold provided under Rules 14A.76 of the Listing Rules upon Listing, 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 TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT REQUIREMENTS BUT EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

Sales Assistance Services Framework Agreement

On November 20, 2018, we entered into a sales assistance services framework agreement with Kaisa Holdings (the “**Sales Assistance Services Framework Agreement**”), pursuant to which our Group agreed to provide sales assistance services, including but not limited to, referring potential buyers to the Remaining Kaisa Group and/or its associates for the sales of the unsold properties in residential communities managed by us (the “**Sales Assistance Services**”), for a term commencing from the Listing Date until December 31, 2020.

For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of commission fee payable by the Remaining Kaisa Group for the Sales Assistance Services amounted to approximately RMB90,000, RMB770,000, RMB2,480,000 and RMB557,000, respectively. This significant increase in the total amount of commission fee payable by the Remaining Kaisa Group for the Sales Assistance Services was primarily attributable to the increase in sales of residential properties referred by us to the Remaining Kaisa Group in 2016 and 2017.

The commission fee to be charged for the Sales Assistance Services shall be calculated by multiplying the selling price of the property sold to the buyer we introduced with a certain commission rate. The commission rate shall be determined after arm's length negotiations with reference to the commission rate(s) paid by the Remaining Kaisa Group to other independent sales agencies for similar services.

Our Directors estimate that the maximum annual fee payable by the Remaining Kaisa Group in relation to the Sales Assistance Services under the Sales Assistance Services Framework Agreement for each of the three years ending December 31, 2020 will not exceed RMB4,000,000, RMB5,000,000 and RMB6,000,000, respectively.

In arriving at the above annual caps of Sales Assistance Services, our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts during the Track Record Period and the unaudited transaction amount for the nine months ended September 30, 2018;
- the expected number of unsold properties owned by the Remaining Kaisa Group in residential communities managed by us which require the Sales Assistance Services for the three years ending December 31, 2020 and the expected success rate of referring potential buyers for such unsold properties; and
- the outlook of real estate industry in the PRC for the next three years.

CONNECTED TRANSACTIONS

Kaisa Holdings is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Sales Assistance Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As each of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Sales Assistance Services Framework Agreement is expected to be over 0.1% but less than 5%, the transactions under the Sales Assistance Services Framework Agreement will be exempt from the independent Shareholders' approval requirement but subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

(C) CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Property Management Services Framework Agreement

On November 20, 2018, our Group entered into a property management services framework agreement with Kaisa Holdings (the **"Property Management Services Framework Agreement"**), pursuant to which our Group agreed to provide to the Remaining Kaisa Group and/or its associates property management services, including but not limited to (i) pre-delivery services including (a) construction sites management services; and (b) display units and property sales venues management services; and (ii) property management services for properties owned, used or operated by the Remaining Kaisa Group and/or its associates (the **"Property Management Services"**), for a term commencing from the Listing Date until December 31, 2020.

For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of fees payable by the Remaining Kaisa Group and/or its associates for the Property Management Services provided by our Group amounted to approximately RMB257,375,000, RMB271,912,000, RMB324,121,000 and RMB190,657,000, respectively.

The fees to be charged for the Property Management Services shall be determined after arm's length negotiations and taking into account (i) the size, location and positioning of the properties to be sold by the sales centers; and (ii) the anticipated operational costs (including labor costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from independent third parties.

Our Directors estimate that the maximum annual fee payable by the Remaining Kaisa Group and/or its associates in relation to the Property Management Services to be provided by our Group under the Property Management Services Framework Agreement for each of the three years ending December 31, 2020 will not exceed RMB405,000,000, RMB440,000,000 and RMB485,000,000, respectively.

CONNECTED TRANSACTIONS

In arriving at the above annual caps of Property Management Services, our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts and growth trend during the Track Record Period and the unaudited transaction amount for the nine months ended September 30, 2018;
- the estimated revenue to be recognized in relation to the Property Management Services provided by our Group pursuant to existing contracts;
- in respect of the property management services for property sales venues, our estimation of contracted sales GFA of the Remaining Kaisa Group and/or its associates, with reference to the Remaining Kaisa Group and/or its associates' existing land bank, historical sales GFA and historical contracted sales GFA growth rate; and
- the expected aggregate area of properties owned and used by the Remaining Kaisa Group and/or its associates for the three years ending December 31, 2020, estimated based on the total area of properties managed by us during the Track Record Period.

Kaisa Holdings is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable ratios under the Listing Rules in respect of the aggregated annual caps in relation to Property Management Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Equipment Installation Services Framework Agreement

On November 20, 2018, our Company entered into an equipment installation services framework agreement with Kaisa Holdings (the “**Equipment Installation Services Framework Agreement**”), pursuant to which our Group agreed to provide equipment installation services (the “**Equipment Installation Services**”) to the Remaining Kaisa Group and/or its associates, for a term commencing from the Listing Date until December 31, 2020. The Equipment Installation Services mainly include installation of (i) access control system; (ii) intercom system; (iii) surveillance system; (iv) car-parking management system; and (v) other intelligent engineering for residential properties before the delivery of such properties to property owners.

For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of fees payable by the Remaining Kaisa Group and/or its associates for the Equipment Installation Services provided by our Group amounted to approximately RMB4,793,000, RMB19,743,000, RMB28,345,000 and RMB18,379,000, respectively. This significant increase in the total amount of fees payable by the Remaining

CONNECTED TRANSACTIONS

Kaisa Group for the Equipment Installation Services provided by our Group was primarily attributable to the increase in sales of properties developed by the Remaining Kaisa Group and/or its associates during the Track Record Period.

The fees to be charged for the Equipment Installation Services shall be determined after arm's length negotiations and taking into account (i) the location of the project; and (ii) the anticipated operational costs (including labor costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market. The service fees shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable) or lower than the standard fees to be charged from independent third parties.

Our Directors estimate that the maximum annual fee payable by the Remaining Kaisa Group and/or its associates in relation to the Equipment Installation Services to be provided by our Group under the Equipment Installation Services Framework Agreement for each of the three years ending December 31, 2020 will not exceed RMB52,000,000, RMB60,000,000 and RMB80,000,000, respectively.

In arriving at the above annual caps of Equipment Installation Services, our Directors have considered the following factors in arriving at the above annual caps which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts during the Track Record Period and the unaudited transaction amount for the nine months ended September 30, 2018;
- the estimated revenue to be recognized in relation to the Equipment Installation Services provided by our Group pursuant to existing contracts; and
- our estimation of contracted sales GFA of the Remaining Kaisa Group and/or its associates for three years ending December 31, 2020 with reference to the Remaining Kaisa Group and/or its associates' existing land bank and public information on property development plan of Kaisa Holdings.

Kaisa Holdings is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Equipment Installation Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable ratios under the Listing Rules in respect of the aggregated annual caps in relation to Equipment Installation Services Framework Agreement are expected to be more than 5% on an annual basis, the transactions under the Equipment Installation Services Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Property Lease Framework Agreement

On November 20, 2018, we entered into a property lease framework agreement with Kaisa Holdings (the “**Property Lease Framework Agreement**”), pursuant to which we will lease from the Remaining Kaisa Group and/or its associates (i) certain properties for office use; and (ii) car parking lots for sub-leasing. The Property Lease Framework Agreement has a term commencing from the Listing Date until December 31, 2020, unless it is terminated earlier by either party pursuant to the Property Lease Framework Agreement. Relevant subsidiaries or associated companies of both parties will enter into separate lease agreements setting out the specific terms and conditions based on the principles provided in the Property Lease Framework Agreement.

Under the Property Lease Framework Agreement, we will lease several properties from the Remaining Kaisa Group for office use in Shenzhen and Dongguan, Guangdong Province. For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of rental payable by our Group to the Remaining Kaisa Group for properties we leased for office use amounted to approximately RMB263,000, RMB1,208,000, RMB2,069,000 and RMB2,009,000, respectively. The speedy increase of the rental fee for the six months ended June 30, 2018 was due to the increase of leased properties and monthly rental fee per property in 2018.

The rent to be paid by our Group in relation to the properties leased from the Remaining Kaisa Group for office use under the Property Lease Framework Agreement will be determined on arm’s length basis, with reference to the prevailing market rent of similar properties located in similar areas and should not be less favorable than that offered by independent third parties.

In addition, we had leased approximately 44,000, 42,000, 38,000 and 60,000 car parking lots from the Remaining Kaisa Group as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. Such car parking lots leased by our Group from the Remaining Kaisa Group were sub-leased by us to residents of the residential communities we managed at a premium over the rent paid by our Group to the Remaining Kaisa Group and more car parking lots were leased from the Remaining Kaisa Group during the six months ended June 30, 2018.

For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the total amount of rent payable by our Group to the Remaining Kaisa Group for the car parking lots we leased amounted to approximately RMB18,806,000, RMB23,885,000, RMB26,430,000 and RMB22,000,000, respectively.

Given that (i) the number of car parking lots owned by the Remaining Kaisa Group is expected to increase as the number of properties developed by it increases; and (ii) our Group has been providing services to the Remaining Kaisa Group during the Track Record Period in relation to lease of its car parking lots due to our sufficient resources and expertise in this regard, we will continue to lease car parking lots from the Remaining Kaisa Group. On the other hand, the entering into of the Property Lease Framework Agreement will (i) reduce the administrative burden and cost of the Remaining Kaisa Group; and (ii) secure long-term tenants and provide stable income to the Remaining Kaisa Group. Hence, our Group and the Kaisa

CONNECTED TRANSACTIONS

Group will continue with the leasing arrangements with respect to car parking lots after the Listing in accordance with the Property Lease Framework Agreement.

The rent to be paid by our Group in relation to the car parking lots leased from the Remaining Kaisa Group under the Property Lease Framework Agreement will be determined on arm's length basis, with reference to, among others, (i) the prevailing market rent of car parking lots in similar locations in the PRC; (ii) the occupancy rate of car parking lots leased by our Group from the Remaining Kaisa Group; (iii) the location of the car parking lots; and (iv) the number of car parking lots in the same residential communities we manage. The Directors are of the view that, after considering a fair rent report prepared by an independent firm of professional surveyor, the rents paid by our Group to the Remaining Kaisa Group for the car parking lots during the Track Record Period were fair, reasonable and consistent with the market rent for car parking lots in similar location in the PRC as of the respective lease year of the relevant tenancy agreements.

We are entitled to lease additional gross floor area for office use and car parking lots from and among the available properties owned by the Remaining Kaisa Group during the term of the Property Lease Framework Agreement.

Our Directors estimate that the maximum annual fee payable by us under the Property Lease Framework Agreement for each of the three years ending December 31, 2020 as follow:

	For the year ending December 31,		
	2018	2019	2020
Leased properties for office use.	RMB3,650,000	RMB4,200,000	RMB4,600,000
Car parking lots	RMB40,000,000	RMB50,000,000	RMB60,000,000
Total	<u>RMB43,650,000</u>	<u>RMB54,200,000</u>	<u>RMB64,600,000</u>

In arriving at the above annual caps, our Directors have considered the following factors at the above annual cap which are considered to be reasonable and justifiable in the circumstances:

- the historical transaction amounts and growth trend during the Track Record Period and the unaudited transaction amount for the nine months ended September 30, 2018;
- the terms and conditions, in particular, the rent, under the existing lease agreements; and
- the expected increment in rental, location and expected expansion of the leasing area of the premises to be leased by our Group based on the estimated increasing needs of our Group with reference to our Group's future business development plan.

Kaisa Holdings is one of our Controlling Shareholders and therefore a connected person of our Company under the Listing Rules. Accordingly, the transactions under the Property Lease Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

As one of the applicable percentage ratios under the Listing Rules in respect of the annual caps in relation to the Property Lease Framework Agreement is expected to be more than 5%, the transactions under the Property Lease Framework Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(D) APPLICATION FOR WAIVER

The transaction described under the sub-section entitled “— (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement” in this section constitutes our continuing connected transaction under the Listing Rules, which is exempt from the independent Shareholders' approval requirements but subject to the reporting, annual review and announcement requirements of the Listing Rules.

The transactions described under the sub-section entitled “— (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements” in this section constitute our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in “— (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement” in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— (C) 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 annual caps (as stated above).

(E) DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described under the sub-section entitled “— (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders' approval requirement” and “— (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders' approval requirements” have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions under the sub-section entitled “— (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders’ approval requirement” and “— (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements” in this section are fair and reasonable and are in the interests of our Shareholders as a whole.

(F) JOINT SPONSORS’ VIEW

The Joint Sponsors are of the view (i) that the continuing connected transaction described under the sub-section entitled “— (B) Continuing Connected Transaction subject to the reporting, annual review, announcement requirements but exempt from the independent Shareholders’ approval requirement” and the sub-section entitled “— (C) Continuing Connected Transactions subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements” have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalization Issue (without taking into account the exercise of the Over-allotment Option):

		Nominal value (HK\$)
Authorized share capital:		
500,000,000	Shares of HK\$0.01 each	5,000,000
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as of the date of this prospectus	10,000
104,000,000	Shares to be issued pursuant to the Capitalization Issue	1,040,000
35,000,000	Shares to be issued under the Global Offering	350,000
<u>140,000,000</u>	<u>Total</u>	<u>1,400,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalization Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase 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 Capitalization Issue.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

SHARE CAPITAL

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.

Further information on this general mandate is set out in the section headed "Statutory and general information — A. Further information about our Company — 4. Written resolutions of all the Shareholders passed on November 12, 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE 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 Global Offering and the Capitalization Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or any other Stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and general information — A. Further information about our Company — 6. Buy-back by our Company of its own securities" in Appendix IV to this prospectus.

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.

Further information on this general mandate is set out in the section headed "Statutory and general Information — A. Further information about our Company — 4. Written resolutions of all the Shareholders of our Company passed on November 12, 2018" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this prospectus which sets out the circumstances under which general meeting and class meeting are required.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering and the Capitalization Issue ⁽¹⁾		Shares held immediately following the completion of the Global Offering and the Capitalization Issue ^{(1),(2)}	
		Number	Approximate Percentage	Number	Approximate Percentage
Ye Chang Investment ⁽³⁾	Beneficial owner	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	
Rui Jing Investment ⁽³⁾	Interest in controlled corporation	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	
Kaisa Holdings ⁽³⁾	Interest in controlled corporation	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	

Notes:

- (1) The letter "L" denotes a long position in our Shares.
- (2) If the Over-allotment Option is fully exercised, the beneficial interest of each of Ye Chang Investment, Rui Jing Investment and Kaisa Holdings will be approximately 71.28%, 71.28% and 71.28%, respectively.
- (3) Ye Chang Investment is beneficially wholly-owned by Rui Jing Investment, which in turn is beneficially wholly-owned by Kaisa Holdings. By virtue of the SFO, each of Kaisa Holdings and Rui Jing Investment is deemed to be interested in the same number of Shares which Ye Chang Investment is interested in.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue assuming that the Over-allotment Option is not exercised, have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of 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.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of five Directors, of whom two are executive Directors and three are independent non-executive Directors. Our Board is responsible and has general power for the management and conduct of our business. The table below set out certain information in respect of our Directors.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Role and responsibilities in our Group	Relationship with other Directors or senior management
Mr. Liao Chuanqiang (廖傳強)	38	Executive Director, Chairman and President	October 13, 2017	October 8, 2013	Overseeing the business development, formulation and implementation of long-term strategies, including acquisition plans and corporate finance	None
Ms. Guo Li (郭麗)	37	Executive Director and Vice President	May 9, 2018	January 21, 2018	Overseeing the administration and human resources matters, financial management and procurement	None
Mr. Liu Hongbai (劉洪柏)	46	Independent non-executive Director	November 12, 2018	November 12, 2018	Providing independent advice on the operations and management of our Group	None
Ms. Ma Xiumin (馬秀敏)	45	Independent non-executive Director	November 12, 2018	November 12, 2018	Providing independent advice on the operations and management of our Group	None
Mr. Chen Bin (陳斌)	46	Independent non-executive Director	November 12, 2018	November 12, 2018	Providing independent advice on the operations and management of our Group	None

Executive Directors

Mr. Liao Chuanqiang (廖傳強), aged 38, joined our Group on October 8, 2013 and has been our chairman and president since October 2016. Mr. Liao was appointed as our Director on October 13, 2017. He is responsible for overseeing the business development, formulation and implementation of long-term strategies, including acquisition plans and corporate finance for our Group as well as the overall strategic planning, corporate management and business development of our Group. He is the highest level executive of the Company and the key decision maker for the operations of our Group. Mr. Liao currently holds directorships in various subsidiaries of our Group.

Mr. Liao has over 15 years of experience in property management. Prior to joining our Group, Mr. Liao has worked in leading real estate companies where he has gained extensive experience in property management business. From June 1, 2002 to December 1, 2004, Mr. Liao worked as the property management manager of Wuhan Guotou Property Development Co., Ltd. (武漢國投物業發展有限公司), a property development company, where he oversaw the property management department. From February 1, 2005 to May 15, 2006, he worked as the manager of the property department of Shenzhen lask JV Property Management Co., Ltd. (深圳歷思聯行物業管理有限公司) where he was responsible for providing property management training to employees and participating in the property projects. From May 22, 2006 to July 12, 2010, Mr. Liao worked as the assistant to general manager of the property management department of Mingliu Investment Group (名流投資集團), a property developer where he was responsible for the daily management of the property projects in Beijing, Shenzhen, Xi'an and Wuhan. From August 1, 2010 to October 1, 2013, Mr. Liao worked as the vice general manager of Wanda Commercial Properties Co., Ltd. (萬達商業管理有限公司), one of the principal subsidiaries of Wanda Group, which engages in commercial property management, where he was responsible for day-to-day management of the company affairs.

Mr. Liao joined our Group in October 2013 as the assistant to the general manager of Kaisa Property and has been overseeing the property management business since then. He has served in various positions in Kaisa Property, including as (i) assistant to the general manager from October 2013 to August 2015; (ii) standing vice president from August 2015 to February 2016; (iii) president from February 2016 to October 2016; and (iv) chairman of our Group and president since October 2016.

Mr. Liao graduated from Hubei University (湖北大學) in the PRC, where he obtained a bachelor degree of administration in June 2002.

Ms. Guo Li (郭麗), aged 37, has been our vice president since January 21, 2018. Ms. Guo was appointed as our Director on May 9, 2018, and is primarily responsible for overseeing the administration and human resources matters, financial management and procurement of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Guo has over 10 years of experience in the real estate industry. Prior to joining the Kaisa Group, Ms. Guo worked as the head of customer service of Shenzhen Jinghua Henghing Technology Co., Ltd. (深圳市京華恆興科技有限公司), an information technology company, from July 2005 to December 2007, where she was responsible for the implementation and development of software projects and client management.

Ms. Guo initially oversaw the human resource and other businesses of the Kaisa Group when she joined in December 2007 and became focused on only our Group since January 2018. She ceased to be involved in the matters of the Remaining Kaisa Group since January 2018. From December 2007 to January 2018, Ms. Guo held senior positions in various business sectors of the Kaisa Group, including the investment sector, marine transport sector and property management sector, during which she was mainly responsible for overseeing the administration and human resources affairs.

Ms. Guo obtained a bachelor's degree in computer science and technology from Lanzhou University (蘭州大學) in July 2005. She graduated from Peking University Shenzhen Graduate School majored in corporate management in September 2017.

Independent non-executive Directors

Mr. Liu Hongbai (劉洪柏), aged 46, was appointed as our independent non-executive Director on November 12, 2018 and is responsible for providing independent advice on the operations and management of our Group.

Mr. Liu graduated from Jiaying University (廣東嘉應學院) in the PRC, where he obtained a diploma degree of finance in July 1993. He also received a bachelor degree of finance from The Open University of China (國家開放大學) in January 2017. Mr. Liu obtained (i) the certificate of certified public account granted by the MOF in August 2003; (ii) the certificate of certified public valuer granted by the MOF and the Ministry of Personnel of the PRC in September 2006; (iii) the qualification of registered tax agent granted by the MOF and the Ministry of Personnel of the PRC in June 2006; (iv) the qualification of certified internal auditor by The Institute of Internal Auditors in November 2017; and (v) the certificate of qualified board secretary (上市公司董事會秘書資格証書) issued by the Shenzhen Stock Exchange in January 2018.

From July 1993 to June 2002, Mr. Liu worked as the branch manager at Agricultural Bank of China, Hengyang branch, and was primarily responsible for bank management. From January 2005 to July 2014, Mr. Liu was the partner at Shenzhen Hengda Certified Public Accountants (General Partnership) (深圳衡大會計師事務所(普通合夥)). Since November 2014, he has been the partner at Shenzhen Huatang Certified Public Accountants (General Partnership) (深圳華堂會計師事務所(普通合夥)).

Ms. Ma Xiumin (馬秀敏), aged 45, was appointed as our independent non-executive Director on November 12, 2018 and is responsible for providing independent advice on the operations and management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ma graduated from South China University of Technology (華南理工大學) in the PRC, where she obtained a diploma degree of technical economy in July 1992. She also received a bachelor degree of economic management from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Economics (中南財經大學)) in June 1997. Ms. Ma obtained the (i) qualification of semi-senior accountant granted by the MOF in May 1998; (ii) certificate of certified public accountant granted by the MOF in November 2003; and (iii) certificate of qualified independent director issued by the Shenzhen Stock Exchange in May 2008.

From September 2005 to October 2006, Ms. Ma worked as a tax manager at Shenzhen Pengxin Tax Firm (深圳市鵬信稅務師事務所有限公司) and was responsible for tax filing. Since January 2005, Ms. Ma has been the partner of Shenzhen Hengda Certified Public Accountants (General Partnership) (深圳衡大會計師事務所(普通合夥)). She was an independent director of the board at Shenzhen Clou Electronics Co., Ltd. (深圳市科陸電子科技股份有限公司) from November 2007 to February 2013, a company listed on the Shenzhen Stock Exchange (stock code: 002121). Ms. Ma has served as an independent director of the board at AOTO Electronics Co., Ltd. (深圳市奧拓電子股份有限公司) since January 2016, a company listed on the Shenzhen Stock Exchange (stock code: 002587).

Mr. Chen Bin (陳斌), aged 46, was appointed as an independent non-executive Director on November 12, 2018 and is responsible for providing independent advice on the operations and management of our Group.

Mr. Chen graduated from Lanzhou University of Arts and Science (formerly known as Gansu United University (甘肅省聯合大學)) in the PRC, where he obtained a diploma degree of financial accounting in July 1994. He obtained the (i) certificate of certified public accountant granted by the MOF in May 1996; (ii) certificate of certified asset valuer granted by the MOF in July 1999; and (iii) certificate of qualified independent director issued by the Shenzhen Stock Exchange in October 2015.

Mr. Chen has over 20 years of experience in corporate management, investment consolidation and mergers and acquisitions. From September 1998 to August 2008, Mr. Chen served as the financial controller at Shenzhen Qiaozhi Industrial Co., Ltd. (深圳市僑置實業有限公司) and was primarily responsible for its financial affairs and internal management. From September 2005 to April 2006, he served as the independent non-executive director at First Dragoncom Agro-strategy Holdings Ltd. (第一龍浩農業策略控股有限公司) (currently known as China Finance Investment Holdings Limited (中國金控投資集團有限公司)), a company listed on the Stock Exchange (stock code: 0875). From September 2008 to March 2012, he was the deputy director of Shenzhen Zhongxiang Certified Public Accountants (General Partnership) (深圳市中項會計師事務所(普通合夥)). Since April 2012, Mr. Chen has been the partner at Shenzhen Liqin Certified Public Accountants (General Partnership) (深圳立勤會計師事務所(普通合夥)).

Save as disclosed, none of our Directors have held any other directorships in listed companies during the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of our Directors has confirmed that there are no other matters relating to his/her appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Senior management

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

Please refer to the section entitled “Executive Directors” for the biographical details of Mr. Liao Chuanqiang and Ms. Guo Li. Members of the senior management of our Group also include the following:

Name	Age	Position	Date of joining our Group	Role and responsibilities in our Group
Mr. Xie Junpeng (謝俊鵬) . . .	36	Vice president	December 2016	Responsible for quality control, engineering management, safety and intelligent engineering of our Group
Mr. Wang Qiang (王強)	42	Vice president	August 2012	Responsible for supervising the investment development department, promotion and marketing affairs of our Group
Mr. Yi Xuezhong (易學忠) . . .	44	General manager of financial management department	February 2013	Responsible for the financial management of our Group

Mr. Xie Junpeng (謝俊鵬), aged 36, was appointed as our vice president in December 2016 and is primarily responsible for quality control, engineering management, safety and intelligent engineering of our Group. He also helps to identify and promote new business management models and manages the quality and customer service department of our Group. Mr. Xie oversaw property management business and other businesses of the Kaisa Group since he joined in February 2011 and became focused on only the property management business of our Group since December 2016. He ceased to be involved in the matters of the Remaining Kaisa Group since December 2016.

Prior to joining our Group, from August 2004 to May 2006, Mr. Xie served as a civil engineer at Shenxin Western Real Estate Co., Ltd. (深信西部房地產公司) and was primarily responsible for civil engineering works. From June 2006 to August 2010, he worked as a supervisor of the (i) warranty department and (ii) customer services department at Shenzhen Vanke Property Management Services Company (深圳市萬科物業服務有限公司). From September 2010 to February 2011, Mr. Xie served as a supervisor of customer services department at Shenzhen LVGEM Enterprise Management Group Co., Ltd. (深圳市綠景企業管理集團有限公司). Mr. Xie joined Kaisa Group in February 2011 as senior customer services

DIRECTORS AND SENIOR MANAGEMENT

manager, and was subsequently promoted to general manager of the customer services sector of Kaisa Group. He has been the vice president of our Group since December 2016.

Mr. Xie graduated from Guangdong University of Technology (廣東工業大學) in the PRC, where he obtained a bachelor degree of civil engineering in June 2004. He further obtained the professional qualification as an assistant engineer (助理工程師) awarded by Shenzhen Bao'an District Personnel Bureau (深圳市寶安區人事局) in September 2005.

Mr. Wang Qiang (王強), aged 42, was appointed as our vice president in April 2016 and is primarily responsible for supervising the investment development department, promotion and marketing affairs of our Group. He is also responsible for compilation and analysis of market and industry data in relation to property acquisition and provide assistance in the marketing affairs of the Group. Mr. Wang has been overseeing property management business since he joined our Group in August 2012.

Prior to joining our Group, from July 1998 to March 2008, Mr. Wang served as a project deputy general manager at Guangdong Country Garden Property Services Co., Ltd. (廣東碧桂園物業服務股份有限公司) and was primarily responsible for its overall management. From April 2008 to February 2010, he worked as a district manager at Guangzhou Tianli Property Co., Ltd. (廣州天力物業有限公司) and was primarily responsible for management of its residential properties. From February 2010 to August 2012, Mr. Wang served as deputy general manager at Guangzhou Guangdian Property Management Co., Ltd. (廣州廣電物業管理有限公司) and was primarily responsible for the management of its residential department and technology park department. He joined our Group in August 2012 as an assistant to general manager, and was subsequently promoted as the deputy general manager of our Shenzhen branch offices from March 2013 to June 2013, and the deputy general manager of our Guangzhou branch offices from June 2013 to April 2016. Mr. Wang has been our vice president since February 2017.

Mr. Wang graduated from Wuhan Sports University (武漢體育學院), where he obtained a bachelor degree of sports in July 1996.

Mr. Yi Xuezhong (易學忠), aged 44, was appointed as the general manager of our financial management department in September 2016 and is responsible for the financial management of our Group. Mr. Yi was initially responsible for the audit affairs of the Kaisa Group when he joined in September 2009 and became solely responsible for the audit and financial affairs of the property management business of our Group since February 2013. He ceased to be involved in the matters of the Remaining Kaisa Group since then.

From August 2006 to May 2007, he worked as an accountant at Yulong Communications Shenzhen Co., Ltd. (宇龍通信深圳有限公司). From May 2007 to September 2009, Mr. Yi served as the audit manager and finance manager at Huafu Holdings Co., Ltd. (華孚控股有限公司). He joined Kaisa Group in September 2009 as a senior accountant, and was subsequently promoted to senior accounting manager from February 2012 to February 2013. Mr. Yi joined our Group in February 2013 as the assistant to the general manager at the financial management

DIRECTORS AND SENIOR MANAGEMENT

department of Kaisa Property and was subsequently promoted to deputy general manager from September 2013 to August 2015, and general manager from August 2015 to September 2016. He has been the general manager of our financial management department since September 2016.

Mr. Yi graduated from Xiangyang Technical College (襄陽師範高等專科學校) in July 1995, where he obtained a diploma degree in math education. He also obtained a postgraduate degree of accounting from Wuhan University of Technology (武漢理工大學) in December 2005.

COMPANY SECRETARY

Mr. Lee Lung Piu (李龍標), aged 32, was appointed as our company secretary on June 4, 2018. He held the positions of finance manager of Kaisa Holdings from September 2016 to January 2018, and senior finance manager from February 2018 to November 2018.

Prior to joining Kaisa Group, Mr. Lee worked at KPMG in Hong Kong from August 2008 to April 2012 where his last position held was audit assistant manager. He was a finance analyst of Aedas Limited from April 2012 to September 2013. In September 2013, Mr. Lee joined Hang Lung Properties Limited, a company listed on the main board of the Stock Exchange (stock code: 101) as accountant and was subsequently promoted to senior accountant from January 2016 to May 2016.

Mr. Lee graduated from the University of Hong Kong, where he obtained a bachelor degree of business administration (accounting and finance) in November 2008. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. Since June 2018, Mr. Lee has been an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

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

Audit Committee

Our Group has established an audit committee on November 12, 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of all of the independent non-executive Directors, namely, Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin. Mr. Chen Bin is the chairman of the audit committee.

The primary duties of the audit committee are to (i) review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit; (ii) provide advice and comments to our Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

Remuneration Committee

Our Group has established a remuneration committee on November 12, 2018 with written terms of reference in compliance with paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of four members, namely, Mr. Liao Chuanqiang, Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin. Mr. Liu Hongbai is the chairman of the remuneration committee.

The primary duties of the remuneration committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

Nomination Committee

Our Group has also established a nomination committee on November 12, 2018 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of four members, namely Mr. Liao Chuanqiang, Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin. Mr. Liao Chuanqiang is the chairman of the nomination committee.

The primary function of the nomination committee is to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

According to paragraph A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of our Company should be separate and should not be performed by the same individual.

Under the leadership of Mr. Liao, our Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of our Board and relevant Board committee, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in

DIRECTORS AND SENIOR MANAGEMENT

place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of our Company.

Save as disclosed above, we will comply with the code provisions stated in the CG Code as set forth in Appendix 14 to the Listing Rules after the Listing. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

COMPLIANCE ADVISER

In compliance with Rule 3A.19 of the Listing Rules, we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser to provide advisory services to our Company. It is expected 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 issues and share repurchases;
- 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 the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

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

The aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) paid to our Directors for each of the three years ended December 31, 2017 and six months ended June 30, 2018 was approximately RMB967,000, RMB1,769,000, RMB3,069,000 and RMB2,858,000, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2017 and six months ended June 30, 2018.

DIRECTORS AND SENIOR MANAGEMENT

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 each of the three years ended December 31, 2017 and six months ended June 30, 2018 was approximately RMB8,229,000, RMB6,032,000, RMB4,709,000 and RMB2,270,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2017 and six months ended June 30, 2018. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, bonus, share-based payments, retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2018 is estimated to be no more than approximately RMB6.3 million.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$9.98 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$279.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes assuming the Offer Price is fixed at HK\$9.98 per Offer Share (being the mid-point of the indicative Offer Price Range).

- Approximately 50%, or HK\$139.7 million, will be used to acquire or invest in other property management companies which have comparable market positions with us. See “Business — Business Strategies — Continue to leverage our extensive experience and well-established service standard and management system to expand our business scale in mid- to high-end market through multiple channels” and “Business — Property Management Services — Growth of Our Property Management Services Portfolio — Acquisition of Third-party Property Management Companies” for more details.
- Approximately 20%, or HK\$55.8 million, will be used to acquire or invest in companies which are engaged in property management related businesses, such as security, cleaning, gardening and maintenance service providers; and companies which provide community value-added products and services complementary to those of us, including, among others, companies engaging in community retail business, community finance, community elderly caring (such as daily care and healthcare) and community education (such as pre-school education). See “Business — Business Strategies — Continue to develop one-stop service platforms to optimize user experience, expand product and service offering and increase operational efficiency” for more details.
- Approximately 10%, or HK\$28.0 million, will be used to develop and promote our K Life mobile app and our community value-added products and services. Furthermore, we plan to spend approximately RMB14.8 million on K Life hardware purchase and research and development and RMB13.2 million on its operation and promotion, respectively, of the net proceeds from the Offering in 2019 and 2020. See “Business — Business Strategies — Continue to develop one-stop service platforms to optimize user experience, expand product and service offering and increase operational efficiency” for more details.
- Approximately 10%, or HK\$28.0 million, will be used to develop our “management digitalization, service specialization, procedure standardization and operation automation.” See “Business — Business Strategies — Continue to develop one-stop service platforms to optimize user experience, expand product and service offering and increase operational efficiency” for more details.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 10%, or HK\$28.0 million, will be used to provide funding for our working capital and other general corporate purposes.

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 or the Over-allotment Option is exercised.

If the Offer Price is fixed at HK\$10.88 per Offer Share (being the high end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$309.8 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$9.08 per Offer Share (being the low end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be approximately HK\$249.3 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$46.2 million (assuming an Offer Price of HK\$9.08 per Share, being the low end of the proposed Offer Price range) to HK\$55.4 million (assuming an Offer Price of HK\$10.88 per Share, being the high end of the proposed Offer Price range), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

The Company estimates that (assuming the exercise of the Over-allotment Option in full), it will receive net proceeds from the Global Offering of approximately HK\$330.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by them in the Global Offering and assuming an offer price of HK\$9.98 per Share (being the mid-point of the offer price range set forth on the cover of this prospectus). If the Offer Price is fixed at the high end of the indicative Offer Price range, being HK\$10.88 per Share, the net proceeds the Company receives from the Global Offering will be approximately HK\$365.2 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK\$9.08 per Share, the net proceeds the Company receives from the Global Offering will be approximately HK\$295.5 million.

UNDERWRITING

HONG KONG UNDERWRITERS

CLSA Limited

ABCI Securities Company Limited

Haitong International Securities Company Limited

Guotai Junan Securities (Hong Kong) Limited

UOB Kay Hian (Hong Kong) Limited

BOCOM International Securities Limited

CCB International Capital Limited

Kaisa Securities Limited

Sinomax Securities Limited

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 3,500,000 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or

UNDERWRITING

not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or
- (vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (ix) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (x) the chairman or the chief executive officer of our Company vacating their offices; or

UNDERWRITING

- (xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xii) save as disclosed in this Prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xiii) a prohibition by an authority on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares to be purchased by, or by investors procured by, the International Underwriters from our Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

UNDERWRITING

- (b) there has come to the notice of the Joint Global Coordinators:
- (i) that any statement contained in any of this prospectus, the Application Forms, the formal notice, the Price Determination Agreement, the receiving banks agreement, the registrar agreement, the preliminary offering circular, the post hearing information pack and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of our Company and our Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement; or
 - (v) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company and our Controlling Shareholders as set out in the Hong Kong Underwriting Agreement; or
 - (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares to be issued pursuant to the Capitalization Issue and any exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) our Company withdraws any of the Offer Related Documents or the Global Offering; or

UNDERWRITING

- (ix) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of the Hong Kong public offering documents; or
- (x) that a material portion of the orders placed or confirmed in the book-building process, have been withdrawn, terminated or cancelled.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within such period), except in circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Over-allotment Option, it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or 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 it is shown by this prospectus to be the beneficial owner; or
- (b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of or 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 referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that, within the period commencing on the Latest Practicable Date and ending on a date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares or securities of our Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

UNDERWRITING

- (ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform us of such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the issue of Shares pursuant to the Capitalization Issue and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-Month Period**”), our Company undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (such consent not to be unreasonably withheld) 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 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 in any of the foregoing (including 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 deposit any Shares or other securities of our Company, 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 any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including 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 equity securities of our Company); or
- (c) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (a) or (b) above; or

UNDERWRITING

- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders undertake to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors to procure our Company to comply with the undertakings in this sub-section.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders undertakes to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, 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 equity 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 or any such other equity securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) 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 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 or any such other equity securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i),

UNDERWRITING

- (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company 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); and
- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect 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 will cease to be a Controlling Shareholder; and
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company, provided that, subject to strict compliance with any requirements of applicable laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority), nothing in this sub-section shall prevent any of our Controlling Shareholders from using Shares or other securities of our Company beneficially owned by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155) of the laws of Hong Kong).

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

UNDERWRITING

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 5,250,000 additional Shares, representing in aggregate not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Hong Kong Underwriters will receive an underwriting commission per Hong Kong Offer Share representing 3% of the Offer Price per Share from our Company, out of which the Hong Kong Underwriters will pay any sub-underwriting commission. For any 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 International Underwriters (but not the Hong Kong Underwriters).

Our Company may pay the Underwriters a discretionary incentive fee of up to 1% of the Offer Price per Offer Share to be awarded at our sole and absolute discretion. The respective entitlements of the Hong Kong Underwriters to the underwriting commission and the discretionary incentive will be determined by us at our sole discretion.

The aggregate underwriting commissions and fees (excluding the incentive fees), together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$69.7 million in aggregate (based on an Offer Price of HK\$9.98 per Share, being the mid-point of the Offer Price range stated in this prospectus and the assumption that the Over-allotment Option is not exercised) and are to be borne by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “**Syndicate Members**”, may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative

UNDERWRITING

transaction relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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 accounts of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, 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 activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the 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 stabilizing period described in the section headed “Structure of the Global Offering — Stabilization” 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’ share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS’ INTEREST IN OUR GROUP

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

JOINT SPONSORS’ INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 3,500,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “— The Hong Kong Public Offering”; and
- (b) the International Offering of 31,500,000 Offer Shares (including 3,035,040 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, as described below in “— the International Offering”.

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 5,250,000 additional Shares, representing 15.0% of the initial number of Offer Shares under the Global Offering, at the Offer Price to cover over-allocations, if any, in the International Offering.

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.

Directors and/or their associates, who are Qualifying Kaisa Shareholders, may apply for Reserved Shares under the Preferential Offering but may not apply for Hong Kong Offer Shares as members of the public in the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering.

Qualifying Kaisa Shareholders may make an application for Reserved Shares either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form and, in addition, will be entitled to apply for Hong Kong Offer Shares under the Hong Kong Public Offering but may not apply for or indicate an interest for International Offer Shares under the International Offering (other than an application to subscribe for Reserved Shares under the Preferential Offering).

The 35,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Global Offering, 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 27.71% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering and the Preferential Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

We are initially offering 3,500,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Shares initially available under 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 which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set forth 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 the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee); and
- Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus 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 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 1,750,000 Hong Kong Offer Shares will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, and the Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or over-subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong 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. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 10,500,000 Offer Shares (in the case of (i)), 14,000,000 Offer Shares (in the case of (ii)) and 17,500,000 Offer Shares (in the case of (iii)), representing 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, 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 in such manner as the Joint Global Coordinators deem appropriate.

Subject to the above, the Joint Global Coordinators shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 7,000,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Joint Global Coordinators deem appropriate.

The Preferential Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares 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.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$10.88 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the maximum price of HK\$10.88 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see “How to Apply for Hong Kong Offer Shares and Reserved Shares”.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable Kaisa Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Kaisa Shareholders are being invited to apply for an aggregate of 3,035,040 Reserved Shares in the Preferential Offering, representing approximately 9.64% and 8.67% of the Offer Shares available under the International Offering and the Global Offering, respectively (assuming the Over-allotment Option is not exercised) as Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in the section entitled “— The Hong Kong Public Offering — Reallocation” above. In the event the Over-allotment Option is exercised, the number of Reserved Shares will not change.

The basis of the Assured Entitlement is one Reserved Share for every integral multiple of 2,000 Kaisa Shares held by Qualifying Kaisa Shareholders as of 4:30 p.m. on the Record Date.

Qualifying Kaisa Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 250 Shares. Further, the Reserved Shares allocated to the Qualifying Kaisa Shareholders will be rounded down to the closest whole number if required, and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

Assured Entitlement of Qualifying Kaisa Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

STRUCTURE OF THE GLOBAL OFFERING

Basis of Allocation for Applications for Reserved Shares

Qualifying Kaisa Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering. A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Kaisa Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms or the **Blue Form eIPO** service via www.eipo.com.hk and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Kaisa Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Kaisa Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above and set forth on the **BLUE** Application Forms) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below) resulting from other Qualifying Kaisa Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Kaisa Shareholders who intend to apply for excess Reserved Shares must apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form and make a payment of the corresponding amount.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Reserved Shares not taken up by the Qualifying Kaisa Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback and reallocation arrangement between the International Offering and the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Beneficial Kaisa Shareholders whose Kaisa Shares are held by a nominee company should note that the Company will regard the nominee company as a single Kaisa Shareholder according to the register of members of Kaisa Holdings. Accordingly, such beneficial Kaisa Shareholders whose Kaisa Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually.

Applications by Qualifying Kaisa Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, Qualifying Kaisa Shareholders will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS or through the **White Form eIPO** service. Qualifying Kaisa Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Beneficial Kaisa Shareholders who hold Kaisa Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland China-Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Kaisa Shareholders who hold Kaisa Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Distribution of this Prospectus and the BLUE Application Forms

A **BLUE** Application Form has been despatched to each Qualifying Kaisa Shareholder. In addition, a printed copy of this prospectus will be dispatched to all Qualifying Kaisa Shareholders to their address as shown in the register of members of Kaisa Holdings on the Record Date.

An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at www.jzywy.com and www.hkexnews.hk, respectively.

Qualifying Kaisa Shareholders may also obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set out in “How to Apply for Hong Kong Offer Shares and Reserved Shares.”

Distribution of this prospectus and/or the **BLUE** Application Form(s) into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction.

STRUCTURE OF THE GLOBAL OFFERING

Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in “How to Apply for Hong Kong Offer Shares and Reserved Shares — B. Applications for Reserved Shares” and on the **BLUE** Application Forms.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering will not be registered or filed under applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. No action has been taken to permit an offering of the Hong Kong Offer Shares and the Reserved Shares 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 authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 31,500,000 Offer Shares, representing 90.0% of the Offer Shares under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. 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 Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators 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 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 Offer Shares under the International Offering 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.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” 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.

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 have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30-day period from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 15.0% of the total number 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 3.61% of our issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the 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 stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing 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 the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing 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 minimizing 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 purpose of preventing or minimizing 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 paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Saturday, December 29, 2018, being the 30th day after the last day of closing of the application lists 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 any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares. Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

STRUCTURE OF THE GLOBAL OFFERING

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 5,250,000 Shares, representing approximately 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from Ye Chang Investment, a Controlling Shareholder, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager and Ye Chang Investment. Such stock borrowing arrangement under the Stock Borrowing 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.

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 same number of Offer Shares so borrowed must be returned to Ye Chang Investment or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option having been issued and allotted by the Company, or (c) such earlier time as the Stabilizing Manager and Ye Chang Investment may agree in writing. No payment will be made to Ye Chang Investment by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) 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 Thursday, November 29, 2018 (Hong Kong time), and in any event, no later than Tuesday, December 4, 2018 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$10.88 and is expected to be not less than HK\$9.08, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK\$10.88 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

STRUCTURE OF THE GLOBAL OFFERING

If the Offer Price, as finally determined in the manner described below, is lower than HK\$9.08, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Offer Shares and Reserved 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 Joint Global Coordinators, on behalf of the Hong Kong 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 our Company, reduce the number of Offer Shares and/or the indicative 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 the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.jzywy.com) (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. 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 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 the section “Summary”, 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 our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price range stated in this prospectus.

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.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of 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 the section “How to Apply for Hong Kong Offer Shares and Reserved Shares — G. Publication of Results”.

UNDERWRITING AGREEMENT

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 our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued by us pursuant to the exercise of the Over-allotment Option);
- the Offer Price being duly determined;
- the execution and delivery of the International Underwriting Agreement on 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 Thursday, December 6, 2018.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before Tuesday, December 4, 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional

STRUCTURE OF THE GLOBAL OFFERING

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 Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (www.hkexnews.hk) and on our website (www.jzywy.com) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section “How to Apply for Hong Kong Offer Shares and Reserved Shares — J. Dispatch/Collection of Share Certificates and Refund Monies”. 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).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 6, 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, December 6, 2018.

The Shares will be traded in board lots of 250 Shares each and the stock code of the Shares is 2168.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website www.eipo.com.hk of the White Form eIPO service; or
- give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States, and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of China (except qualified domestic institutional investors).

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 you are a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the White Form eIPO service for the Hong Kong Offer Shares.

We, the Joint Global Coordinators or the designated White Form eIPO Service Provider (where applicable), or our or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

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;
- a Director or chief executive officer of our Company and/or any of our subsidiaries (other than a Director and/or his close associates who are Qualifying Kaisha Shareholders who may apply for Reserved Shares pursuant to the Preferential Offering);
- are a connected person or a core connected person (as respectively defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering;
- are an associate or a close associate (as respectively defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through White Form eIPO service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Monday, November 26, 2018 until 12:00 noon on Thursday, November 29, 2018 from:

- any of the following offices of the Joint Global Coordinators:

CLSA Limited	18/F, One Pacific Place, 88 Queensway, Hong Kong
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ABCI Capital Limited	11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong
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HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- any of the following branches of the receiving banks:

	Branch name	Address
Hong Kong Island . . .	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
	Gilman Street Branch	136 Des Voeux Road Central, Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, November 26, 2018 until 12:00 noon on Thursday, November 29, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KAISA PROPERTY PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, November 26, 2018 — 9:00 a.m. to 5:00 p.m.
Tuesday, November 27, 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, November 28, 2018 — 9:00 a.m. to 5:00 p.m.
Thursday, November 29, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 29, 2018, the last application day or such later time as described in "— F. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the White Form eIPO service, among other things, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;
- 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;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- 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;
- agree to disclose to the Company, the Hong Kong Share Registrar, receiving bankers, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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;
- 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 the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers 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 and the Application Form;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) 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; and (c) the purchaser is not an “affiliate” (within the meaning of Regulation S) of our Company or a person acting on the behalf of our Company or an affiliate of the Company;

- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to deposit share certificate(s) into CCASS and to send any e-Refund 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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- 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;
- understand that the Company and the Joint Global Coordinators 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;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Forms

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE **WHITE FORM** eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply for Hong Kong Offer Shares” 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 the Company. If you apply through the designated website, you authorize 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.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk from 9:00 a.m. on Monday, November 26, 2018 until 11:30 a.m. on Thursday, November 29, 2018 (24 hours daily, except on the last application day) and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 29, 2018 or such later time under “ — F. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. 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.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Environmental Protection

The obvious advantage of **White Form eIPO** 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 “Kaisa Property Holdings Limited” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” initiated by Friends of the Earth (HK).

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 applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(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 authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators 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;
- authorize the 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 the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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 bankers, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its 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 the 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 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 the 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 that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum number of 250 Hong Kong Offer Shares. Instructions for more than 250 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, November 26, 2018	— 9:00 a.m. to 8:30 p.m.
Tuesday, November 27, 2018	— 8:00 a.m. to 8:30 p.m.
Wednesday, November 28, 2018	— 8:00 a.m. to 8:30 p.m.
Thursday, November 29, 2018	— 8:00 a.m. to 11:30 a.m.

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 Monday, November 26, 2018 until 11:30 a.m. on Thursday, November 29, 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 11:30 a.m. on Thursday, November 29, 2018, the last application day or such later time as described in “— F. 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 section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and 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.

B. APPLICATIONS FOR RESERVED SHARES

1. WHO CAN APPLY FOR RESERVED SHARES

Only Kaisa Shareholders whose names appeared on the register of members of Kaisa Holdings at 4:30 p.m. on the Record Date, and who are Qualifying Kaisa Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Qualifying Kaisa Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 2,000 Kaisa Shares held by them as of 4:30 p.m. on the Record Date. Any Qualifying Kaisa Shareholder holding less than 2,000 Kaisa Shares as of 4:30 p.m. on the Record Date will not be entitled to apply for Reserved Shares but will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If you are a firm, the application must be in the individual members’ names. If you are a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation’s chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney’s authority.

2. CHANNEL FOR APPLYING FOR THE RESERVED SHARES

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying Kaisa Shareholders either through the **Blue Form eIPO** service via www.eipo.com.hk or using **BLUE** Application Forms which have been despatched to Qualifying Kaisa Shareholders. In addition, a printed copy of this prospectus will be dispatched to all Qualifying Kaisa Shareholders to their address as shown in the register of members of Kaisa Holdings on the Record Date.

Qualifying Kaisa Shareholders may obtain a printed copy of this prospectus during normal business hours from any of the designated branches of the receiving bank and the designated offices of each of those Hong Kong Underwriters as set out in “— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms.” An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company and the Stock Exchange at www.jzywy.com and www.hkexnews.hk, respectively.

Where a Qualifying Kaisa Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Kaisa Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions of an application mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares resulting from other Qualifying Kaisa Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Joint Global Coordinators on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares, and thereafter at the discretion of the Joint Global Coordinators, to other investors in the International Offering.

Qualifying Kaisa Shareholders who intend to apply for excess Reserved Shares must apply for a number of Shares which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form.

To the extent that excess applications for the Reserved Shares are:

- (i) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Global Coordinators, to the International Offering;
- (ii) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (iii) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there is an odd lot number of Shares left after satisfying the excess applications, such number of odd lot Shares will be re-allocated, at the discretion of the Joint Global Coordinators, to the International Offering.

Save for the above, the Preferential Offering will not be subject to the clawback or reallocation arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Kaisa Shareholders who have applied for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Kaisa Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the **WHITE Form eIPO** service under the Hong Kong Public Offering.

3. DESPATCH OF THE PROSPECTUS AND THE BLUE APPLICATION FORMS

The **BLUE** Application Form has been despatched, if you are a Qualifying Kaisa Shareholder, to your address recorded on the register of members of Kaisa Holdings, at 4:30 p.m. on the Record Date. In addition, Qualifying Kaisa Shareholders will receive a printed copy of this prospectus. An electronic copy of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at www.jzywy.com and the Stock Exchange at www.hkexnews.hk, respectively.

Persons who held their Kaisa Shares in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Kaisa Shares in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instructions to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees.

Qualifying Kaisa Shareholders who require a replacement **BLUE** Application Form should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or on its hotline at 2862 8555.

4. APPLYING THROUGH THE BLUE FORM eIPO SERVICE

If you apply for Reserved Shares online through the **Blue Form eIPO** service:

- (a) detailed instructions for application through the **Blue Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **Blue Form eIPO** Service Provider and may not be submitted to the Company;
- (b) you must also be willing to provide a valid e-mail address; and
- (c) once payment is completed via **electronic application instructions** given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

5. APPLYING BY USING BLUE APPLICATION FORM

- (a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on the **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.

- (b) The **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order for each of the Blue Form for Assured Entitlement and the Blue Form for Excess Application. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **BLUE** Application Form(s) in one of the collection boxes by the time and at one of the locations as described in “— B. Applications for Reserved Shares — 6. When may applications be made” below.
- (d) You may apply for a number of Assured Entitlement equal to or less than the number stated in Box B of the **Blue** Form for Assured Entitlement. If you intend to apply for less than your Assured Entitlement, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign **BLUE** Application Form for Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.
- (e) Other than Assured Entitlement, you may apply for excess Reserved Shares. If you intend to apply for excess Reserved Shares, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If you are applying by using the **BLUE** Application Form for excess application for Reserved Shares, you **MUST** apply for a number which is one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount.
- (f) If you intend to apply for both Assured Entitlement and excess application for Reserved Shares, you must submit both **BLUE** Application Form for Assured Entitlement and **BLUE** Application Form for excess application for Reserved Shares.
- (g) The **BLUE** Application Form will be rejected by the Company if:
- the **BLUE** Application Form is not completed in accordance with the instructions as stated in the **BLUE** Application Form;
 - the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
 - in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;
 - the cheque/banker's cashier order/**BLUE** Application Form is defective;

- the **BLUE** Application Form for either Assured Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order;
- the account name on cheque/banker's cashier order is not pre-printed or certified by the issuing bank;
- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;
- the name of the payee indicated on the cheque/banker's cashier order is not "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KAISA PROPERTY PREFERENTIAL OFFER";
- the cheque has not be crossed "Account payee only";
- the cheque was post-dated;
- the applicant's payment is not made correctly or the applicant paid by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- the applicant's name /the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;
- alteration(s) to the application details on the Application Form has not been authorized by the signature(s) of the applicant(s);
- the application is completed by pencil;
- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the application is received; or
- the Company and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

Instead of using the **BLUE** Application Form, you may apply for Reserved Shares through the **Blue Form eIPO** service at www.eipo.com.hk.

6. WHEN MAY APPLICATIONS BE MADE

Application through the Blue Form eIPO service

You may submit your application via the Blue Form eIPO service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m., Monday, November 26, 2018 until 11:30 a.m., Thursday, November 29, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Thursday, November 29, 2018 or such later time under the "— F. Effects of Bad Weather on the Opening of the Applications Lists" in this section.

Applications on BLUE Application Forms

Your completed **BLUE** Application Form, together with a cheque/banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED — KAISA PROPERTY PREFERENTIAL OFFER, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed in “— A. Applications for Hong Kong Offer Shares — 3. Applying for Hong Kong Offer Shares — Where to Collect the Application Forms” at the specified times on the following dates:

Monday, November 26, 2018 — 9:00 a.m. to 5:00 p.m.
Tuesday, November 27, 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, November 28, 2018 — 9:00 a.m. to 5:00 p.m.
Thursday, November 29, 2018 — 9:00 a.m. to 12:00 noon

If you submit applications both through the **Blue Form eIPO** service and by **BLUE** Application Form, only the application submitted via the **Blue Form eIPO** service will be accepted and the other will be rejected.

Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 29, 2018, the last application day or such later time as described in “— F. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No proceedings will be taken on applications for Reserved Shares and no allotment of any such Reserved Shares will be made until after the closing of the application lists.

How many applications may be made

You should refer to “— D. How many applications can you make” below for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

C. 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, or for the Reserved Shares through the **Blue Form eIPO** service, is also only a facility provided by the **White Form eIPO** Service Provider to public investors and Qualifying Kaisa Shareholders. 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, our Directors, the Joint Global Coordinators, the Joint Sponsors, 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 and the **Blue 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 either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, November 29, 2018.

D. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Kaisa Shareholder applying for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via www.eipo.com.hk or on a **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the designated website at www.eipo.com.hk. However, in respect of any application for Hong Kong Offer Shares using the abovementioned methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "Structure of the Global Offering — The Preferential Offering." If you submit applications both through the **Blue Form eIPO** service and by using a **BLUE** Application Form, only the application submitted via **Blue Form eIPO** service will be accepted and the other will be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being 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).

E. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 250 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 250 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, 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, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

F. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 29, 2018. 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 Thursday, November 29, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal 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.

G. 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 Preferential Offering and the basis of allocation of the Hong Kong Offer Shares and Reserved Shares on Wednesday, December 5, 2018 on the Company's website at www.jzywy.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 and the Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.jzywy.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, December 5, 2018;
- 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, December 5, 2018 to 12:00 midnight on Tuesday, December 11, 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. to 10:00 p.m. from Wednesday, December 5, 2018 to Saturday, December 8, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, December 5, 2018 to Friday, December 7, 2018 at all the designated branches of the receiving bank.

If the Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and the Reserved Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details, see section "Structure of the Global Offering" in this prospectus.

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.

H. 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 completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider or the **Blue Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, 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 Listing Committee of 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 Listing Committee 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 are suspected of making 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 Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service/**Blue 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 dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

I. 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\$10.88 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 of the Global Offering — Conditions of the Global 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, December 5, 2018.

J. DISPATCH/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 on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). 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 dispatch/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, December 5, 2018. 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, December 6, 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus 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.

Personal Collection

(i) *If you apply using a WHITE Application Form or BLUE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from 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, December 5, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, December 5, 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, December 5, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 5, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— G. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 5, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO Service or the Blue Form eIPO service*

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from 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, December 5, 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund 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 or before Wednesday, December 5, 2018 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 dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 5, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— G. Publication of Results" above on Wednesday, December 5, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 5, 2018 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, December 5, 2018. 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, December 5, 2018.

K. COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence from 9:00 a.m. on Thursday, December 6, 2018. The Shares will be traded in board lots of 250 each. The stock code of the Shares is 2168.

L. 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 Listing Date or any other date as determined by 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, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountant's Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KAISA PROPERTY HOLDINGS LIMITED AND CLSA CAPITAL MARKETS LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Kaisa Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-75, which comprises the combined statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and June 30, 2018, the statement of financial position of the Company as at December 31, 2017 and June 30, 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 (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-75 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 26, 2018 (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 the Historical Financial Information that give 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, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's 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 the 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, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountant's report, a true and fair view of the Company's financial position as at December 31, 2017 and June 30, 2018 and the Group's combined financial position as at December 31, 2015, 2016 and 2017 and June 30, 2018 and of the Group's combined financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 respectively to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the

HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in notes 1.3 and 2.1 to the Historical Financial Information, respectively.

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

No dividends have been paid or declared by the Company during the Track Record Period.

No statutory historical financial statements for the Company

We refer to note 13 to the Historical Financial Information which no statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

November 26, 2018

Lin Ching Yee Daniel

Practising Certificate No.: P02771

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 Grant Thornton Hong Kong Limited in accordance with Hong Kong Standards of Auditing ("HKSA's") issued by Hong Kong Institute of Certified Public Accountants (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 Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	5	478,028	539,107	669,159	307,682	412,324
Cost of services		(312,795)	(377,080)	(464,873)	(201,956)	(271,461)
Gross profit		165,233	162,027	204,286	105,726	140,863
Other gains and (losses), net . . .	6	233	(4,208)	1,253	(1,289)	(1,626)
Selling expenses		(793)	(2,379)	(4,763)	(1,790)	(1,785)
Administrative expenses		(75,636)	(69,781)	(102,309)	(43,151)	(72,013)
Operating profit		89,037	85,659	98,467	59,496	65,439
Impairment loss on investment in an associate	17	(5,102)	(2,141)	(597)	(299)	—
Share of results of an associate . .		(2,759)	(2,157)	(1,949)	(786)	—
Finance costs	8	—	(5,081)	(27,061)	(14,811)	(9,007)
Finance income	8	—	5,081	27,257	14,919	9,072
Finance income, net		—	—	196	108	65
Profit before income tax	9	81,176	81,361	96,117	58,519	65,504
Income tax expenses	10	(23,456)	(23,247)	(24,676)	(14,471)	(42,472)
Profit and total comprehensive income for the year/period . .		57,720	58,114	71,441	44,048	23,032
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		57,720	58,114	71,441	44,048	23,300
Non-controlling interests		—	—	—	—	(268)
		<u>57,720</u>	<u>58,114</u>	<u>71,441</u>	<u>44,048</u>	<u>23,032</u>
Earnings per share attributable to owners of the Company (expressed in RMB'000)						
Basic and diluted	12	57,720	58,114	71,441	44,048	—*

* Amount less than RMB1,000.

Combined Statement of Financial Position

		As at December 31,			As at June 30,
	Notes	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	14	8,049	6,863	6,933	6,711
Intangible asset	15	—	—	7,895	7,237
Goodwill	16	—	—	5,534	5,534
Investment in an associate	17	6,851	2,553	—	—
Other receivables	18	—	—	887	623
Deferred tax assets	26	996	1,683	2,273	2,433
		<u>15,896</u>	<u>11,099</u>	<u>23,522</u>	<u>22,538</u>
Current assets					
Trade and other receivables	18	28,697	37,671	44,107	65,919
Payments on behalf of residents	19	27,610	48,305	53,320	48,178
Contract assets	20	3,260	13,219	24,491	29,892
Amounts due from related parties	21	438,554	1,034,834	930,962	733,082
Restricted cash	22	11,049	11,526	1,074	934
Cash and bank balances	22	15,674	33,921	114,098	172,138
		<u>524,844</u>	<u>1,179,476</u>	<u>1,168,052</u>	<u>1,050,143</u>
Current liabilities					
Trade and other payables	23	149,510	196,838	263,585	246,744
Contract liabilities	20	13,041	17,897	36,031	34,560
Amounts due to fellow subsidiaries	24	159,492	217,638	227,736	232,900
Other borrowing	25	—	155,000	325,000	165,000
Income tax payable		40,884	40,944	25,849	29,290
		<u>362,927</u>	<u>628,317</u>	<u>878,201</u>	<u>708,494</u>
Net current assets		<u>161,917</u>	<u>551,159</u>	<u>289,851</u>	<u>341,649</u>
Total assets less current liabilities		<u>177,813</u>	<u>562,258</u>	<u>313,373</u>	<u>364,187</u>
Non-current liabilities					
Other payables	23	3,178	4,438	5,938	5,035
Other borrowing	25	—	325,000	—	—
Deferred tax liabilities	26	—	—	1,974	23,809
		<u>3,178</u>	<u>329,438</u>	<u>7,912</u>	<u>28,844</u>
Net assets		<u>174,635</u>	<u>232,820</u>	<u>305,461</u>	<u>335,343</u>
EQUITY					
Share capital	27	—	—	—	—*
Reserves		<u>174,635</u>	<u>232,820</u>	<u>305,479</u>	<u>335,629</u>
Equity attributable to owners of the Company		<u>174,635</u>	<u>232,820</u>	<u>305,479</u>	<u>335,629</u>
Non-controlling interests		<u>—</u>	<u>—</u>	<u>(18)</u>	<u>(286)</u>
Total equity		<u>174,635</u>	<u>232,820</u>	<u>305,461</u>	<u>335,343</u>

* Amount less than RMB1,000.

Statement of Financial Position of the Company

	Note	As at December 31, 2017 RMB'000	As at June 30, 2018 RMB'000
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		305,461	305,461
		<u>305,461</u>	<u>305,461</u>
Current assets			
Prepayment		—	1,323
Cash and bank balances		—	5,609
		<u>—</u>	<u>6,932</u>
Current liability			
Amounts due to fellow subsidiaries		(1,511)	(12,798)
		<u>(1,511)</u>	<u>(5,866)</u>
Net current liabilities		(1,511)	(5,866)
Total assets less current liability		303,950	299,595
Net assets		303,950	299,595
EQUITY			
Share capital	27	—	—*
Reserves		303,950	299,595
Total equity		303,950	299,595

* Amount less than RMB1,000.

Combined Statement of Changes in Equity

	Equity attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Contribution reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000 (notes a and c)	RMB'000 (note c)	RMB'000 (note b)	RMB'000 (note c)	RMB'000	RMB'000
As at January 1, 2015	(note 27) —	(note c) —	76,071	2,161	18,935	19,468	116,635	—
Profit and total comprehensive income for the year	—	—	—	—	—	57,720	57,720	—
Share-based payment (note 28)	—	—	—	280	—	—	280	—
Transfer to statutory reserve	—	—	—	—	7,861	(7,861)	—	—
As at December 31, 2015 and January 1, 2016	—	—	76,071	2,441	26,796	69,327	174,635	—
Profit and total comprehensive income for the year	—	—	—	—	—	58,114	58,114	—
Share-based payment (note 28)	—	—	—	71	—	—	71	—
Transfer to statutory reserve	—	—	—	—	9,374	(9,374)	—	—
As at December 31, 2016 and January 1, 2017	—	—	76,071	2,512	36,170	118,067	232,820	—
Profit and total comprehensive income for the year	—	—	—	—	—	71,441	71,441	—
Issue of new share upon incorporation	—*	—	—	—	—	—	—*	—
Acquisition of a subsidiary (note 30)	—	—	—	—	—	—	—	(18)
Share-based payment (note 28)	—	—	—	1,218	—	—	1,218	—
Transfer to statutory reserve	—	—	—	—	9,595	(9,595)	—	—
As at December 31, 2017	—*	—	76,071	3,730	45,765	179,913	305,479	(18)
As at January 1, 2017	—	—	76,071	2,512	36,170	118,067	232,820	—
Profit and total comprehensive income for the period	—	—	—	—	—	44,048	44,048	—
Share-based payment (note 28)	—	—	—	19	—	—	19	—
As at June 30, 2017 (unaudited)	—	—	76,071	2,531	36,170	162,115	276,887	—
As at January 1, 2018	—*	—	76,071	3,730	45,765	179,913	305,479	(18)
Profit and total comprehensive income for the period	—	—	—	—	—	23,300	23,300	(268)
Issue of new shares (note 27)	—	5,609	—	—	—	—	5,609	—
Share-based payment (note 28)	—	—	—	1,241	—	—	1,241	—
As at June 30, 2018	—*	5,609	76,071	4,971	45,765	203,213	335,629	(286)

* Amount less than RMB1,000.

Notes:

- Other reserve represents the difference between the consideration paid and the share capital of the subsidiaries under the restructuring.
- In accordance with the relevant rules and regulations in the People's Republic of China (the "PRC") and the provision of the articles of association of the PRC companies comprising the Group, the local investment enterprises are allowed to appropriate 10% of the net profit to the statutory reserves until the accumulated appropriation exceeds 50% of the registered capital.
- Total amount of RMB174,635,000, RMB232,820,000, RMB305,479,000 and RMB335,629,000 as at December 31, 2015, 2016 and 2017 and June 30, 2018 respectively, represents the amount of reserves as presented in the combined statements of financial position.

Combined Statement of Cash Flows

		Year ended December 31,			Six months ended June 30,	
	Notes	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Profit before income tax		81,176	81,361	96,117	58,519	65,504
Adjustments for:						
Amounts written off as uncollectible	6	154	154	154	77	240
Depreciation and amortisation	9	3,851	3,108	2,857	1,441	2,205
Impairment loss on investment in an associate	17	5,102	2,141	597	299	—
Interest expense	8	—	5,081	27,061	14,811	9,007
Interest income	8	—	(5,081)	(27,257)	(14,919)	(9,072)
Loss/(Gain) on disposal of property, plant and equipment	6, 29(a)	19	(44)	27	14	19
Loss on deemed disposal of an associate	6	—	—	64	—	—
Provision for loss allowance	6	599	2,594	2,395	2,595	1,629
Reversal of provision for loss allowance	6	(303)	—	(187)	—	(270)
Share of results of an associate		2,759	2,157	1,949	786	—
Share-based payment	28	280	71	1,218	19	1,241
Operating profit before working capital changes		93,637	91,542	104,995	63,642	70,503
Increase in trade and other receivables		(3,757)	(10,633)	(8,850)	(9,299)	(23,417)
Decrease/(Increase) in payments on behalf of residents		6,038	(21,784)	(5,279)	(13,440)	5,412
Increase in contract assets		(1,079)	(9,959)	(11,272)	(3,596)	(5,401)
(Increase)/decrease in amounts due from related parties		(202,286)	(80,886)	(83,687)	(57,063)	106,911
Increase/(Decrease) in trade and other payables		37,740	48,588	61,209	(2,061)	(17,744)
Increase/(Decrease) in contract liabilities		4,339	4,856	18,134	1,306	(1,471)
Increase in amounts due to fellow subsidiaries	29(b)	8,002	9,088	15,410	13,364	33,200
Decrease/(Increase) in restricted cash		8,195	(186)	221	214	140
Cash (used in)/generated from operating activities		(49,171)	30,626	90,881	(6,933)	168,133
Interest paid	8	—	(5,081)	(27,061)	(14,811)	(9,007)
Income tax paid		(7,576)	(23,874)	(40,361)	(20,595)	(17,356)
Net cash (used in)/from operating activities		(56,747)	1,671	23,459	(42,339)	141,770

		Year ended December 31,			Six months ended June 30,	
	Notes	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities						
Acquisition of a subsidiary, net of cash acquired	31	—	—	(5,260)	—	—
Loan to a fellow subsidiary		—	(480,000)	—	—	—
(Increase)/decrease in amounts due from related parties		(45,610)	(30,313)	59,816	4,954	20,041
Proceeds from disposal of property, plant and equipment	29(a)	514	216	12	12	12
Purchase of property, plant and equipment	14	(1,296)	(2,094)	(2,769)	(805)	(1,356)
Net cash from/(used in) investing activities		(46,392)	(512,191)	51,799	4,161	18,697
Cash flows from financing activities						
Increase/(decrease) in amounts due to fellow subsidiaries	29(b)	90,283	49,058	(5,312)	34,855	(28,036)
Proceeds from issuance of shares . . .		—	—	—	—	5,609
(Increase)/decrease in restricted cash .		(9,920)	(291)	10,231	9,233	—
Proceed from other borrowing		—	480,000	—	—	—
Repayment from other borrowing . . .		—	—	—	—	(80,000)
Net cash from/(used in) financing activities		80,363	528,767	4,919	44,088	(102,427)
Net (decrease)/increase in cash and cash equivalents		(22,776)	18,247	80,177	5,910	58,040
Cash and cash equivalents at the beginning of the year/period		38,450	15,674	33,921	33,921	114,098
Cash and cash equivalents at the end of the year/period, represented by cash and bank balances	22	15,674	33,921	114,098	39,831	172,138

II. NOTES TO HISTORICAL FINANCIAL INFORMATION**1 GENERAL INFORMATION AND BASIS OF PRESENTATION****1.1 General information**

Kaisa Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on October 13, 2017 as an exempted company with limited liability under the Companies Law. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 507, Kaisa Center, 66 Nanyuan Road, Futian, Shenzhen, the People’s Republic of China (the “PRC”).

The Company’s immediate holding company is Ye Chang Investment Company Limited (“Ye Chang Investment”), an investment company incorporated in the British Virgin Islands (“BVI”), whereas the directors of the Company (the “directors”) regard Kaisa Group Holdings Ltd. (“Kaisa Holdings”) as the Company’s ultimate holding company, a company incorporated in the Cayman Islands with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (together, the “Group”) engage in the provision of property management services, which includes management of properties, maintenance and repair of buildings and ancillary facilities, community security management, car-park management, equipment installation, and property consulting services (the “Listing Business”).

Prior to the completion of the reorganisation (the “Reorganisation”), the immediate holding company directly owned the companies operating the Listing Business (the “Operating Companies”) and other companies (namely Kaisa (Suizhong) Hotel Management Services Co., Ltd. * (佳兆業(綏中)酒店服務管理有限公司), Kaisa Shenzhen Yin Baobao E-commerce Co., Ltd. * (深圳市銀寶寶電子商務有限公司), Kaisa Lexiang Commercial Service CO., Ltd. * (佳兆業樂享商務服務有限公司) and Kaisa Leju Property Development Co., Ltd. * (佳兆業樂居物業發展有限公司)) engaged in hotel operation business, e-commerce business and properties development business (the “Carve-out business”). The Reorganisation involved combinations of entities under common control of Kaisa Holdings before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to Kaisa Holdings that existed prior to the Reorganisation. Accordingly, the Historical Financial Information has been prepared by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5, “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Details of the basis of preparation in note 1.3.

1.2 Reorganisation

Pursuant to the Reorganisation, (i) all assets and liabilities of the Carve-out business were transferred to the subsidiaries of Kaisa Holdings during the year ended December 31, 2017; and (ii) the equity interests of the Operating Companies were transferred to the Company. The Reorganisation of item (i) involves the following major steps:

- (a) The equity interests of the Carve-out business were transferred back to subsidiaries of Kaisa Holdings and such equity transfer were completed during the year ended December 31, 2017. For the purpose of this report, the Combined Financial Information has been prepared as if the transfer had taken place on January 1, 2015 (i.e. at the beginning of the Track Record Period). Accordingly, the results of the Carve-out business during the Track Record Period and all assets and liabilities directly related to the Carve-out business have been excluded in the combined financial statements.

The Reorganisation of item (ii) involves the following steps:

- (b) The Company was incorporated in the Cayman Islands and one share was transferred to Ye Chang Investment, being the offshore holding company of the Operating Companies, on October 13, 2017.
- (c) On December 19, 2017, the Company acquired the entire issued capital of Xie Mao Investment Company Limited from Ye Chang Investment, the consideration was satisfied by the allotment and issue of 1 share of the Company to Ye Chang Investment. The Company became the holding company of the Operating Companies now comprising the Group.

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

As at each reporting dates and the date of this report, the Company had interests in its subsidiaries, all of which are private limited liability companies, and the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Registered/Issued and fully paid capital	Effective interest held				At the date of this report	Principal activities	Names of auditors and periods covered
			As at December 31,			As at			
			2015	2016	2017	June 30, 2018			
Directly held by the Company									
Xie Mao Investment Company Limited 協茂投資有限公司	BVI, July 26, 2007	United States Dollar (“US\$”) 2	100%	100%	100%	100%	100%	Investment holding	Note (a)
Indirectly held by the Company									
Profit Victor Investments (Hong Kong) Limited 益勝投資(香港)有限公司	Hong Kong, April 2, 2012	Hong Kong Dollar (“HK\$”) 10,000	100%	100%	100%	100%	100%	Investment holding	KAP Certified Public Accountants Limited for the years ended December 31, 2015 and 2016 Note (e)
Kaisa Property Group Company Limited* 佳兆業物業集團有限公司	The PRC, December 21, 2012	RMB45,462,000	100%	100%	100%	100%	100%	Property management	Note (d)
Kaisa Property Management (Shenzhen) Co., Ltd.* 佳兆業物業管理(深圳)有限公司	The PRC, October 20, 1999	RMB310,000,000	100%	100%	100%	100%	100%	Property management	Shenzhen Bangde Certified Public Accountants * 深圳邦德會計師事務所 for the years ended December 31, 2015, Putian CPA* 深圳市普天會計師事務所有限公司 for the year ended December 31, 2017 Note (c)
Kaisa Commercial Property Management (Shenzhen) Co., Ltd.* 深圳市佳兆業商業物業管理有限公司	The PRC, May 8, 2013	RMB50,000,000	100%	100%	100%	100%	100%	Property management	Note (d)
Shenzhen Jiake Intelligence Engineering Co., Limited* 深圳市佳科智能工程有限公司	The PRC, December 23, 2013	RMB20,000,000	100%	100%	100%	100%	100%	Equipment installation	Shenzhen Bangde Certified Public Accountants* 深圳邦德會計師事務所 for the year ended December 31, 2015 Putian CPA* 深圳市普天會計師事務所有限公司 for the years ended December 31, 2016 and 2017

Company name	Place and date of incorporation/ establishment	Registered/Issued and fully paid capital	Effective interest held				At the date of this report	Principal activities	Names of auditors and periods covered
			As at December 31,			As at June 30,			
			2015	2016	2017	2018			
Shenzhen Dapengche Engineering Maintenance Service Co., Ltd.* 深圳市大蓬車工程維修服務有限公司	The PRC, November 27, 2014	RMB50,000,000	100%	100%	100%	100%	100%	Maintenance and repairing	Note (d)
Kaisa Property Management (Dongguan) Co., Ltd. 東莞市佳兆業物業管理有限公司	The PRC, July 18, 2007	RMB3,000,000	100%	100%	100%	100%	100%	Property management	Dongguang Principle & Dlexibility C.P.A. Ltd.* 東莞市方圓會計師事務所有限公司 for the years ended December 31, 2015, 2016 and 2017
Kaisa Property Management (Chengdu) Co., Ltd.* 成都市佳兆業物業管理有限公司	The PRC, January 30, 2008	RMB30,000,000	100%	100%	100%	100%	100%	Property management	Sichuan Tianrun Certified Public Accountants Co. Ltd.* 四川天潤會計師事務所有限公司 for the years ended December 31, 2015, 2016 and 2017
Kaisa Property Management (Chongqing) Co., Ltd. 重慶市佳兆業物業管理有限公司	The PRC, July 11, 2013	RMB3,000,000	100%	100%	100%	100%	100%	Property management	Note (d)
Kaisa Property Management (Huizhou) Co., Ltd. 惠州市佳兆業物業管理有限公司	The PRC, July 16, 2013	RMB500,000	100%	100%	100%	100%	100%	Property management	Note (d)
Kaisa Property Management (Liuzhou) Co., Ltd. 柳州市佳兆業物業管理有限公司	The PRC, April 27, 2017	RMB500,000	—	—	100%	100%	100%	Property management	Note (f)
Shenzhen Qijia Internet Technology Co., Limited* 深圳市齊家互聯網科技有限公司	The PRC, July 25, 2012	RMB8,000,000	n/a	n/a	92.26%	92.26%	92.26%	Development and sales of computer network	Shenzhen Pengcheng Certified Public Accountants* 深圳鵬城會計師事務所 (普通合夥) for the year ended December 31, 2017
Taiyuan Kaisa Property Management Co., Ltd. 太原佳兆業物業管理有限公司	The PRC, June 27, 2018	RMB500,000	n/a	n/a	n/a	51%	51%	Property management	n/a

Notes:

- (a) There is no statutory audit requirement in the BVI.
- (b) No statutory audited financial statements has been issued for the years ended December 31, 2015 and 2016.
- (c) No statutory audited financial statements has been issued for the year ended December 31, 2016.
- (d) No statutory audited financial statements has been issued for the years ended December 31, 2015, 2016 and 2017.
- (e) No statutory audited financial statements has been issued for the year ended December 31, 2017.
- (f) No audited financial statements for this subsidiary now comprising the Group were available for the years ended December 31, 2015, 2016 and 2017 as it was newly incorporated in 2017.

* English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

1.3 Basis of presentation

Pursuant to the Reorganisation as more fully explained in the “History, Reorganisation and Corporate Structure” of the Prospectus, the Operating Companies are transferred to and held by the Company on December 19, 2017. The Reorganisation involved (i) transferring Carve-out business to subsidiaries of Kaisa Holdings; and (ii) inserting a new holding entity over a group of subsidiaries under common control of Kaisa Holdings, and has not resulted in a change of the respective voting and beneficial interests, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation has been completed at the beginning of the Track Record Periods.

Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Periods include the results and cash flows of all companies now comprising the Group but excluding the results of Carve-out business from the earliest date presented or since the date when the subsidiaries first came under the common control of Kaisa Holdings, where this is a shorter period. The combined statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and June 30, 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Kaisa Holdings's perspective.

Equity interests in subsidiaries held by parties other than the Kaisa Holdings prior to the Reorganisation and presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Historical Financial Information has been prepared on the historical cost convention.

The Historical Financial Information is presented in RMB, which is also the Company's functional currency.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

2.2 Changes in accounting policy and disclosures

(i) *New and amended standards adopted by the Group*

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has adopted the HKFRSs (which includes HKFRS 9 and 15) on a consistent basis which are effective for the accounting period beginning on 1 January 2018 throughout the Track Record Period.

(ii) *New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial years beginning on or after July 1, 2018 and have not been early adopted*

Up to the date of issuance of this report, HKICPA has issued the following new standards, amendments and interpretations to existing standards which are not yet effective and have not been early adopted by the Group during the Track Record Period:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 19	Plan Amendment Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvement HKFRSs 2015-2017 ¹
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after January 1, 2021

³ Effective date not yet determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective except those set out below:

HKFRS 16 provides new provisions for the accounting treatment of leases and will require lessees to recognise certain leases on the combined statement of financial position. Almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's combined statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the combined statement of financial position. In the combined statement of profit or loss and other comprehensive income, leases will be recognised in future as depreciation of right of use assets and interest expense on lease liability and will no longer be recorded as an operating expense on a straight line basis. The Group is a lessee of certain offices and buildings, which are currently accounted for as

operating leases under HKAS 17 based on the accounting policy set out in note 2.25. As at June 30, 2018, the Group's minimum lease payments under non-cancellable operating lease agreements were RMB25,888,000 as separately disclosed in note 32. In comparison with operating leases under HKAS 17, this will change not only the allocation of expense but also the total amount of expenses recognised for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The Group was expected to apply the new standard starting from the financial year beginning on or after January 1, 2019 and the Group did not expect that the new adoption of HKFRS 16 would significantly impact the Group's net profit.

2.3 Business combination and Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the combined statement of profit or loss and other comprehensive income from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of financial position respectively.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at proportionate share of the recognised non-controlling interest's amounts of the acquiree's identifiable net assets.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or the proportionate share of the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the difference being recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group has directly disposed of the related assets or liabilities. This may mean that the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Separate financial statements

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost also 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 combined financial statements of the investee's net assets including goodwill.

2.4 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in an associate include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables that, in substance, form part of the Group's investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of result from associate in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate is recognised in the Group's financial statements only to the extent of unrelated investor's interest in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associate is recognised in profit or loss.

2.5 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.6 Intangible asset (other than goodwill)

Intangible asset acquired in a business combination

Intangible asset acquired in a business combination are recognised separately from goodwill and are initially recognised at its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is provided on a straight-line basis over its estimated useful lives. Alternatively, intangible asset with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment of non-financial assets below).

Mobile application	6 years
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The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or 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. All other costs, such as repairs and maintenance are recognised to profit or loss during the financial period in which they are incurred.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	33.33–50%
Furniture, fittings and office equipment	10–20%
Motor vehicles	10–20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.9 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The combined financial statements are presented in RMB, which is the functional currency of the Company and the Group.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in profit or loss within ‘finance costs/income — net’. All other foreign exchange gains and losses are presented in profit or loss within ‘other gains and (losses) — net’.

(iii) *Group companies*

The results and financial positions of all the group entities (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 statement of financial position of the group entities are translated at the closing rate at the reporting date;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (CGU). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

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 entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

See note 3.1 for details about each type of financial assets.

The Group reclassifies debts investments when and only when its business model for managing those assets changes.

Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the combined statement of profit or loss and other comprehensive income.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classified its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the combined statement of profit or loss and other comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the combined statement of profit or loss and other comprehensive income and recognised in "other gains and (losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in "other gains and (losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in "other gains" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains and (losses) — net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through OCI are not reported separately from other changes in fair value.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined statement of financial position when, and only 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.13 Impairment of financial assets

The Group recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the combined statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for services provided 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 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 allowance for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, and deposits held at call with banks with original maturities of three months or less. Bank deposits which are restricted are included in “restricted cash” of the combined statements of financial position.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (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.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of profit or loss and other comprehensive income over the period 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 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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 date.

2.19 Borrowing costs

All borrowing costs are recognised in the combined statements of profit or loss and other comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the countries where the Company, its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, 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 for if it arises from initial recognition of goodwill. Deferred 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 tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable that temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable income in those years. The estimate of future taxable income includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Deferred tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries and associates, except for deferred tax liability where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for its associate, only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (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 at 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 PRC government.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Bonus entitlements

The expected cost of bonus payment 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.

(iv) Share-based compensation benefits of Kaisa Holdings

Kaisa Holdings operates equity-settled share option schemes, under which Kaisa Holdings including the Group receives services from employees as consideration for equity instruments ("option") of the Group. The fair value of the employee services received in

exchange for the grant of options of Kaisa Holdings is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions. At each reporting date, the Group revise their estimates of the number of options and awarded shares that are expected to ultimately vest. They recognise the impact of the revision of original estimates, if any, in the combined statement of profit or loss and other comprehensive income of the Group, with a corresponding adjustment made to contribution from shareholder over the remaining vesting period.

2.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not 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 expenditures expected 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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Historical Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.23 Revenue recognition

(i) Revenue

The Group provides property management services, pre-delivery and consulting services, community value-added services and smart solution services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump-sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, or total property management cost incurred or accrual by the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Pre-delivery and consulting services

Pre-delivery and consulting services to non-property owners mainly includes fees for construction sites management, display units and property sales venues management and consulting services to property developers at the pre-delivery stage, and property management consulting services provided to other property management companies which are billed based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided.

Community value-added services

Community value-added services include mainly i) value-added services, which mainly include a K Life mobile app to consolidate the Group's previous platforms to offer an upgraded one-stop service for all of the residential communities, is recognised when the services are rendered; and ii) fees generated from our car parking and space leasing, which is recognised over the time when such services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Smart solution services

For smart solution services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the reporting date as a percentage of total estimated costs for each contract.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the combined statement of financial position 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.

(ii) Interests income

Interests income is recognised using the effective interest method.

2.24 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 that they are intended to compensate.

2.25 Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(a) The Group is the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the combined profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

(b) The Group is the lessor

Rental income from operating leases is recognised in the combined statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Initial costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

2.26 Related parties

For the purposes of this Historical Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.27 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Categories of financial assets and liabilities

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost:				
Trade and other receivables				
(excluding prepayments)	28,207	36,066	39,861	57,299
Payments on behalf of residents . . .	27,610	48,305	53,320	48,178
Amounts due from related parties . .	438,554	1,034,834	930,962	733,082
Restricted cash	11,049	11,526	1,074	934
Cash and bank balances	15,674	33,921	114,098	172,138
	<u>521,094</u>	<u>1,164,652</u>	<u>1,139,315</u>	<u>1,011,631</u>
Financial liabilities at amortised cost				
Trade and other payables (excluding other tax payables).	144,943	195,029	259,452	242,452
Amounts due to fellow subsidiaries .	159,492	217,638	227,736	232,900
Other borrowing	—	480,000	325,000	165,000
	<u>304,435</u>	<u>892,667</u>	<u>812,188</u>	<u>640,352</u>

(ii) Interest rate risk

The Group's interest rate risk mainly arises from other borrowing. Other borrowing at variable rates exposes the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

The Group's interest-bearing assets and liabilities are mainly restricted cash, bank deposits, amount due from a fellow subsidiary and other borrowing. Amount due from a fellow subsidiary and other borrowing issued at variable rates expose the Group to cash flow interest-rate risk. As at December 31, 2015, 2016 and 2017 and June 30, 2018, if interest rates had been 100 basis points higher or lower with all other variables held constant, the Group's profit before income tax for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 would increase or decrease by approximately nil, nil, nil and nil, respectively, mainly as a result of higher or lower interest expenses on floating rate borrowings. No interest rate risk is associated with restricted cash and bank deposits as their interest rates were fixed.

The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

(iii) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

The amount of contingent liabilities in relation to financial guarantee issued by the Group is disclosed in note 30.

Cash in banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward looking information. The Group expects that the credit risk associated with the balances of neither past due nor impaired is considered to be low. Significant concentration of risk exists where the Group has material exposures to the trade receivables from pre-delivery and consulting services from one customer located in Mainland China which accounted for 14.3%, nil, nil and nil of the total trade receivables at December 31, 2015, 2016 and 2017 and June 30, 2018 respectively.

Deposits and amounts due from related parties

The Group expects that the credit risk associated with deposits and other receivables due from related parties (including a related company and fellow subsidiaries) is considered to be low, since the majority of the deposits is due from government authorities as pledge for the ordinary business and related parties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit loss rate for the amounts due from related companies are immaterial under 12 months expected losses method. Thus, the impairment provision recognised during the period was limited to 12 months expected losses, which was 1% allowance rate for deposits.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the maximum exposure to loss of the amounts due from related companies was RMB438,554,000, RMB1,034,834,000, RMB930,962,000 and RMB733,082,000 respectively.

Other receivables other than those from related parties

The Group has large number of counterparties for its other receivables other than those from related parties. There was no concentration of credit risk. 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 reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. 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.

Contract assets and payment on behalf of residents

Contract assets are related to unbilled work in progress which have substantially the same risk characteristics as the trade receivables for the same type of contract. Payment on behalf of residents is related to various expenses paid in advance for the residents of the communities under management by the Group, which are also the customers of the Group. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets and payment on behalf of residents. Since the contract assets and payment on behalf of residents are still in performing and the payment is not due. The expected loss rate of contract assets is assessed to be 0% which is the same as that of trade receivables neither past due nor impaired.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the internal credit rating of contract assets and payment on behalf of residents were performing. The Group considered customers having a low risk of default and a strong capacity to meet contractual cash flows as performing. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected credit losses method. Thus, no loss allowance provision was recognised for the contract assets during the Track Record Period, while only a 5% provision was made for payment on behalf of residents.

Forward-looking information incorporated in the expected credit loss model

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward-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 individual property owner or the borrower
- significant increases in credit risk on other financial instruments of the individual property owner or 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.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the loss allowance provision was determined as follows:

		2015		2016		2017		As at June 30, 2018	
Expected loss rate		Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision	Gross carrying amount	Loss allowance provision
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables									
Neither past									
due nor impaired. . . .	0%	5,032	—	3,914	—	2,085	—	719	—
Overdue within 1 year . .	5%	13,116	656	13,483	674	19,854	993	36,105	1,805
Overdue 1 to 2 years . . .	25%	2,308	577	3,195	799	5,704	1,426	6,808	1,702
Overdue 2 to 3 years . . .	35%	407	142	1,837	643	2,497	874	3,488	1,221
Overdue over 3 years . . .	60%	10	6	346	208	1,937	1,162	1,495	897
		<u>20,873</u>	<u>1,381</u>	<u>22,775</u>	<u>2,324</u>	<u>32,077</u>	<u>4,455</u>	<u>48,615</u>	<u>5,625</u>
		2015		2016		2017		As at June 30, 2018	
Expected loss rate		Gross carry amount	Loss allowance provision	Gross carry amount	Loss allowance provision	Gross carry amount	Loss allowance provision	Gross carry amount	Loss allowance provision
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposits, other									
receivables and									
payments on behalf of									
residents (excluding									
prepayments)									
Deposits	1%	1,385	14	3,511	35	4,403	44	4,307	43
Other receivables and									
payment on behalf of									
residents									
Overdue within 1 year . .	5%	35,627	1,781	61,913	3,095	63,645	3,182	59,631	2,982
Overdue 1 to 2 years . . .	25%	1,365	341	1,327	332	1,378	344	887	222
Overdue 2 to 3 years . . .	35%	113	40	906	317	858	300	802	281
Overdue over 3 years . . .	60%	26	15	105	63	81	49	968	580
		<u>38,516</u>	<u>2,191</u>	<u>67,762</u>	<u>3,842</u>	<u>70,365</u>	<u>3,919</u>	<u>66,595</u>	<u>4,108</u>

The management of the Group determines the expected loss rate by reference to several key inputs such as the Group's historical probabilities of the default risk of debtors, the credit risk exposure of the receivables and forward-looking information. At the end of each reporting period, the management of the Group reassesses these inputs regularly and considers that the input used in the determination of the expected loss rate do not significantly improved or deteriorated. Accordingly, there is no change in expected loss rate throughout the Track Record Period.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the loss allowance provision for trade and other receivables, deposits and payments on behalf of residents (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Deposits, other receivables and payments on behalf of residents (excluding prepayments)	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2015	1,111	2,165	3,276
Provision for loss allowance recognised in profit or loss	270	329	599
Reversal of provision for loss allowance recognised	—	(303)	(303)
At December 31, 2015	<u>1,381</u>	<u>2,191</u>	<u>3,572</u>
At January 1, 2016	1,381	2,191	3,572
Provision for loss allowance recognised in profit or loss	943	1,651	2,594
At December 31, 2016	<u>2,324</u>	<u>3,842</u>	<u>6,166</u>
At January 1, 2017	2,324	3,842	6,166
Provision for loss allowance recognised in profit or loss	2,131	264	2,395
Reversal of provision for loss allowance recognised	—	(187)	(187)
At December 31, 2017	<u>4,455</u>	<u>3,919</u>	<u>8,374</u>
At January 1, 2018	4,455	3,919	8,374
Provision for loss allowance recognised in profit or loss	1,170	459	1,629
Reversal of provision for loss allowance recognised.	—	(270)	(270)
At June 30, 2018.	<u>5,625</u>	<u>4,108</u>	<u>9,733</u>

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the gross carrying amount of trade and other receivables, deposits and payments on behalf of residents (excluding prepayments) was RMB59,389,000, RMB90,537,000, RMB102,442,000 and RMB115,210,000 and thus the maximum exposure to loss was RMB55,817,000, RMB84,371,000, RMB94,068,000 and RMB105,477,000 respectively.

(iv) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at December 31, 2015, 2016 and 2017 and June 30, 2018. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted amount	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2015						
Trade and other payables . . .	141,765	1,224	1,560	394	144,943	144,943
Amounts due to fellow subsidiaries	159,492	—	—	—	159,492	159,492
Financial guarantee contract (note)	18,494,367	—	—	—	18,494,367	—
	<u>18,795,624</u>	<u>1,224</u>	<u>1,560</u>	<u>394</u>	<u>18,798,802</u>	<u>304,435</u>
As at December 31, 2016						
Trade and other payables . . .	190,591	1,395	2,085	958	195,029	195,029
Amounts due to fellow subsidiaries	217,638	—	—	—	217,638	217,638
Other borrowing	181,523	337,166	—	—	518,689	480,000
Financial guarantee contract (note)	21,022,803	—	—	—	21,022,803	—
	<u>21,612,555</u>	<u>338,561</u>	<u>2,085</u>	<u>958</u>	<u>21,954,159</u>	<u>892,667</u>
As at December 31, 2017						
Trade and other payables . . .	253,514	1,163	3,465	1,310	259,452	259,452
Amounts due to fellow subsidiaries	227,736	—	—	—	227,736	227,736
Other borrowing	337,166	—	—	—	337,166	325,000
Financial guarantee contract (note)	1,000,000	—	—	—	1,000,000	—
	<u>1,818,416</u>	<u>1,163</u>	<u>3,465</u>	<u>1,310</u>	<u>1,824,354</u>	<u>812,188</u>
As at June 30, 2018						
Trade and other payables . . .	237,417	1,835	2,772	428	242,452	242,452
Amounts due to fellow subsidiaries	232,900	—	—	—	232,900	232,900
Other borrowing	168,445	—	—	—	168,445	165,000
	<u>638,762</u>	<u>1,835</u>	<u>2,772</u>	<u>428</u>	<u>643,797</u>	<u>640,352</u>

Note: The amount included above for financial guarantee contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at each reporting date, the Group considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(v) Fair value measurement

The directors of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the other borrowing (note 25) less cash and bank balances (note 22), restricted cash (note 22) and equity attributable to owners of the Company, comprising share capital and reserves. The directors of the Company review the capital structure periodically.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowing less cash and bank balances and restricted cash. Total capital is calculated as "total equity" as shown in the combined statement of financial position plus net debt.

The gearing ratios of the Group as at December 31, 2015, 2016 and 2017 and June 30, 2018 were as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB '000	RMB '000	RMB '000
Other borrowing	—	480,000	325,000	165,000
Less: Cash and bank balances (note 22)	(15,674)	(33,921)	(114,098)	(172,138)
Restricted cash (note 22)	(11,049)	(11,526)	(1,074)	(934)
Net debt	<u>(26,723)</u>	<u>434,553</u>	<u>209,828</u>	<u>(8,072)</u>
Total equity	<u>174,635</u>	<u>232,820</u>	<u>305,461</u>	<u>335,343</u>
Gearing ratio (note)	<u>N/A</u>	<u>187%</u>	<u>69%</u>	<u>N/A</u>

The increase in the gearing ratio during the year ended December 31, 2016 primarily resulted from the borrowing drawn down in 2016. The decrease in the gearing ratio during the year ended December 31, 2017 primarily resulted from the repayment of borrowing and the increase in cash and bank balances. There were no changes in the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements by its lenders. The gearing ratio at December 31, 2015 and June 30, 2018 were not presented as the Group has no net debt as at December 31, 2015 and June 30, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Management performed a comprehensive impairment test on goodwill arising from the acquisition of Shenzhen Qijia Internet Technology Co., Ltd. (“Shenzhen Qijia”)* as set out in note 16 to the Historical Financial Information.

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amounts of the property, plant and equipment are RMB8,049,000, RMB6,863,000, RMB6,933,000 and RMB6,711,000 and the investment in an associate are RMB6,851,000, RMB2,553,000, nil and nil respectively. Impairment loss on investment in an associate amounting to RMB5,102,000, RMB2,141,000, RMB597,000, RMB299,000 (unaudited) and nil are recognised in the combined statements of profit or loss and other comprehensive income during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018 respectively, which are based on the management's best estimates.

Current and deferred tax

The Group is subject to corporate income tax 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 income 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.

Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at each reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see note 3.1 above.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amounts of trade and other receivables are RMB28,697,000, RMB37,671,000, RMB44,107,000 and RMB65,919,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

5.1 Revenue

- (a) Revenue mainly comprises of proceeds from provision of property management services, pre-delivery and consulting services, community value-added services and smart solution services. An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended December 31,						Six months ended June 30,			
	2015		2016		2017		2017		2018	
	Revenue	Cost of services	Revenue	Cost of services	Revenue	Cost of services	Revenue	Cost of services	Revenue	Cost of services
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000	RMB'000
Revenue from customer and recognised over time										
Property management services	186,074	121,722	209,308	147,653	268,368	182,880	120,208	72,757	177,721	111,677
Pre-delivery and consulting services .	246,947	158,076	248,781	169,307	295,788	210,725	137,313	93,006	164,345	108,644
Community value-added services . . .	36,314	26,438	45,127	32,681	57,749	36,280	24,302	16,823	38,221	27,674
Smart solution services	8,693	6,559	35,891	27,439	47,254	34,988	25,859	19,370	32,037	23,466
	<u>478,028</u>	<u>312,795</u>	<u>539,107</u>	<u>377,080</u>	<u>669,159</u>	<u>464,873</u>	<u>307,682</u>	<u>201,956</u>	<u>412,324</u>	<u>271,461</u>

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, revenue from Kaisa Holdings and its subsidiaries (the “Kaisa Holdings Group”) contributed 56%, 55%, 54% and 51% of the Group’s revenue, respectively. Other than the transactions with Kaisa Holdings Group, none of whom contributed 10% or more of the Group’s revenue during the Track Record Period.

The details of contract assets and contract liabilities were disclosed in note 20.

(b) Unsatisfied performance obligations

Remaining performance obligations expected to be satisfied during the period from/year ending:	RMB'000
June 30, 2018 to December 31, 2018	24,699
Year ending December 31, 2019	29,360
After December 31, 2019	4,403
	<u>58,462</u>

5.2 Segment information

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

During the Track Record Period, the Group engaged in the provision of property management services, pre-delivery and consulting services, community value-added services and smart solution 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 major operating entity of the Group is domiciled in the PRC. Accordingly, all the Group’s revenue were derived in the PRC during the Track Record Period.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, all of the non-current assets were located in the PRC.

6. OTHER GAINS AND (LOSSES), NET

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Forfeited customer deposits	139	91	52	—	—
Unconditional government subsidy income	3,440	1,495	446	137	841
Government penalty	(113)	(53)	—	—	—
Net (losses)/gains on disposal of plant and equipment (note 29(a)) . .	(19)	44	(27)	(14)	(19)
Losses on deemed disposal of an associate (note 31)	—	—	(64)	—	—
Provision for loss allowance (notes 3.1 and 9)	(599)	(2,594)	(2,395)	(2,595)	(1,629)
Reversal of provision for loss allowance (notes 3.1 and 9)	303	—	187	—	270
Amounts written off as uncollectible .	(154)	(154)	(154)	(77)	(240)
Exchange (losses)/gains, net.	(2,692)	(3,215)	2,921	1,179	(817)
Others	(72)	178	287	81	(32)
	<u>233</u>	<u>(4,208)</u>	<u>1,253</u>	<u>(1,289)</u>	<u>(1,626)</u>

7. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages, salaries and other benefits . .	223,684	236,162	308,121	140,375	172,371
Share-based payment (note 28)	280	71	1,218	19	1,241
Contributions to defined contribution retirement plans	16,753	18,171	22,784	10,692	12,851
	<u>240,717</u>	<u>254,404</u>	<u>332,123</u>	<u>151,086</u>	<u>186,463</u>

8. FINANCE INCOME AND COSTS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
Interest income from amount due from a fellow subsidiary	—	5,081	27,257	14,919	9,072
Finance costs					
Interest expense of other borrowing .	—	(5,081)	(27,061)	(14,811)	(9,007)
Finance income, net	<u>—</u>	<u>—</u>	<u>196</u>	<u>108</u>	<u>65</u>

9. PROFIT BEFORE INCOME TAX

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax has been arrived at after charging/(crediting):					
Advertising and promotion expenses	793	2,379	4,763	1,790	1,785
Auditor's remuneration	100	172	670	139	90
Business and other taxes	27,132	10,028	3,466	1,655	2,320
Business entertainment expenses	440	1,162	1,874	811	1,046
Cost in relation to smart solution services	5,915	27,160	34,732	19,231	23,285
Depreciation (note 14)					
— Included in cost of services	1,992	2,006	1,845	895	986
— Included in administrative expenses	1,859	1,102	1,012	546	561
Amortisation of intangible asset (note 15)	—	—	—	—	658
Legal and professional fees	566	2,735	907	337	1,078
Listing expenses	—	—	4,376	—	18,012
Operating lease					
— Included in cost of services	23,183	27,709	30,809	15,216	24,043
— Included in administrative expenses	848	845	2,240	707	2,175
Office expenses	2,853	4,625	6,593	2,130	2,736
Provision for loss allowance					
— Trade receivables (note 3.1)	270	943	2,131	1,705	1,170
— Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 3.1)	329	1,651	264	890	459
Reversal of provision for loss allowance					
— Deposits, other receivables and payments on behalf of residents (excluding prepayments) (note 3.1)	(303)	—	(187)	—	(270)
Staff costs — including directors' emoluments (note 7)					
— Included in cost of services	174,648	199,244	252,570	114,255	141,590
— Included in administrative expenses	66,069	55,160	79,553	36,831	44,873
Travelling	1,851	3,208	4,373	1,759	1,748

10. INCOME TAX EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
— PRC Enterprise Income Tax	23,568	23,934	25,266	14,979	20,797
Deferred tax					
— PRC Enterprise Income Tax					
(note 26)	(112)	(687)	(590)	(508)	21,675
	<u>23,456</u>	<u>23,247</u>	<u>24,676</u>	<u>14,471</u>	<u>42,472</u>

Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before income tax	81,176	81,361	96,117	58,519	65,504
Add: Share of results of an associate .	<u>2,759</u>	<u>2,157</u>	<u>1,949</u>	<u>786</u>	<u>—</u>
	<u>83,935</u>	<u>83,518</u>	<u>98,066</u>	<u>59,305</u>	<u>65,504</u>
Tax on profit before income tax,					
calculated at the rate of 25%	20,984	20,880	24,517	14,826	16,376
Tax effects of:					
— different income tax rates of					
certain companies	67	26	1,613	534	1,566
— preferential income tax rates of					
certain companies	(1,290)	(1,119)	(1,934)	(1,086)	(1,286)
— non-deductible expenses	2,198	1,184	150	101	4,011
— tax loss not recognised	1,497	2,276	330	96	823
— utilisation of previously					
unutilised tax losses	—	—	—	—	(1,018)
— temporary difference arising					
from withholding tax for					
undistributed profits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,000</u>
Income tax expenses	<u>23,456</u>	<u>23,247</u>	<u>24,676</u>	<u>14,471</u>	<u>42,472</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax. The group companies incorporated in the BVI were under the International Business Companies Act of the British Virgin Islands and, accordingly, exempted from British Virgin Islands income tax.

Hong Kong profit tax

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.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The two-tiered profits tax rates will be applicable to the subsidiary of the Group, Profit Victor Investment (Hong Kong) Limited for its annual reporting periods beginning on or after 1 April 2018.

PRC Enterprise Income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years/periods, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in Track Record Period.

Shenzhen Jiake Intelligence Engineering Co., Ltd. and Shenzhen Qijia Internet Technology Co., Limited have already obtained its qualification as a “High and New Technology Enterprise” (“HNTE”) in December 2017, and it is subject to a reduced preferential enterprise income tax rate of 15% for 3-year period from 2017 to 2019 and 2016 to 2018 respectively according to the applicable tax preference applicable to the HNTE.

For certain group entities engaged in property management services (the PM Entities”), pursuant to relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group is able to temporarily utilise tax losses of loss making communities, resulting in deferral of payment of certain provision.

The directors of the Company consider that none of the non-controlling interest of the individual subsidiary was significant to the Group and thus the individual financial information of the subsidiary was not disclosed.

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as director respectively) for the Track Record Period are set out below:

Year ended December 31, 2015						
	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note d)	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	—	879	—	88	—	967
Ms. Guo Li (Vice President) (note b)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liu Hongbai (note c) . .	—	—	—	—	—	—
Ms. Ma Xiumin (note c) . . .	—	—	—	—	—	—
Mr. Chen Bin (note c)	—	—	—	—	—	—
	—	879	—	88	—	967
	==	==	==	==	==	==
Year ended December 31, 2016						
	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note d)	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	—	1,672	—	97	—	1,769
Ms. Guo Li (Vice President) (note b)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liu Hongbai (note c) . .	—	—	—	—	—	—
Ms. Ma Xiumin (note c) . . .	—	—	—	—	—	—
Mr. Chen Bin (note c)	—	—	—	—	—	—
	—	1,672	—	97	—	1,769
	==	==	==	==	==	==

Year ended December 31, 2017

	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note d)	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	—	1,744	—	126	1,199	3,069
Ms. Guo Li (Vice President) (note b)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liu Hongbai (note c) . .	—	—	—	—	—	—
Ms. Ma Xiumin (note c) . . .	—	—	—	—	—	—
Mr. Chen Bin (note c)	—	—	—	—	—	—
	—	1,744	—	126	1,199	3,069
	==	==	==	==	==	==

Six months ended June 30, 2017 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note d)	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	—	888	—	57	—	945
Ms. Guo Li (Vice President) (note b)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liu Hongbai (note c) . .	—	—	—	—	—	—
Ms. Ma Xiumin (note c) . . .	—	—	—	—	—	—
Mr. Chen Bin (note c)	—	—	—	—	—	—
	—	888	—	57	—	945
	==	==	==	==	==	==

Six months ended June 30, 2018						
	Fees	Salaries, allowances and benefits in kind	Bonuses	Retirement scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note d)	RMB'000
Executive directors:						
Mr. Liao Chuanqiang (Chairman and President) (note a)	—	901	—	68	1,241	2,210
Ms. Guo Li (Vice President) (note b)	—	486	105	57	—	648
Independent non-executive directors:						
Mr. Liu Hongbai (note c) . .	—	—	—	—	—	—
Ms. Ma Xiumin (note c) . . .	—	—	—	—	—	—
Mr. Chen Bin (note c)	—	—	—	—	—	—
	—	1,387	105	125	1,241	2,858

Notes:

- (a) Mr. Liao Chuanqiang was appointed as a director of the Company on October 13, 2017.
- (b) Ms. Guo Li was appointed as a director of the Company on May 9, 2018.
- (c) Mr. Liu Hongbai, Ms. Ma Xiumin and Mr. Chen Bin were appointed as independent non-executive directors of the Company in November 12, 2018.
- (d) Share-based payment expenses are measured according to the accounting policies as set out in note 2.21. Particulars of the share options granted to the director under the share option scheme of Kaisa Holdings, the ultimate holding company, are set out in note 28.

The emoluments shown above represents emoluments received from the Group by the director in his capacity as employee of the Group and/or in their capacity as director of the companies comprising the Group during the Track Record Period.

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include one, one, one, one (unaudited) and two directors during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, whose emoluments are disclosed in note 11.1. The aggregate of the emoluments paid to the remaining four, four, four, four (unaudited) and three individuals during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	7,439	5,386	3,472	2,072	1,774
Bonuses	222	232	736	368	332
Retirement scheme contributions .	414	414	501	238	164
Share-based payment	154	—	—	—	—
	<u>8,229</u>	<u>6,032</u>	<u>4,709</u>	<u>2,678</u>	<u>2,270</u>

The above individuals' emoluments are within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017 (unaudited)	2018
Nil to HK\$1,000,000	1	3	1	4	3
HK\$1,000,001 to HK\$2,000,000 . .	2	—	3	—	—
HK\$2,000,001 to HK\$3,000,000 . .	—	—	—	—	—
HK\$3,000,001 to HK\$4,000,000 . .	—	1	—	—	—
HK\$4,000,001 to HK\$5,000,000 . .	1	—	—	—	—
Over HK\$5,000,000	—	—	—	—	—
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

No directors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No directors or the five highest paid individuals have waived or agreed to waive any emoluments during the Track Record Period.

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017 (unaudited)	2018
Total profit attributable to owners of the Company (in RMB'000)	57,720	58,114	71,441	44,048	23,300
Weighted average number of ordinary share in issue	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>299,924</u>
Basic earnings per share (note) (in RMB'000)	<u>57,720</u>	<u>58,114</u>	<u>71,441</u>	<u>44,048</u>	<u>—</u> *

Note: The earnings per share as presented above is calculated using the weighted average number of ordinary share of 1, 1, 1, 1 (unaudited) and 299,924 shares for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018 respectively. In determining the weighted average number of ordinary shares, the 1 share issued upon incorporation were treated as if they have been in issue since January 1, 2015.

The earnings per share as presented above has not taken into account the proposed capitalisation issue of 104,000,000 shares pursuant to the shareholders' resolutions passed on November 12, 2018 because the proposed capitalisation issue has not become effective as of the date of this report.

* Amount less than RMB1,000.

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Group has no dilutive potential ordinary shares during the Track Record Period.

13. DIVIDEND

No dividend was paid or declared by the Company during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Furniture, fittings and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
As at January 1, 2015	1,604	16,111	2,238	19,953
Additions	4	1,052	240	1,296
Disposals	—	(793)	(240)	(1,033)
As at December 31, 2015 and January 1, 2016	1,608	16,370	2,238	20,216
Additions	18	1,634	442	2,094
Disposals	—	(235)	(432)	(667)
As at December 31, 2016 and January 1, 2017	1,626	17,769	2,248	21,643
Acquisition of a subsidiary (note 31)	—	197	—	197
Additions	3	2,721	45	2,769
Disposals	—	(509)	(1)	(510)
As at December 31, 2017	1,629	20,178	2,292	24,099
Additions	208	1,133	15	1,356
Disposals	(34)	(224)	(3)	(261)
As at June 30, 2018	<u>1,803</u>	<u>21,087</u>	<u>2,304</u>	<u>25,194</u>
Accumulated depreciation				
As at January 1, 2015	882	7,301	633	8,816
Charge for the year (note 9) . .	630	2,793	428	3,851
Written back on disposals . . .	—	(472)	(28)	(500)
As at December 31, 2015 and January 1, 2016	1,512	9,622	1,033	12,167
Charge for the year (note 9) . .	65	2,596	447	3,108
Written back on disposals . . .	—	(201)	(294)	(495)
As at December 31, 2016 and January 1, 2017	1,577	12,017	1,186	14,780
Charge for the year (note 9) . .	12	2,414	431	2,857
Written back on disposals . . .	—	(471)	—	(471)
As at December 31, 2017	1,589	13,960	1,617	17,166
Charge for the period (note 9) .	59	1,341	147	1,547
Written back on disposals	(35)	(193)	(2)	(230)
As at June 30, 2018	<u>1,613</u>	<u>15,108</u>	<u>1,762</u>	<u>18,483</u>
Net book amount				
As at December 31, 2015	<u>96</u>	<u>6,748</u>	<u>1,205</u>	<u>8,049</u>
As at December 31, 2016	<u>49</u>	<u>5,752</u>	<u>1,062</u>	<u>6,863</u>
As at December 31, 2017	<u>40</u>	<u>6,218</u>	<u>675</u>	<u>6,933</u>
As at June 30, 2018	<u>190</u>	<u>5,979</u>	<u>542</u>	<u>6,711</u>

As at December 31, 2015, 2016 and 2017 and June 30, 2018, no property, plant and equipment were pledged nor held under hire purchase.

15. INTANGIBLE ASSET

	<u>Mobile application</u>
	<u>RMB'000</u>
Cost	
As at January 1 and December 31, 2015, January 1 and December 31, 2016 and January 1, 2017	—
Acquisition of a subsidiary (note 31)	<u>7,895</u>
As at December 31, 2017, January 1, 2018 and June 30, 2018	<u><u>7,895</u></u>
Accumulated amortisation	
As at January 1 and December 31, 2015, January 1 and December 31, 2016, January 1 and December 31, 2017, January 1, 2018	—
Amortisation	<u>658</u>
As at June 30, 2018	<u><u>658</u></u>
Net book amount	
As at December 31, 2015 and 2016	—
As at December 31, 2017	<u><u>7,895</u></u>
As at June 30, 2018	<u><u>7,237</u></u>

As disclosed in note 31, the Group completed its acquisition of 92.26% of the equity interests in Shenzhen Qijia (note 31).

Mobile application represents an application runs as a platform that connects property managers, property owners and business providers and is amortised over the estimated useful life of 6 years with reference to its industry experience.

16. GOODWILL

	Community value-added services segment
	RMB'000
Cost	
As at January 1 and December 31, 2015, January 1 and December 31, 2016 and January 1, 2017	—
Arising on acquisition of business during the year (note 31)	5,534
As at December 31, 2017, January 1, 2018 and June 30, 2018	<u>5,534</u>
Accumulated impairment losses	
As at January 1 and December 31, 2015, January 1 and December 31, 2016 and January 1, 2017	—
Impairment loss recognised	—
As at December 31, 2017, January 1, 2018 and June 30, 2018	<u>—</u>
Carrying values	
At December 31, 2015 and 2016	—
At December 31, 2017	<u>5,534</u>
As at June 30, 2018	<u>5,534</u>

As disclosed in note 31, the Company further acquired 67.26% of the equity interests in Shenzhen Qijia, an associate of the Group as at December 31, 2015 and 2016, at a consideration of RMB5,382,000 (note 31). Upon the completion of acquisition, the Group owned 92.26% equity interests in Shenzhen Qijia. Total identifiable net liabilities of Shenzhen Qijia was amounted to RMB227,000, including intangible asset of RMB7,895,000 recognised by the Group. The excess of the consideration transferred over the fair value of the identifiable net liabilities acquired is recorded as goodwill.

The consideration of RMB5,382,000 was based on an arm's-length negotiation with reference to the appraised value of Shenzhen Qijia as provided by a third party valuer and taking into account the prospect of the business cooperation between Shenzhen Qijia and the Group. The valuation of Shenzhen Qijia was performed by an independent valuer using the income approach method. The cash flow projection is based on financial budgets prepared by the management covering the years from 2018 to 2022 and at a discount rate of 25% per annum. The cash flows beyond 2022 are extrapolated using a 3% growth rate.

As at June 30, 2018, the recoverable amount of Shenzhen Qijia calculated based on value in use exceeded the carrying value of RMB7,272,000. A 7.70% decrease in estimated annual revenue growth rate, a 10.37% decrease in estimated gross margin or a 14.45% increase in estimated discount rate, all changes taken in isolation in the value in use calculations, would remove the remaining headroom.

A reasonable change in key parameters on the calculation of value in use of CGU of Shenzhen Qijia would not cause the carrying amount to exceed its recoverable amount.

The management of the Group determined that, by reference to the preliminary valuation result provided by the independent valuer, the carrying amount of Shenzhen Qijia approximated to its fair value as at December 31, 2017 and June 30, 2018. No impairment of goodwill was required.

17. INVESTMENT IN AN ASSOCIATE

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in an associate, less accumulated impairment				
Unlisted	10,282	8,141	—	—
Share of post-acquisition loss and other comprehensive expense, net of dividend received	(3,431)	(5,588)	—	—
	<u>6,851</u>	<u>2,553</u>	<u>—</u>	<u>—</u>

The following table contains the particulars of an associate as at December 31, 2015 and 2016, which is unlisted corporate entity whose quoted market price is not available:

Name of entity	Place of business/ country of establishment	Proportion of issued capital/interest held by the Group	Principal activity
Shenzhen Qijia 深圳市 齊家互聯網科技 有限公司	The PRC	25%	Technology development

There are no contingent liabilities relating to the Group's interests in the associate.

Summarised financial information in respect of Shenzhen Qijia, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the combined financial statements are disclosed below:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current assets	12,997	2,417	—	494	n/a
Non-current assets	626	358	—	273	n/a
Current liabilities	(3,351)	(1,130)	—	(2,264)	n/a
Net assets/(liabilities)	<u>10,272</u>	<u>1,645</u>	<u>—</u>	<u>(1,497)</u>	<u>n/a</u>

Summarised statement of profit or loss and other comprehensive income of the associate:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,869	3,110	1,344	707	n/a
Loss and total comprehensive loss for the year/period	<u>(11,036)</u>	<u>(8,627)</u>	<u>(7,793)</u>	<u>(3,143)</u>	<u>n/a</u>

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of each of the investments in the Group's associate recognised in the Historical Financial Information:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net assets of the Group's associate	10,272	1,645	—
Portion of ownership interests held by the Group	<u>25%</u>	<u>25%</u>	<u>n/a</u>
Carrying amount of the Group's interests in the associate	2,568	411	—
Carrying value of goodwill	<u>4,283</u>	<u>2,142</u>	<u>—</u>
Carrying amount of the Group's interests in the associate	<u>6,851</u>	<u>2,553</u>	<u>—</u>

As at December 31, 2015, 2016 and 2017, included in the cost of investment in an associate is goodwill of RMB16,500,000 arising on the acquisition of an associate. The movement of goodwill is set out as below:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost			
As at January 1	16,500	16,500	16,500
Deemed disposal	<u>—</u>	<u>—</u>	<u>(16,500)</u>
As at December 31	<u>16,500</u>	<u>16,500</u>	<u>—</u>
Impairment			
As at January 1	7,115	12,217	14,358
Provided for the year	5,102	2,141	597
Deemed disposal	<u>—</u>	<u>—</u>	<u>(14,955)</u>
As at December 31	<u>12,217</u>	<u>14,358</u>	<u>—</u>
Carrying value			
As at December 31	<u>4,283</u>	<u>2,142</u>	<u>—</u>

18. TRADE AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
— from third parties	20,873	22,775	32,077	48,615
Less: allowance for impairment of trade receivables . . .	(1,381)	(2,324)	(4,455)	(5,625)
	<u>19,492</u>	<u>20,451</u>	<u>27,622</u>	<u>42,990</u>
Other receivables				
Deposits	1,385	3,511	4,403	4,307
Prepayments	490	1,605	2,623	1,799
Prepaid listing expense	—	—	1,623	7,444
Payments on behalf of staff . . .	5,239	7,665	5,059	4,197
Payments on behalf of residents under lump-sum basis	2,594	4,948	4,405	6,759
Others	235	791	372	618
Less: allowance for impairment of other receivables . . .	(738)	(1,300)	(1,113)	(1,572)
	<u>9,205</u>	<u>17,220</u>	<u>17,372</u>	<u>23,552</u>
Trade and other receivables . . .	28,697	37,671	44,994	66,542
Less: other receivables under non-current portion . . .	—	—	(887)	(623)
Current portion	<u>28,697</u>	<u>37,671</u>	<u>44,107</u>	<u>65,919</u>

All the Group's trade and other receivables are denominated in RMB. The directors consider that the fair values of trade and other receivables under current portion are not materially different from their carrying amounts because balances have short maturity periods on their inception.

Property management services income is received in accordance with the terms of the relevant service agreements and due for payment upon the issuance of demand note. Pre-delivery and consulting services and smart solution services are received in accordance with the terms of the relevant service agreements, and the Group normally allows an average credit period ranged from 15 days to 45 days to its customers.

The ageing analysis of the trade receivables based on the invoice date is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	15,159	11,344	16,288	30,203
181–365 days	2,981	5,461	5,177	6,621
1–2 years	2,316	3,743	5,822	6,808
2–3 years	407	1,880	3,162	3,488
Over 3 years	10	347	1,628	1,495
	<u>20,873</u>	<u>22,775</u>	<u>32,077</u>	<u>48,615</u>

The ageing analysis of the trade receivables based on the due date is as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired . .	5,032	3,914	2,085	719
Overdue within 180 days	10,261	7,981	14,285	30,612
Overdue 181–365 days	2,855	5,502	5,569	5,493
Overdue 1–2 years	2,308	3,195	5,704	6,808
Overdue over 2 years	417	2,183	4,434	4,983
	<u>20,873</u>	<u>22,775</u>	<u>32,077</u>	<u>48,615</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31, 2015, 2016 and 2017 and June 30, 2018, a provision of RMB1,381,000, RMB2,324,000, RMB4,455,000 and RMB5,625,000 was made against the gross amount of trade receivables and a provision of RMB738,000, RMB1,300,000, RMB1,113,000 and RMB1,572,000 was made against the gross amount of other receivables, respectively.

19. PAYMENTS ON BEHALF OF RESIDENTS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Payments on behalf of residents	29,063	50,847	56,126	50,714
Less: allowance for impairment of payments on behalf of residents	(1,453)	(2,542)	(2,806)	(2,536)
	<u>27,610</u>	<u>48,305</u>	<u>53,320</u>	<u>48,178</u>

The balances with the property management offices of residential communities managed by the Group under the terms of commission basis represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the payments on behalf of residents were denominated in RMB, and the fair value of the payments on behalf of residents approximated their carrying amounts.

The Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31, 2015, 2016 and 2017 and June 30, 2018, a provision of RMB1,453,000, RMB2,542,000, RMB2,806,000 and RMB2,536,000 respectively was made against the gross amount of payments on behalf of residents.

20. CONTRACT ASSETS/LIABILITIES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets				
Contract assets related				
to smart solution services . . .	<u>3,260</u>	<u>13,219</u>	<u>24,491</u>	<u>29,892</u>
Contract liabilities				
Contract liabilities related				
to smart solution services . . .	(1,972)	(974)	(3,144)	(7,627)
Contract liabilities related to				
property management services	<u>(11,069)</u>	<u>(16,923)</u>	<u>(32,887)</u>	<u>(26,933)</u>
	<u>(13,041)</u>	<u>(17,897)</u>	<u>(36,031)</u>	<u>(34,560)</u>

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services deliver of property management services.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Transfers from contract assets				
recognised at the beginning of				
the year/period to receivables .	(99)	(362)	(1,193)	(10,705)
Revenue recognised that was				
included in the contract				
liabilities balance at the				
beginning of the year/period .	<u>6,991</u>	<u>10,553</u>	<u>14,732</u>	<u>18,949</u>

All contract assets and liabilities are expected to be recovered/settled within one year.

21. AMOUNTS DUE FROM RELATED PARTIES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from fellow subsidiaries				
— Trade nature	387,443	468,164	545,282	433,610
— Non-trade nature	51,111	566,505	378,946	287,977
	<u>438,554</u>	<u>1,034,669</u>	<u>924,228</u>	<u>721,587</u>
Amounts due from joint ventures of fellow subsidiaries				
— Trade nature	—	—	6,638	11,094
Amount due from a related company				
— Trade nature	—	165	96	401
	<u>438,554</u>	<u>1,034,834</u>	<u>930,962</u>	<u>733,082</u>

The following is the aging analysis of amounts due from related parties (trade nature) based on invoice date presented at each of the reporting dates.

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	145,362	146,122	137,877	113,616
181–365 days	90,357	58,664	72,176	80,330
1–2 years	141,167	135,841	117,553	97,399
Over 2 years	10,557	127,702	224,410	153,760
	<u>387,443</u>	<u>468,329</u>	<u>552,016</u>	<u>445,105</u>

The following is the aging analysis of amounts due from related parties (trade nature) based on due date presented at each of the reporting dates.

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired . .	25,227	21,703	28,769	26,483
Overdue within 180 days	135,986	140,958	130,653	115,474
Overdue 181–365 days	103,440	67,900	69,809	75,296
Overdue 1–2 years	122,790	138,975	123,019	89,828
Overdue over 2 years	—	98,793	199,766	138,024
	<u>387,443</u>	<u>468,329</u>	<u>552,016</u>	<u>445,105</u>

Except for amount due from a fellow subsidiary amounting to nil, RMB480,000,000, RMB325,000,000 and RMB165,000,000 bearing interest rates at nil, 6.175%, 6.175% and 6.175% per annum and repayable on demand as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively, the remaining balances of amounts due from fellow subsidiaries, joint ventures of fellow subsidiaries and a related company are unsecured, interest-free and repayable on demand as at December 31, 2015, 2016 and 2017 and June 30, 2018.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, amounts due from related parties were denominated in RMB, and the fair value of the amounts due from related parties approximated their carrying amounts.

22. RESTRICTED CASH AND CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in — RMB	26,690	45,414	115,141	167,432
Denominated in — HKD	33	33	31	5,640
	26,723	45,447	115,172	173,072
Less: Restricted cash (note) . . .	(11,049)	(11,526)	(1,074)	(934)
Cash and bank balances	<u>15,674</u>	<u>33,921</u>	<u>114,098</u>	<u>172,138</u>

Note: As at December 31, 2015, 2016 and 2017 and June 30, 2018 restricted cash mainly represents the cash deposits in banks as performance security for property management services according to the requirements of local government authorities amounting to RMB174,000, RMB33,000, RMB30,000 and RMB31,000 respectively, maintenance fund held on behalf of the residents amounting to RMB433,000, RMB760,000, RMB542,000 and RMB402,000 and guaranteed deposits for the benefit of loan facility granted by the bank to a fellow subsidiary amounting to RMB10,442,000, RMB10,733,000, RMB502,000 and RMB501,000 respectively.

23. TRADE AND OTHER PAYABLES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
— from third parties	17,989	40,539	61,347	49,901
Other payables				
Accrued listing expenses.	—	—	5,231	18,551
Accrued staff costs	35,797	40,507	55,578	46,461
Business and other tax payables	7,745	6,247	10,071	9,327
Deposits received	26,039	34,356	41,967	41,444
Receipt on behalf of residents . .	58,496	69,595	80,474	66,747
Others	6,622	10,032	14,855	19,348
	134,699	160,737	208,176	201,878
	152,688	201,276	269,523	251,779
Less: other payables under non-current portion . . .	(3,178)	(4,438)	(5,938)	(5,035)
Current portion	149,510	196,838	263,585	246,744

Included in trade payables were amounts due to the Group's suppliers. The outstanding balances were trading in nature and no credit period were granted. Based on the invoice dates, the ageing analysis of the trade payables (excluding amounts due to related parties of trading in nature) were as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	16,556	32,503	52,573	35,874
91–180 days	245	7,400	6,393	7,960
181–270 days	68	26	570	4,304
271–365 days	55	24	220	1,027
Over 365 days	1,065	586	1,591	736
	17,989	40,539	61,347	49,901

All trade and other payables are denominated in RMB. All amounts classified as current portion are short term and hence the carrying values of the Group's trade payables, accrued expenses are considered to be a reasonable approximation of fair value.

24. AMOUNTS DUE TO FELLOW SUBSIDIARIES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to fellow subsidiaries				
— Trade nature	11,856	20,944	36,354	69,554
— Non-trade nature	147,636	196,694	191,382	163,346
	<u>159,492</u>	<u>217,638</u>	<u>227,736</u>	<u>232,900</u>

The following is the aging analysis of amounts due to fellow subsidiaries (trade nature) based on invoice date presented at the end of the reporting date:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	2,753	3,104	5,639	24,178
91–180 days	2,376	2,405	3,125	1,025
181–270 days	2,235	2,401	3,328	5,692
271–365 days	1,800	2,420	3,447	933
Over 365 days	2,692	10,614	20,815	37,726
	<u>11,856</u>	<u>20,944</u>	<u>36,354</u>	<u>69,554</u>

The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

25. OTHER BORROWING

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowing included in current liabilities				
Other borrowing — secured . . .	—	155,000	325,000	165,000
Borrowing included in non-current liabilities				
Other borrowing — secured . . .	—	325,000	—	—
Total other borrowing	<u>—</u>	<u>480,000</u>	<u>325,000</u>	<u>165,000</u>

Other borrowing of the Group as at December 31, 2016 and 2017 and June 30, 2018 is bearing interest rate at 6.175%, 6.175% and 6.175% per annum respectively, and are denominated in RMB.

The Group's other borrowing was secured by corporate guarantee by fellow subsidiaries as at December 31, 2016 and 2017 and June 30, 2018 respectively.

26. DEFERRED TAX ASSETS/LIABILITIES

	Year ended December 31,			Six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
Balance at beginning of year/period	884	996	1,683	2,273
Credited to the combined statements of profit or loss and other comprehensive income (note 10)	112	687	590	160
Balance at end of year/period . .	<u>996</u>	<u>1,683</u>	<u>2,273</u>	<u>2,433</u>
Deferred tax liabilities:				
Balance at beginning of year/period	—	—	—	(1,974)
Debited to the combined statements of profit or loss and other comprehensive income (note 10)	—	—	—	(21,835)
Acquisition of a subsidiary (note 31)	—	—	(1,974)	—
Balance at end of year/period . .	<u>—</u>	<u>—</u>	<u>(1,974)</u>	<u>(23,809)</u>

Deferred tax assets and liabilities are attributable to the following:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Provision for loss allowance . . .	<u>996</u>	<u>1,683</u>	<u>2,273</u>	<u>2,433</u>
Net tax assets	<u>996</u>	<u>1,683</u>	<u>2,273</u>	<u>2,433</u>
Liabilities				
Fair value changes of intangible asset	—	—	(1,974)	(1,809)
Withholding tax for undistributed profits	—	—	—	(22,000)
Net tax liabilities	<u>—</u>	<u>—</u>	<u>(1,974)</u>	<u>(23,809)</u>

The EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by the PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The directors expect to declare accumulated undistributed profit based on that as of December 31, 2017. As a result, deferred tax liabilities of RMB22,000,000 was recognised during the six months ended June 30, 2018.

At June 30, 2018, temporary differences relating to the accumulated undistributed profits of the Group's PRC subsidiaries amounted to RMB463,300,000. Except for the accumulated undistributed profit of the Group's PRC subsidiaries amounted to RMB220,000,000, no deferred tax liability was recognised in respect of the taxable temporary differences of RMB243,300,000 as of June 30, 2018.

27. SHARE CAPITAL

The Company was incorporated on October 13, 2017 and the paid-in capital of the Company as at December 31, 2017 was HK\$0.01.

	No. of shares	RMB'000
Authorised:		
38,000,000 shares of HK\$0.01 each	38,000,000	321
Issued and fully paid:		
Upon incorporation		
Issue of new shares	2	—*
As at December 31, 2017	2	—*
Issue of new shares (note).	999,998	—*
As at June 30, 2018	1,000,000	—*

Note: On May 4, 2018, the Company entered into subscription agreement with Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang, pursuant to which 9,979 shares, 1,939 shares and 2,082 shares were allotted and issued to Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang at a consideration of HK\$4,989,500, HK\$969,500 and HK\$1,041,000 respectively, on May 8, 2018. On May 7, 2018, the Company issued 985,998 shares of HK\$0.01 each to Ye Chang Investment.

* Amount less than RMB1,000.

28. SHARE-BASED PAYMENT

The share option schemes of its ultimate holding company, Kaisa Holdings (the "Share Option Scheme") was adopted pursuant to its resolution passed on November 22, 2009 and expires on November 21, 2019. Pursuant to the terms of the Share Option Scheme, the board of directors of Kaisa Holdings may, at its discretion, grant options to any eligible person (including directors, employees, officers of any member of the Kaisa Holdings, advisers, consultants, suppliers, agents and customers of any members of Kaisa Holdings).

The vesting periods, exercise periods and vesting conditions may be specified by Kaisa Holdings at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of Kaisa Holdings' shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of Kaisa Holdings' shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of Kaisa Holdings.

Details of the movement of the share options under Share Option Scheme are as follows:

	Year ended December 31,						Six months ended June 30,	
	2015		2016		2017		2018	
	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number	Weighted average exercise price in HK\$ per share	Number
At beginning of year/period . . .	1.626	5,544,000	1.626	5,544,000	1.626	4,088,000	2.600	8,088,000
Granted during the year	—	—	—	—	3.550	4,000,000	—	—
Transferred to Kaisa Holdings Group during the year (note) .	—	—	1.500	(1,456,000)	—	—	—	—
At end of year/period.	<u>1.626</u>	<u>5,544,000</u>	<u>1.626</u>	<u>4,088,000</u>	<u>2.600</u>	<u>8,088,000</u>	<u>2.600</u>	<u>8,088,000</u>

Note: During the year ended December 31, 2016, certain staff were transferred to Kaisa Holdings Group.

As at December 31, 2015, 2016 and 2017 and 30 June 2018, 2,912,000, 3,500,000, 4,088,000 and 4,088,000 respectively outstanding options granted under the Share Option Scheme were exercisable (note).

Note: Terms of share options at the reporting date were as follows:

Exercise period	Exercise price per share	Number of share options			
		As at December 31,			As at June 30,
		2015	2016	2017	2018
23/7/2011–22/7/2020	2.000	160,000	160,000	160,000	160,000
23/7/2012–22/7/2020	2.000	160,000	160,000	160,000	160,000
23/7/2013–22/7/2020	2.000	160,000	160,000	160,000	160,000
23/7/2014–22/7/2020	2.000	260,000	260,000	260,000	260,000
23/7/2015–22/7/2020	2.000	660,000	660,000	660,000	660,000
6/6/2013–5/6/2022	1.500	98,000	98,000	98,000	98,000
6/6/2014–5/6/2022	1.500	98,000	98,000	98,000	98,000
6/6/2015–5/6/2022	1.500	1,316,000	1,316,000	1,316,000	1,316,000
6/6/2016–5/6/2022	1.500	1,316,000	588,000	588,000	588,000
6/6/2017–5/6/2022	1.500	1,316,000	588,000	588,000	588,000
19/7/2018–18/7/2027	3.550	—	—	800,000	800,000
19/7/2019–18/7/2027	3.550	—	—	800,000	800,000
19/7/2020–18/7/2027	3.550	—	—	800,000	800,000
19/7/2021–18/7/2027	3.550	—	—	1,600,000	1,600,000
		<u>5,544,000</u>	<u>4,088,000</u>	<u>8,088,000</u>	<u>8,088,000</u>

Kaisa Holdings offered to grant several employees of the Group (the “July 2010 Grant”) of 1,400,000 share options of HK\$0.10 each in the capital of Kaisa Holdings on July 23, 2010.

On June 6, 2016, Kaisa Holdings further offered to grant several employees of the Group (the “June 2016 Grant”) of 1,960,000 share options of HK\$0.10 each in the capital of Kaisa Holdings.

On July 19, 2017, Kaisa Holdings offered to grant to the director of the Group (the “July 2017 Grant”) of 4,000,000 share options of HK\$0.10 each in the capital of Kaisa Holdings.

The valuations were based on the Binomial Option Pricing Model with the following data and assumptions:

	July 2010 Grant	June 2016 Grant	July 2017 Grant
Fair value under binomial model	HK\$2,614,000	HK\$4,001,000	HK\$6,828,000
Closing share price at grant date	HK\$1.71	HK\$1.39	HK\$3.55
Exercise price	HK\$2.00	HK\$1.50	HK\$3.55
Annual risk free interest rate	2.29%	1.04%	2.05%
Expected volatility	40%	44%	42%
Expected option life	10 years	10 years	10 years
Expected dividend yield	Nil	Nil	Nil

Expected volatility was determined by using the historical volatility of Kaisa Holdings' share price from the listing date to the grant date. The risk-free interest rate is equal to Hong Kong Dollar swap rate over the exercise period at the grant date.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised a share option expense of RMB280,000, RMB71,000, RMB1,218,000, RMB19,000 (unaudited) and RMB1,241,000 during the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

29. NOTES TO COMBINED STATEMENTS OF CASH FLOWS

- (a) In the combined statement of profit or loss and other comprehensive income, proceeds from disposals of property, plant and equipment comprise:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount	533	172	39	26	31
(Losses)/Gains on disposal of property, plant and equipment (note 6).	(19)	44	(27)	(14)	(19)
Proceeds from disposals	<u>514</u>	<u>216</u>	<u>12</u>	<u>12</u>	<u>12</u>

(b) Reconciliation of liabilities arising from financing activities*(i) Amounts due to fellow subsidiaries*

	Amounts due to fellow subsidiaries				
	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
As at beginning of year/period	61,207	159,492	217,638	217,638	227,736
Changes from financing cash flows:					
Increase/(decrease) in amounts due to fellow subsidiaries	90,283	49,058	(5,312)	34,855	(28,036)
Total changes from financing cash flows	151,490	208,550	212,326	252,493	199,700
Items included in operating activities					
Increase in amounts due to fellow subsidiaries	8,002	9,088	15,410	13,364	33,200
As at end of year/period	159,492	217,638	227,736	265,857	232,900

(ii) Other borrowing

	Other borrowing				
	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
As at beginning of year/period	—	—	480,000	480,000	325,000
Changes from financing cash flows:					
Proceed from other borrowing	—	480,000	—	—	—
Repayment of other borrowing	—	—	—	—	(80,000)
Total changes from financing cash flows	—	480,000	480,000	480,000	245,000
Items included in operating activities.					
Repayment made by a fellow subsidiary on behalf of the Group. .	—	—	(155,000)	(60,000)	(80,000)
As at end of year/period	—	480,000	325,000	420,000	165,000

(c) Material non-cash transactions

- (i) During the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, interest income amounting to nil, RMB5,081,000, RMB27,257,000, RMB14,919,000 (unaudited) and RMB9,072,000 respectively was credited to the amount due from a fellow subsidiary.
- (ii) During the year ended December 31, 2017 and the six months ended June 30, 2018, the repayment of other borrowing of RMB155,000,000 and RMB80,000,000 was settled by the fellow subsidiaries.

- (iii) During the six months ended June 30, 2017, the repayment of other borrowing of RMB60,000,000 was settled by the fellow subsidiaries.

30. CONTINGENT LIABILITY

As at December 31, 2015 and 2016, the Group and fellow subsidiaries have provided jointly and severally guarantee to the debt and bank facilities granted to Kaisa Holdings's offshore borrowings with aggregate balances of RMB17,724,367,000 and RMB20,252,803,000 respectively. As at December 31, 2017, the guarantee was released following the application of unrestricted subsidiary guarantor for the Group by Kaisa Holdings.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group and fellow subsidiaries have provided corporate guarantees of RMB643,000,000, RMB643,000,000, RMB977,299,000 and nil to secure banking facilities granted to a fellow subsidiary respectively.

The fair value of financial guarantees are determined by the directors' best estimation. As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group has not recognised liabilities in respect of the above guarantees issued because the fair value of these guarantees were insignificant.

31. ACQUISITION OF A SUBSIDIARY

The Group acquired an additional equity interest of approximately 67.26% of Shenzhen Qijia at the consideration of RMB5,382,000, which was completed on December 28, 2017. Shenzhen Qijia was previously an associate of the Group. After the acquisition, the Group held effective interest of approximately 92.26% of Shenzhen Qijia.

The Group accordingly remeasured the fair value of its pre-existing interest in Shenzhen Qijia at the date of completion and recognised the resulting loss of RMB64,000 on the remeasurement of the Group's pre-existing interest in Shenzhen Qijia to acquisition date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

The non-controlling interests recognised at the acquisition date were measured by reference to the proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Details of the carrying value and fair value of the Group's pre-existing interest in Shenzhen Qijia at the acquisition date are summarised as follows:

	<u>RMB'000</u>
Share of net assets	7
Less: Fair value of pre-existing interest	<u>(57)</u>
Loss on deemed disposal of an associate	<u>64</u>

Details of the aggregate fair values of the identifiable assets and liabilities of Shenzhen Qijia as at the date of acquisition are as follows:

	<u>2017</u>
	<u>RMB'000</u>
Property, plant and equipment (note 14)	197
Intangible asset — mobile application (note 15)	7,895
Trade and other receivables	571
Cash and bank balances	122
Trade and other payables	(7,038)
Deferred tax liabilities (note 26)	<u>(1,974)</u>
Total identifiable net liabilities at fair value	(227)
Less: non-controlling interests	<u>18</u>
	(209)
Goodwill (note 16)	<u>5,534</u>
Total consideration	<u>5,325</u>
Satisfied by:	
Cash	5,382
Fair value of pre-existing interest	<u>(57)</u>
Cash outflow on acquisition of subsidiary	<u>5,325</u>
Purchase consideration settled in cash	5,382
Cash and bank balances in subsidiary acquired	<u>(122)</u>
Cash outflow on acquisition of subsidiary	<u>5,260</u>

If the acquisition had occurred on January 1, 2017, combined pro-forma revenue and net loss for the year ended December 31, 2017 would have been RMB1,344,000 and RMB7,793,000 respectively. These amounts have been calculated using the subsidiary's results.

32. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings:				
Within one year	3,288	4,064	4,918	23,215
In the second to fifth years	828	3,320	2,283	2,673
Over five years	—	—	250	—
	<u>4,116</u>	<u>7,384</u>	<u>7,451</u>	<u>25,888</u>

The Group leases properties under operating leases. The lease run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals. Subsequent to the Track Record Period, the operating lease commitment up to 30 September 2018 is amounted to approximately RMB15,541,000.

At the reporting date, the total future minimum lease payments receipts by the Group under non-cancellable operating leases are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings:				
Within one year	35	1,676	301	264
In the second to fifth years	—	809	607	474
	<u>35</u>	<u>2,485</u>	<u>908</u>	<u>738</u>

The Group leases properties under operating leases. The lease run for an initial period of one to five years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates mutually agreed between the Group and respective tenants. None of the leases include contingent rentals.

33. RELATED PARTY TRANSACTIONS

Except as disclosed in elsewhere, the related party transactions are summarised as follows:

(a) Name and relationship with related parties

The ultimate holding company

Kaisa Group Holdings Ltd. 佳兆業集團控股有限公司

Fellow subsidiaries of the Group

Zhuhai Zhanda Property Development Co., Ltd.* 珠海市展大房地產開發有限公司
 Jinsheng Engineering Management Consulting (Shenzhen) Co., Ltd.* 今盛工程管理諮詢(深圳)有限公司
 Kaisa Investment Consulting Group (Shenzhen) Co., Ltd.* 佳兆業城市更新集團(深圳)有限公司
 (Formerly known as “Kaisa Zhiye Development (Shenzhen) Co., Ltd.”*
 “佳兆業置業發展(深圳)有限公司”)
 Kaisa Group (Shenzhen) Co., Ltd.* 佳兆業集團(深圳)有限公司
 Dongguan Kaisa Property Development Co., Ltd.* 東莞市佳兆業房地產開發有限公司
 Leisure Land Hotel Management (Shenzhen) Co., Ltd.* 可域酒店管理(深圳)有限公司
 Shenzhen Kaisa Commerce Group Co., Ltd.* 佳兆業商業集團有限公司
 Shenzhen Jililong Shiye Co., Ltd.* 深圳市吉利隆實業有限公司
 Guangzhou Jinmao Property Development Co., Ltd.* 廣州金貿房地產開發有限公司
 Shenzhen Nanao Kaisa Property Development Co., Ltd.* 深圳市南澳佳兆業房地產開發有限公司
 Shenzhen Woodland Height Shiye Co., Ltd.* 深圳市桂芳園實業有限公司
 Sichuan Tianzi Zhiye Co., Ltd.* 四川天姿置業有限公司
 Huizhou Jinhui Property Development Co., Ltd.* 惠州市金湖房地產有限公司
 Shenzhen Zhengchangtai Investment Consulting Co., Ltd.* 深圳市正昌泰投資諮詢有限公司
 Dongguan Yingsheng Property Development Co., Ltd.* 東莞市盈盛房地產開發有限公司
 Shenzhen Longgang Kaisa Property Development Co., Ltd.* 深圳市龍崗佳兆業房地產開發有限公司
 Chengdu Nanxing Property Development Co., Ltd.* 成都南興銀基房地產開發有限公司
 Fenglong Group Co., Ltd. 豐隆集團有限公司
 Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司
 Kaisa Holdings Limited 佳兆業集團有限公司
 Hunan Kaisa Property Development Co., Ltd.* 湖南佳兆業房地產開發有限公司
 Dongguan Yingyan Property Development Co., Ltd.* 東莞市盈雁房地產開發有限公司
 Shenzhen Dapeng Kaisa Property Development Co., Ltd.* 深圳市大鵬佳兆業房地產開發有限公司
 Chengdu Kaisa Investment Co., Ltd.* 成都佳兆業投資有限公司
 Shenzhen Taijian Construction & Engineering Co., Ltd.* 深圳市泰建建築工程有限公司
 Huizhou Weitong Property Co., Ltd.* 惠州緯通房產有限公司
 Huizhou Canrong Property Ltd.* 惠州燦榮房產有限公司
 Shenzhen Xingwoer Property Development Co., Ltd.* 深圳市興沃爾房地產開發有限公司
 Dongguan Yingtai Property Development Co., Ltd.* 東莞市盈泰房地產開發有限公司
 Chengdu Kaisa Commerce Operation Management Co., Ltd.* 成都市佳兆業商業經營管理有限公司
 Shanghai Xinwan Investment Development Co., Ltd.* 上海新灣投資發展有限公司
 Jiangyin Taichang Property Development Co., Ltd.* 江陰市泰昌房地產開發有限公司
 Huizhou Huasheng Investment Co., Ltd.* 惠州市華盛投資有限公司
 Boluo Kaisa Property Co., Ltd.* 博羅縣佳兆業房地產開發有限公司
 Boluo Kaisa Zhiye Co., Ltd.* 博羅縣佳兆業置業有限公司
 Shenzhen Golden Bay Hotel Co., Ltd.* 深圳市金沙灣大酒店有限公司
 Shenzhen Wanyuhua Investment Consulting Co., Ltd.* 萬裕華投資諮詢(深圳)有限公司
 Huizhou Kaisa Commerce Operation Management Co., Ltd.* 惠州市佳兆業商業經營管理有限公司
 Beijing Kaisa Investment Consulting Co., Ltd.* 北京佳兆業投資諮詢有限公司
 Kaisa Real Estate Jiangyin Co., Ltd.* 佳兆業地產江陰有限公司
 Leisure Land Hotel Property Management Jiangyin Co., Ltd.* 可域酒店置業管理江陰有限公司

Kaisa Real Estate (Liaoning) Co., Ltd.* 佳兆業地產(遼寧)有限公司
 Shenzhen Tianlian Industry Development Co., Ltd.* 深圳市天利安實業發展有限公司
 Jiangyin Woodland Height Property Co., Ltd.* 江陰桂芳園房地產有限公司
 Baoji Crafts (Shenzhen) Co., Ltd.* 寶吉工藝品(深圳)有限公司
 Guangzhou Kaisa Investment Consulting Co., Ltd.* 廣州佳兆業投資諮詢有限公司
 Shenzhen Liyu Construction & Design Co., Ltd.* 深圳市麗宇建築設計有限公司
 Shenzhen Kaisa Hotel Management Co., Ltd.* 深圳市佳兆業酒店管理有限公司
 Jiangyin Washington Waterfront Property Development Co., Ltd.* 江陰水岸華府房地產開發有限公司
 Nanchong Kaisa Property Co., Ltd.* 南充市佳兆業房地產有限公司
 Changzhou Kaisa Property Development Co., Ltd.* 常州佳兆業房地產開發有限公司
 Woodland Height Property (Yingkou) Co., Ltd.* 桂芳園地產(營口)有限公司
 Kaisa Property (Yingkou) Co., Ltd.* 佳兆業地產(營口)有限公司
 Zhaoruijing Hotel Zhiye Management (Suizhong) Co., Ltd.* 兆瑞景酒店置業管理(綏中)有限公司
 Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd.* 可域酒店置業管理(綏中)有限公司
 Kaisa Property (Anshan) Co., Ltd.* 佳兆業地產(鞍山)有限公司
 Zhuzhou Kaisa Zhiye Co., Ltd.* 株洲佳兆業置業有限公司
 Zhejiang Wufeng Zhiye Co., Ltd.* 浙江伍豐置業有限公司
 Kaisa Zhiye (Nanchong) Co., Ltd.* 佳兆業置業(南充)有限公司
 Jiangyin Jincui Garden Property Development Co., Ltd.* 江陰金翠園房地產開發有限公司
 Foshan Shunde Ideal City Real Estate Investment Co., Ltd.* 佛山市順德區理想城房地產投資有限公司
 Dalian Kaisa Commerce Operation Management Co., Ltd.* 大連市佳兆業商業經營管理有限公司
 Kaisa Real Estate (Benxi) Co., Ltd.* 佳兆業地產(本溪)有限公司
 Shenzhen Yantian Kaisa Property Development Co., Ltd.* 深圳市鹽田佳兆業房地產開發有限公司
 Kaisa Commerce Property Management (Panjin) Co., Ltd.* 佳兆業商業置業管理(盤錦)有限公司
 Shenzhen Henggang Kaisa Investment Consulting Co., Ltd.* 深圳市橫崗佳兆業投資諮詢有限公司
 Zhuhai Kaisa Property Development Co., Ltd.* 珠海市佳兆業房地產開發有限公司
 Shenzhen Kaisa Nanhua Investment Consulting Co., Ltd.* 深圳市佳兆業南華城市更新有限公司
 Bakai Property Development (Weifang) Co., Ltd.* 八凱房地產開發(濰坊)有限公司
 Anshan Junhuishangpin Property Development Co., Ltd.* 鞍山君匯上品房地產開發有限公司
 Wan Rui Fa Property (Anshan) Co., Ltd.* 萬瑞發地產(鞍山)有限公司
 Dongguan City Oasis Garden Property Development Co., Ltd.* 東莞市城市綠洲花園房地產開發有限公司
 Kaisa Financial Investment (Shenzhen) Co., Ltd.* 佳兆業金融投資(深圳)有限公司
 Kaisa Property (Wuhan) Co., Ltd.* 佳兆業地產(武漢)有限公司
 Dai River East Property (Suizhong) Co., Ltd.* 佳兆業旅遊開發有限公司
 Kaisa Property (Suizhong) Co., Ltd.* 佳兆業地產(綏中)有限公司
 Kaisa Dai River East Property Development Co., Ltd.* 佳兆業東戴河房地產開發有限公司
 Kaisa Property (Liaoyang) Co., Ltd.* 佳兆業地產(遼陽)有限公司
 Anshan Kaisa Baihuo Co., Ltd.* 鞍山佳兆業百貨有限公司
 Shenzhen Bantian Kaisa Investment Consulting Co., Ltd.* 深圳市坂田佳兆業投資諮詢有限公司
 Anshan Kaisa Commerce Operation Management Co., Ltd.* 鞍山佳兆業商業管理有限公司
 Xifeng Management Consulting (Shenzhen) Co., Ltd.* 熙豐管理諮詢(深圳)有限公司
 Shenzhen Jiameixuan Catering Co., Ltd.* 深圳嘉美軒餐飲有限公司
 Hunan Mingtai Zhiye Development Co., Ltd.* 湖南明泰置業發展有限公司
 Weifang Kaisa Sport Event Management Co., Ltd.* 濰坊佳兆業體育項目管理有限公司
 Shenzhen YueFeng Investment Co., Ltd.* 深圳市悅峰投資有限公司
 Guangzhou Yaxiang Property Development Co., Ltd.* 廣州市雅翔房地產開發有限公司
 Shenzhen Kaisa International Trade City Co., Ltd.* 深圳市佳兆業國際物聯商貿城有限公司
 Taizhou Kaisa Jiangshan Property Development Co., Ltd.* 泰州佳兆業江山房地產開發有限公司
 Kaisa Property (Shanghai) Co., Ltd.* 佳兆業地產(上海)有限公司
 Wuhan Kaisa Investment Co., Ltd.* 武漢市佳兆業投資有限公司
 Chengdu Dingchengda Property Development Co., Ltd.* 成都市鼎誠達房地產開發有限公司
 Zuobo Management Consulting (Shenzhen) Co., Ltd.* 佳兆業左博置業(深圳)有限公司
 Shanghai Jinwan Zhaoye Property Development Co., Ltd.* 上海金灣兆業房地產開發有限公司
 Shenzhen Kaisa Zhiye Co., Ltd.* 深圳市佳兆業置業有限公司

Jiangyin Binjiangyayuan Property Development Co., Ltd.* 江陰濱江雅園房地產開發有限公司
 Wan Rui Chang Property Development (Suizhong) Co., Ltd.* 萬瑞昌房地產開發(綏中)有限公司
 Chongqing Shenlian Investment Co., Ltd.* 重慶深聯投資有限公司
 Kaisa Guo Cheng Management Consulting (Shenzhen) Co., Ltd.* 佳兆業國承置業(深圳)有限公司
 Kaisa Property (Dandong) Co., Ltd.* 佳兆業地產(丹東)有限公司
 Dalian Huapu Zhiye Co., Ltd.* 大連華普置業有限公司
 Shanghai Jiawan Zhaoye Property Co., Ltd.* 上海嘉灣兆業房地產有限公司
 Kaisa Culture and Sports Investment Development (Shenzhen) Co., Ltd.* 佳兆業文化體育(深圳)有限公司
 Kaisa Xindu Zhiye (Qingdao) Co., Ltd.* 佳兆業新都置業(青島)有限公司
 Kaisa Property (Hangzhou) Co., Ltd.* 佳兆業房地產(杭州)有限公司
 Kaisa Apex Walk Zhiye (Shenzhen) Co., Ltd.* 佳兆業歲行置業(深圳)有限公司
 Chengdu Tianjia Zhiye Co., Ltd.* 成都天佳置業有限公司
 Shenzhen Jiawangji Property Development Co., Ltd.* 深圳市佳旺基房地產開發有限公司
 Shenzhen Baoan Kaisa Zhiye Development Co., Ltd.* 深圳市寶安佳兆業置業發展有限公司
 Shenzhen Xixiang Kaisa Property Development Co., Ltd.* 深圳市西鄉佳兆業房地產開發有限公司
 Guangzhou Jiayu Property Development Co., Ltd.* 廣州市佳宇房地產開發有限公司
 Guangzhou Jiarui Property Development Co., Ltd.* 廣州市佳瑞房地產開發有限公司
 Wuhan Junhui Property Development Co., Ltd.* 武漢市君匯房地產開發有限公司
 Dongguan Yulongshan Property Development Co., Ltd.* 東莞市御龍山房地產開發有限公司
 Shanghai Yingwan Zhaoye Property Development Co., Ltd.* 上海贏灣兆業房地產有限公司
 Shanghai Rongwan Zhaoye Property Development Co., Ltd.* 上海榮灣兆業房地產開發有限公司
 Wan Tai Chang Property Development (Suizhong) Co., Ltd.* 萬泰昌房地產開發(綏中)有限公司
 Hangxiong Property (Hangzhou) Co., Ltd.* 杭溪隆業房地產(杭州)有限公司
 Shenzhen Nanshan Kaisa Zhiye Development Co., Ltd.* 深圳市南山佳兆業置業發展有限公司
 Shanghai Chengwan Zhaoye Property Development Co., Ltd.* 上海誠灣兆業房地產有限公司
 Shenzhen Guanlan Kaisa Zhiye Development Co., Ltd.* 深圳市觀瀾佳兆業置業發展有限公司
 Shenzhen Longgang Kaisa Zhiye Development Co., Ltd.* 深圳市龍崗佳兆業置業發展有限公司
 Shenzhen Dapeng Kaisa Zhiye Development Co., Ltd.* 深圳市大鵬佳兆業置業發展有限公司
 Kaisa (Suizhong) Hotel Service Management Co., Ltd.* 佳兆業(綏中)酒店服務管理有限公司
 Kaisa Property Nanjing Co., Ltd.* 佳兆業地產南京有限公司
 Hunan Daye Property Development Co., Ltd.* 湖南達業房地產開發有限公司
 Chongqing Kaisa Property Development Co., Ltd.* 重慶佳兆業房地產開發有限公司
 Huizhou Kaisa Cinema Management Service Co., Ltd.* 惠州佳兆業影城有限公司
 (Formerly known as “Huizhou Kaishi Cinema Management Service Co., Ltd.”*
 “惠州市凱獅影院管理服務有限公司”)
 Guanzhou Zhaochang Property Development Co., Ltd.* 廣州市兆昌房地產開發有限公司
 Dongguan Detangpu Property Development Co., Ltd.* 東莞市德塘埔房地產開發有限公司
 Dongguan Zhaodeling Property Development Co., Ltd.* 東莞市兆德嶺房地產開發有限公司
 Huidong Kaisa Property Development Limited* 惠東縣佳兆業房地產開發有限公司
 Suzhou Kaisa Property Development Co., Ltd.* 蘇州市佳兆業房地產開發有限公司
 Suzhou Kaisa Shangpin Property Development Co., Ltd.* 蘇州市佳兆業上品房地產開發有限公司
 Chengdu Jincheng Jiaye Property Development Co., Ltd.* 成都錦城佳業房地產開發有限公司
 Kaisa Medicine Investment (Shenzhen) Co., Ltd.* 佳兆業醫療投資(深圳)有限公司
 (Formerly known as “Kaisa Medicine (Shenzhen) Co., Ltd.”* “佳兆業醫藥(深圳)有限公司”)
 Shenzhen Afanti E-Commerce Co., Ltd.* 深圳市阿凡提電子商務有限公司
 Kaisa Technology Industrial (Shenzhen) Co., Ltd.* 佳兆業科技產業(深圳)有限公司
 (Formerly known as “Kaisa Jiecheng Warehousing Equipment (Shenzhen) Co., Ltd.”*
 “佳兆業捷誠倉儲設備(深圳)有限公司”)
 Nanjing Aoxin Property Development Co., Ltd.* 南京奧信房地產開發有限公司
 Kaisa Culture and Sports Development Co., Ltd.* 佳兆業文化體育發展有限公司
 Shanghai Qingwan Zhaoye Property Development Co., Ltd.* 上海青灣兆業房地產開發有限公司
 Wuhan Kaisa Logistics Co., Ltd.* 武漢市佳兆業物流有限公司
 Chengdu Jinxinrui Property Development Co., Ltd.* 成都市錦新瑞房地產開發有限公司

Shenzhen Guanyang Property Development Co., Ltd.* 深圳冠洋房地產有限公司
 Kaisa Tourism Development (Shenzhen) Co., Ltd.* 佳兆業旅遊發展(深圳)有限公司
 Shenzhen Nanling Mingguang Technology Co., Ltd.* 深圳市南嶺明光科技有限公司
 Shenzhen Jieling House Development Co., Ltd.* 深圳市傑領置業發展有限公司
 Foshan Kaisa Cultural Sports Co., Ltd.* 佛山市佳兆業文化體育有限公司
 Huizhou Kaisa Cultural Sports Co., Ltd.* 惠州市佳兆業文化體育有限公司
 Shenzhen Football Club Co., Ltd.* 深圳市足球俱樂部有限公司
 Shenzhen Jieling Information Consulting Co., Ltd.* 深圳市傑領信息諮詢有限公司
 Shenzhen Jiaping City Renewal Co., Ltd.* 深圳市佳坪城市更新有限公司
 Shenzhen Guangming New District Kaisa Investment Consulting Co., Ltd.*
 深圳市光明新區佳兆業投資諮詢有限公司
 Kaisa Sports Industry (Shenzhen) Co., Ltd.* 佳兆業體育產業(深圳)有限公司
 Shenzhen Jiatai Kaisa Urban Renewal Co., Ltd.* 深圳市佳泰佳兆業城市更新有限公司
 Wuhan Haiding Property Co., Ltd.* 武漢市海鼎置業有限責任公司
 Shenzhen Shipping Group Co., Ltd.* 深圳市航運集團有限公司
 Shenzhen Pengxing Shipping Co., Ltd.* 深圳市鵬星船務有限公司
 Shenzhen Airlines General Property Management Co., Ltd.* 深圳市航總物業管理有限公司
 Shenzhen Blue Knight International Travel Co., Ltd.* 深圳市藍騎士國際旅遊有限公司
 Shenzhen Nanao Hotel Co., Ltd.* 深圳市南澳大酒店有限公司
 Shenzhen Qixiang Kaisa Industry Development Co., Ltd.* 深圳市祺祥佳兆業實業發展有限公司
 Shaoxing Hongjia Housing Co., Ltd.* 紹興鴻佳置業有限公司
 Foshan Jingyue Investment Co., Ltd.* 佛山市京粵投資有限公司
 Guangzhou International Toys and Gift City Co., Ltd.* 廣州國際玩具禮品城有限公司
 Zhuhai Jiajun Investment Company Limited* 珠海市佳駿投資有限公司
 Guigang Kaisa Cultural and Sports Co., Ltd.* 貴港市佳兆業文化體育有限公司
 Nantong Kaisa Culture Sports Ltd.* 南通佳兆業文化體育有限公司
 Shanxi Kaisa Real Estate Co., Ltd.* 陝西佳兆業房地產有限公司
 Xinzheng Kaisa Real Estate Development Company Limited* 新鄭市佳兆業房地產開發有限公司
 Hunan Dingchengda Real Estate Development Co., Ltd.* 湖南鼎誠達房地產開發有限公司
 Huidong Jiachang Property Co., Ltd.* 惠東縣佳昌置業有限公司
 Shenzhen Baoli Jianye Investment Co., Ltd.* 深圳市保利建業投資有限公司
 Shenzhen Hangzong Shangbu Gang Company Limited* 深圳市航總上步港務有限公司
 Kaisa Zhenghan Property (Shenzhen) Co., Ltd.* 佳兆業正漢置業(深圳)有限公司

Associates of ultimate holding company

Shenzhen Shenxin Financial Holding Co., Ltd.* 深圳深信金融控股有限公司
 Shenzhen Shenxin Financial Services Co., Ltd.* 深圳深信金融服務有限公司

Joint ventures of fellow subsidiaries

Huizhou Kaileju Company Limited* 惠州市愷樂置業有限公司
 Shenzhen Jiade Travelling Company Limited* 深圳市佳德美奧旅遊開發有限公司

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

(b) Key management compensation

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other short-term employee benefits	1,965	3,031	4,637	2,835	2,924
Retirement scheme contributions	281	312	496	232	221
Share-based payments	—	—	1,199	—	1,241
	<u>2,246</u>	<u>3,343</u>	<u>6,332</u>	<u>3,067</u>	<u>4,386</u>

(c) Transactions with related parties

	Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Provision of property management services						
Fellow subsidiaries of the Group . . .	(i)	29,483	35,796	47,108	18,408	32,284
Provision of pre-delivery and consulting services						
Fellow subsidiaries of the Group . . .	(i)	227,892	235,667	269,509	128,354	153,693
Associate of the ultimate holding company	(i)	—	449	714	397	—
Joint venture of a fellow subsidiary . .	(i)	—	—	6,790	2,160	4,679
Provision of community value-added and smart solution services						
Fellow subsidiaries of the Group . . .	(i)	8,041	20,951	30,467	15,813	17,704
Associate of the ultimate holding company	(i)	—	912	4,100	1,243	323
Joint venture of a fellow subsidiary . .	(i)	—	—	361	341	1,267
Interest income						
Fellow subsidiaries of the Group . . .	(ii)	—	5,081	27,257	14,919	9,072
Rental expenses						
Fellow subsidiaries of the Group . . .	(i)	19,069	25,093	28,499	13,989	24,009
Staff welfare expenses						
Fellow subsidiaries of the Group . . .		296	86	787	—	281
Telecommunication expenses						
Associate of the Group	(iii)	—	679	—	—	—

Notes:

- (i) Property management income, pre-delivery and consulting service income, smart solution services and rental expenses for car parks and office are charged at rates in accordance to respective contracts.
- (ii) Interest income was charged at effective interest rates of, nil 6.175%, 5.679% and 6.366% per annum respectively on amount due from a fellow subsidiary for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018.
- (iii) Certain telecommunication expenses are charged at rates in accordance to respective contracts.

(d) Corporate guarantees to Kaisa Holdings and a fellow subsidiary

As at December 31, 2015 and 2016, the Group and fellow subsidiaries have provided jointly and severally guarantee to the debt and bank facilities granted to Kaisa Holdings's offshore borrowings with aggregate balances of RMB17,724,367,000 and RMB20,252,803,000 respectively. As at December 31, 2017, such guarantee was released.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the Group and fellow subsidiaries have provided corporate guarantees of RMB643,000,000, RMB643,000,000, RMB977,299,000 and nil respectively to secure banking facilities granted to a fellow subsidiary.

Details of the guarantee is set out in note 30.

34. EVENT AFTER THE REPORTING DATE

Apart from the events disclosed elsewhere in this report, the Group had the following significant events after the reporting date:

On November 12, 2018, the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 Shares of a par value of HK\$0.01 each.

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 June 30, 2018.

The information set forth in this appendix does not form part of the accountant's report on the historical financial information of the Group for each of the years ended December 31, 2015, 2016 and 2017 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountant, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus (the "Accountant's Report"), 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 forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018, as if the Global Offering had taken place on June 30, 2018.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group 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 attributable to owners of the Company had the Global Offering been completed as at June 30, 2018 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 as set out in the Accountant's Report, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 5)
Based on the Offer Price of HK\$9.08 per Share	<u>322,858</u>	<u>220,827</u>	<u>543,685</u>	<u>3.88</u>	<u>4.38</u>
Based on the Offer Price of HK\$10.88 per Share	<u>322,858</u>	<u>274,395</u>	<u>597,253</u>	<u>4.27</u>	<u>4.82</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at June 30, 2018 of approximately RMB335,629,000, with adjustments for intangible asset and goodwill as at June 30, 2018 of RMB7,237,000 and RMB5,534,000, respectively.
- (2) The estimated net proceeds from the Global Offering are based on the Global Offering of 35,000,000 Shares of HK\$9.08 and HK\$10.88 per Offer Share, being low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other listing expenses expected to be incurred by the Group subsequent to June 30, 2018 (excluding listing expenses of RMB22.4 million which has been recognised to the profit or loss up to June 30, 2018). Had the declaration of special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share would be reduced to RMB2.97 (equivalent to HK\$3.35) based on a price of HK\$9.08 per Share, and RMB3.35 (equivalent to HK\$3.78) based on a price of HK\$10.88 per Share.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 per Share is calculated based on 140,000,000 Shares, being the number of Shares expected to be in issue immediately following the Capitalization Issue and the Global Offering had it been completed on June 30, 2018. It does not take into account of any Shares that may be issued upon the Over-allotment Option.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2018.
- (5) In connection with the preparation of this unaudited pro forma statement of adjusted combined net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of HK\$1 to RMB0.8858.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountant, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this prospectus.



Grant Thornton
致同

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF KAISA PROPERTY HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kaisa Property Holdings Limited (the "Company") and its subsidiaries (collectively referred to as 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 combined net tangible assets as at June 30, 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated November 26, 2018 (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 Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of shares of the Company on the The Stock Exchange of Hong Kong Limited (the "Global Offering") on the Group's financial position as at June 30, 2018 as if the Global Offering had taken place at June 30, 2018. As part of this process,

information about the Group's financial position as at June 30, 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountant's Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "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 behavior.

The firms apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" 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 accountants plan and perform 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 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 Group 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 event or transaction as at June 30, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountant's understanding of the nature of the Group, 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.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12
28 Hennessy Road
Wanchai
Hong Kong

November 26, 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 13, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “**Memorandum**”) and its Amended and Restated Articles of Association (the “**Articles**”).

1. **MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. **ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on November 12, 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) **Shares**

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders

present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

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 ex-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.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) *Accounts and audit*

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors 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, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

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.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith,

for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from October 27, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct,

or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V 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 Companies Law as an exempted company with limited liability on October 13, 2017. Our Company has established its principal place of business in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 29, 2018. Mr. Lee Lung Piu has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Companies Law and to its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles and relevant aspects of the Cayman Companies Law is set out in Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law to this prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each. Upon its incorporation, one nil-paid ordinary Share of a par value of HK\$0.01 was allotted and issued to an independent third party on October 13, 2017, which was then transferred to Ye Chang Investment on the same date.

On December 19, 2017, our Company acquired 100% of the issued shares in Xie Mao Investment from Ye Chang Investment at a consideration of RMB546,620,632.84, which was determined with reference to the then book value of Xie Mao Investment as of October 30, 2017. The consideration was satisfied by the allotment and issue of one Share, credited as fully paid at par, to Ye Chang Investment on the same date.

For the purpose of the Pre-IPO Investments, 985,998 Shares were allotted and issued at par to Ye Chang Investment on May 7, 2018.

Pursuant to the subscription agreement dated May 4, 2018 entered into between our Company and the Pre-IPO Investors, 9,979 Shares, 1,939 Shares and 2,082 Shares, credited as fully paid at par, were allotted and issued to Ms. Chen Dantong, Ms. Zhang Yinglei and Ms. Chen Yanfang, respectively, on May 8, 2018.

On November 12, 2018, the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 Shares of a par value of HK\$0.01 each.

Immediately following completion of the Global Offering and Capitalization Issue and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK\$1,400,000 divided into 140,000,000 Shares, all fully paid or credited as fully paid, and 360,000,000 Shares will remain unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our principal subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" of this prospectus, there are no changes in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

4. Written resolutions of all the Shareholders passed on November 12, 2018

Pursuant to the written resolutions passed by all of our Shareholders on November 12, 2018, among other matters:

- (a) our Company approved and adopted the amended and restated Memorandum with immediate effect and the Articles of our Company with effect from the Listing Date;
- (b) conditional on (aa) the Listing Committee granting 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; (bb) the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on the date as specified in this prospectus; and (cc) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) 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 (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
 - (i) the authorized share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of a par value of HK\$0.01 each to HK\$5,000,000 divided into 500,000,000 Shares of a par value of HK\$0.01 each by the creation of additional 462,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as of the date of such resolutions;
 - (ii) the Global Offering was approved and our Directors were authorized to (aa) allot and issue the Offer Shares pursuant to the Global Offering; (bb) implement the Global Offering and the listing of Shares on the Stock Exchange; and (cc) do all such things and execute all such documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

- (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK\$1,040,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 104,000,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company 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 and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorized to give effect to such capitalization;
- (iv) subject to the fulfillment of the conditions of the Global Offering, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted or issued (such approval to include authorisation of our Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired), provided that the total number of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, or pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on the Shares, shall not exceed 20% of the total number of Shares. Such mandate will expire at the earliest of:
- (1) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (2) the expiration of the period within which the next annual general meeting is required by the Articles or any applicable law(s) to be held; or
 - (3) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders.

- (v) Subject to the fulfillment of the conditions of the Global Offering, a general unconditional mandate was given to the Directors to exercise all the powers of our Company to make repurchases of Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the total number of Shares in issue as of the Listing Date. Such mandate will expire whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of our Company following the passing of the resolution;
 - (2) the expiration of the period within which the next annual general meeting is required by the Articles or any applicable law(s) to be held; or
 - (3) the revocation or variation of the authority given to our Directors by the passing of an ordinary resolution of the Shareholders; and
- (vi) subject to the fulfillment of the conditions of the Global Offering and the passing of the resolutions referred to in sub-paragraphs (iv) and (v) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (v) by the addition to the total number of our 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 our Shares repurchased by us pursuant to sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of our Shares immediately following the completion of the Global Offering and Capitalization Issue.

5. Reorganization

In preparation for the listing of our Shares on the Stock Exchange, the companies comprising our Group underwent the Reorganization and our Company became the holding company of our Group. For further details with regard to the Reorganization, please see the section headed “History, Reorganization and Corporate Structure” in this prospectus.

6. Buy-back by our Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the buy-back by our Company of its 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 buy-backs 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 the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on November 12, 2018, a general unconditional mandate (the “**Buy-back Mandate**”) was given to our Directors to exercise all powers of our Company to buy-back on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalization Issue but excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, and the Buy-back Mandate shall remain in effect until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) Source of funds

Buy-backs must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not buy-back 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.

Under the Cayman Islands laws, any buy-back(s) by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the buy-back or, if so authorized by the Articles and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorized by the Articles and subject to the provisions of the Cayman Companies Law, out of capital.

(iii) Connected parties

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 buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to buy-back Shares in the market. Such buy-backs 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 buy-backs will benefit our Company and our Shareholders.

(c) *Funding of buy-back*

In buying-back Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

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 Buy-back 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 Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 140,000,000 Shares in issue immediately after the Listing, would result in up to 14,000,000 Shares being bought back by our Company during the period in which the Buy-back Mandate remains in force.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Buy-back 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 Buy-back Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a buy-back of Shares pursuant to the Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a buy-back pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding 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 Buy-back 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 dated June 19, 2017 entered into between Kaisa Property and Kaisa Travel Development Co., Ltd. (佳兆業旅遊開發有限公司) pursuant to which Kaisa Property transferred 100% of the equity interest in Kaisa (Suizhong) Hotel Management Services Co., Ltd. (佳兆業(綏中)酒店服務管理有限公司) to Kaisa Travel Development Co., Ltd. (佳兆業旅遊開發有限公司) at a consideration of RMB500,000;
- (b) an equity transfer agreement dated June 27, 2017 entered into between Kaisa Property and Kaisa Financial Investment (Shenzhen) Co., Ltd. (佳兆業金融投資(深圳)有限公司) pursuant to which Kaisa Property transferred 100% of the equity interest in Kaisa Shenzhen Yin Baobao E-commerce Co., Ltd. (深圳市銀寶寶電子商務有限公司) to Kaisa Financial Investment (Shenzhen) Co., Ltd. (佳兆業金融投資(深圳)有限公司) at a consideration of RMB300,000,000;
- (c) an equity transfer agreement dated July 3, 2017 entered into between Kaisa Property and Kaisa Zhenghan House Purchasing (Shenzhen) Co., Ltd. (佳兆業正漢置業(深圳)有限公司) pursuant to which Kaisa Property transferred 100% of the equity interest in Kaisa Lexiang Commercial Service Co., Ltd. (佳兆業樂享商務服務有限公司) to Kaisa Zhenghan House Purchasing (Shenzhen) Co., Ltd. (佳兆業正漢置業(深圳)有限公司) at a consideration of RMB1.00;
- (d) an equity transfer agreement dated July 7, 2017 entered into between Kaisa Property and Kaisa City Renovation Group (Shenzhen) Co., Ltd. (佳兆業城市更新集團(深圳)有限公司) pursuant to which Kaisa Property transferred 100% of the equity interest in Kaisa Leju Property Development Co., Ltd. (佳兆業樂居物業發展有限公司) to Kaisa City Renovation Group (Shenzhen) Co., Ltd. (佳兆業城市更新集團(深圳)有限公司) at a consideration of RMB50,000,000;
- (e) an equity transfer agreement dated November 16, 2017 entered into among Kaisa Property (Shenzhen), Lin Yiping (林義平), He Chunhua (何春華), Hu Wei (胡煒) and Liu Wangzhi (劉旺枝) and, pursuant to which (1) Lin Yiping (林義平) agreed to transfer 43.5127% of the equity interest in Qijia Technology to Kaisa Property (Shenzhen) at a consideration of RMB3,481,016; (2) He Chunhua (何春華) agreed to transfer 4.4304% of the equity interest in Qijia Technology to Kaisa Property (Shenzhen) at a consideration of RMB354,432; (3) Hu Wei (胡煒) agreed to transfer 9.3144% of the equity interest in Qijia Technology to Kaisa Property (Shenzhen) at a consideration of RMB745,152; and (4) Liu Wangzhi (劉旺枝) agreed to transfer 10% of the equity interest in Qijia Technology to Kaisa Property (Shenzhen) at a consideration of RMB800,000;
- (f) a subscription agreement dated May 4, 2018 entered into between our Company and the Pre-IPO Investors, pursuant to which the Pre-IPO Investors agreed to subscribe for, in aggregate, 14,000 Shares at an aggregate consideration of HK\$7,000,000;
- (g) the Deed of Non-competition;
- (h) the Deed of Indemnity; and
- (i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group



(a) Patent

As of the Latest Practicable Date, we have registered the following utility model patent in the PRC which is material to our business:



No.	Patent Name	Patent Certificate No.	Name of Patentee	Place of Registration	Registration Date
1.	Bluetooth access control (藍牙門禁)	ZL201620557009.7	Qijia Technology	PRC	June 8, 2016

(b) Trademark


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.		15365104	37	Kaisa Property	PRC	October 28, 2015	October 27, 2025
2.		15365193	39	Kaisa Property	PRC	November 14, 2015	November 13, 2025

As of the Latest Practicable Date, our Group was granted a license to use the following trademarks:

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
1.	A  B 	302296413	6, 19, 36, 41, 43, 44	Kaisa Holdings	Hong Kong	June 27, 2012	June 26, 2022
2.	A 佳兆業 B 佳兆業	302296404	6, 19, 36, 37, 41, 42, 43, 44	Kaisa Holdings	Hong Kong	June 27, 2012	June 26, 2022
3.	A kaisa B KAISA	302296396AA	6, 19, 41, 43, 44	Kaisa Holdings	Hong Kong	June 27, 2012	June 26, 2022

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
4.		6056180	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 7, 2010	March 6, 2020
5.		7888381	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 14, 2011	March 13, 2021
6.		12673502	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	October 21, 2014	October 20, 2024
7.	佳兆業	6056678	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	November 14, 2011	November 13, 2021
8.	佳兆業	12673167	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	October 21, 2014	October 20, 2024
9.	kaisa	7915891	36	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 21, 2011	March 20, 2021
10.		6056218	8	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	January 21, 2010	January 20, 2020

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
11		7877861	8	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 28, 2011	March 27, 2021
12		1607656	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	July 21, 2001	July 20, 2021
13		6056179	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 7, 2010	March 6, 2020
14		7888404	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 14, 2011	March 13, 2021
15		12673596	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	October 21, 2014	October 20, 2024
16		6056195	41	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	May 14, 2010	May 13, 2020
17		7893704	41	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	February 21, 2011	February 20, 2021

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
18		6056193	43	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 21, 2010	March 20, 2020
19		7896866	43	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	February 21, 2011	February 20, 2021
20	佳兆业	6056710	8	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	January 21, 2010	January 20, 2020
21	佳兆业	6056679	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 7, 2010	March 6, 2020
22	佳兆业	12673294	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	October 21, 2014	October 20, 2024
23	佳兆业	6056683	41	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	May 14, 2010	May 13, 2020
24	佳兆业	6056685	43	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 21, 2010	March 20, 2020

No.	Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
25	kaisa	7903008	8	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	March 28, 2011	March 27, 2021
26	kaisa	7915911	37	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	January 21, 2014	January 20, 2024
27	kaisa	7915969	41	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	February 28, 2011	February 27, 2021
28	kaisa	7915991	43	Kaisa Group (Shenzhen) Co., Ltd. (佳兆業集團(深圳)有限公司)	PRC	February 28, 2011	February 27, 2021

(c) Software Copyright

As of the Latest Practicable Date, our Group was the registered owner of the following software copyrights:

No.	Software Copyright	Registered Owner	Registration No.	Place of Registration	Date of Registration
1.	Fire detecting and alarming system V1.0* (火災火警監控報警系統V1.0)	Jiake Intelligent	1865656	PRC	June 18, 2017
2.	Intelligent parking management system V1.0* (停車場智慧管理系統V1.0)	Jiake Intelligent	1865640	PRC	June 18, 2017
3.	Security Surveillance Video System V1.0* (安防視頻監控系統V1.0)	Jiake Intelligent	1865630	PRC	June 18, 2017
4.	Access control system V1.0* (門禁控制系統V1.0)	Jiake Intelligent	1865648	PRC	June 18, 2017
5.	Comprehensive building management system V1.0* (樓宇綜合管理系統V1.0)	Jiake Intelligent	1865636	PRC	June 18, 2017
6.	Comprehensive intelligent community management system V1.0* (智慧小區綜合管理系統V1.0)	Jiake Intelligent	1865273	PRC	June 18, 2017
7.	Public area surveillance video system V1.0* (公共場所視頻監控系統V1.0)	Jiake Intelligent	1865283	PRC	June 18, 2017

No.	Software Copyright	Registered Owner	Registration No.	Place of Registration	Date of Registration
8.	Automatic door control system V1.0* (自動門控制系統V1.0)	Jiake Intelligent	1865288	PRC	June 18, 2017
9.	Campus Security Surveillance Video System V1.0* (校園視頻安全監控系統V1.0)	Jiake Intelligent	1871471	PRC	June 19, 2017
10.	Intelligent home alarming system V1.0* (智能家居報警系統 V1.0)	Jiake Intelligent	1871385	PRC	June 19, 2017
11.	Community manager management platform software V1.0* (小區管家管理平臺軟件V1.0)	Qijia Technology	0504491	PRC	December 28, 2012
12.	Master Bo intelligent parking platform (android version) V1.0* (泊大師智能停車平臺(安卓版)V1.0)	Qijia Technology	1384870	PRC	August 4, 2016
13.	Master Bo intelligent parking platform (ios version) V1.0* (泊大師智能停車平臺(蘋果版)V1.0)	Qijia Technology	1384857	PRC	August 4, 2016

(d) 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.	Jzywy.com	Kaisa Property (Shenzhen)	March 20, 2006	March 20, 2021
2.	www.gigahome.cn	Qijia Technology	August 27, 2012	August 27, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts

Our executive Directors' service contracts have a term of three years commencing from the Listing Date and may be terminated by either party by giving not less than three calendar months' notice in writing. In certain other circumstances, the service contract can also be terminated by us, including but not limited to certain breaches of our Directors' obligations under the contract or certain misconducts. The appointments of our executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The salary of each executive Director after each financial year is subject to adjustment as determined by our Company's remuneration committee and approved by a majority of the members of the Board (excluding our Director whose salary is under review).

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date and may be terminated by either party by giving at least three months' notice. The appointments of the independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the letters of appointment, the intended annual director's fee payable to each of our independent non-executive Directors is HK\$180,000.

Save for the above director's fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Directors' remuneration

- (i) For the year ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our Directors were approximately RMB967,000, RMB1,769,000, RMB3,069,000 and RMB2,858,000, respectively.
- (ii) For the three years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, no emoluments had been paid and no benefits in kind had been granted by our Group to our Directors at the time.
- (iii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2018 are expected to be approximately RMB6.3 million.
- (iv) For the year ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, none of our Directors at the time or any past directors of any member of our Group has been paid any sum of money (i) as an inducement to join or upon joining our Group; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director at the time has waived or agreed to any emoluments for the three years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018.

3. Disclosure of Directors' interests

Immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), the interests and/or short positions (as applicable) of our Directors and the chief executive of our Company in our Shares or underlying Shares or debentures of our Company and any interests and/or short positions (as applicable) in the shares or underlying shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) (i) 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 (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed, will be as follow:

Name of Director	Name of associated corporation	Number of shares interested ^(Note 1)	Approximate percentage of interest
Mr. Liao Chuanqiang	Kaisa Holdings	4,000,000	0.07%

Note:

1. Such interest is in the form of share options which have not yet vested as of the Latest Practicable Date.

4. Substantial shareholders

Immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), based on the information available on the Latest Practicable Date, the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately prior to the completion of the Global Offering and the Capitalization Issue ⁽¹⁾		Shares held immediately following the completion of the Global Offering and the Capitalization Issue ⁽¹⁾	
		Number	Percentage	Number	Percentage
Ye Chang Investment ⁽²⁾	Beneficial owner	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	
Rui Jing Investment ⁽²⁾	Interest in controlled corporation	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	
Kaisa Holdings ⁽²⁾	Interest in controlled corporation	986,000	98.6%	103,530,000	73.95%
		Shares (L)		Shares (L)	

Notes:

- (1) The Letter “L” denotes a long position in our Shares.
- (2) Ye Chang Investment is beneficially wholly-owned by Rui Jing Investment, which in turn is beneficially wholly-owned by Kaisa Holdings. By virtue of the SFO, each of Kaisa Holdings and Rui Jing Investment is deemed to be interested in the same number of Shares which Ye Chang Investment is interested in.

5. Disclaimers

- (a) save as disclosed in the paragraph headed “C. Further Information above Our Directors and Substantial Shareholders — 3. Disclosure of Directors’ Interests” in this section, none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV 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 (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or 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, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any of our Directors or chief executive of our Company, no person has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the number of shares carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (c) none of our Directors nor any of the persons listed in the sub-section headed “Qualifications and consents of experts” below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the persons listed in the sub-section headed “Qualifications and consents of experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group;
- (e) none of the persons listed in the sub-section headed “Qualifications and consents of experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save as disclosed in the paragraph headed “C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors’ Service Contracts” in this section, none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) so far as is known to our Directors, none of our Directors or their associates or any shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company (for itself and on behalf of its subsidiaries) (being the contract referred to in paragraph (d) of “B. Further information about our business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim or estate duty to which any member of our Group may be subject and payable on or before the Listing Date and any expenses, costs, fines, penalties or other liabilities which any member of our Group may suffer.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1.6 million for acting as the sponsors for the Listing.

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). 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 US\$7,226 and are payable by our Company.

5. No material adverse change

Our Directors confirm that there has been no material adverse change in our Group's financial or trading position since June 30, 2018 (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 subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present laws of the Cayman Islands, transfers and other disposals of Shares are exempted from Cayman Islands stamp duty so long as our Company does not hold interests in land in the Cayman Islands.

(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 emphasized 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 and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
CLSA Capital Markets Limited	Licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
ABCI Capital Limited.	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Grant Thornton Hong Kong Limited	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
King & Wood Mallesons	Legal advisers to our Company as to the PRC laws
Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its written consent to the issue of this prospectus with copies 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.

9. Binding effect

This prospectus shall have the effect, if 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 (Miscellaneous Provisions) Ordinance so far as applicable.

10. 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.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in the section headed “History, Reorganization and Corporate Structure”, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in our Company or any of our subsidiaries;
- (b) no founder, management or deferred Shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this 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 register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (f) our Directors have been advised that under Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law;
- (g) our Company has no outstanding convertible debt securities or debentures;
- (h) none of the persons whose names are listed in the paragraph headed “8. Qualifications and consents of experts” under this Appendix IV:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group; and
- (i) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

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, amongst other documents, copies of the WHITE, YELLOW, GREEN and BLUE application forms, certified copies of the written consents referred to in “D. Other Information — 8. Qualifications and consents of experts” in Appendix IV to this prospectus, and certified copies of the material contracts referred to in “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 39/F, 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:

- (i) the Memorandum of Association and the Articles of Association;
- (ii) the Accountant’s Report prepared by Grant Thornton Hong Kong Limited, the texts of which are set out in Appendix I to this prospectus;
- (iii) the report from Grant Thornton Hong Kong Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (iv) the audited combined financial statements of our Group for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;
- (v) the legal opinion issued by King & Wood Mallesons, our legal adviser as to PRC law, in respect of certain aspects of the Group;
- (vi) the legal opinion issued by Conyers Dill & Pearman, our legal advisor as to Cayman Islands law, summarizing the constitution of our Company and certain aspects of Cayman Companies Law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus;
- (vii) the Cayman Companies Law;
- (viii) copies of material contracts referred to in “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (ix) the written consents referred to in “D. Other Information — 8. Qualifications and consents of experts” in Appendix IV to this prospectus;
- (x) service contracts or letters of appointment entered into between our Company and each of the Directors (as applicable); and
- (xi) the report issued by Frost & Sullivan.

佳兆業物業集團有限公司
KAISA PROPERTY HOLDINGS LIMITED